Future Technology. ThyssenKrupp

Annual Report 2003_2004

ThyssenKrupp

Innovations are essential for a technology-oriented company. Our annual reports reflect various aspects of ThyssenKrupp's innovativeness. Last time the focus was on the benefits of innovations, this time it's about the opportunities that lie in innovations and technology.

Technology is the driving force of a constantly changing world. Change brings opportunities which ThyssenKrupp is committed to identifying and exploiting by turning ideas into technologies that secure our future.

Future Technology. ThyssenKrupp

Cover picture: Visitors to the Ideas Park at an exhibit by ThyssenKrupp's DOC® surface engineering center

ThyssenKrupp in brief

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

Steel

Steel

Capital Goods

Automotive

Elevator

Technologies

Services

Services

The Group in figures

		2002/2003	**2003/2004**	Change
Continuing operations of the Group				
Order intake	million €	35,105	41,017	5,912
Sales	million €	35,327	39,342	4,015
EBITDA	million €	2,455	3,258	803
EBIT	million €	958	1,798	840
EBT (income from continuing operations before taxes and minority interest)	million €	774	1,580	806
Return on equity (from continuing operations before taxes and minority interest)	%	10.1	19.0	8.9
Earnings per share from continuing operations	€	1.12	1.77	0.65
Employees (Sept. 30)		184,157	184,358	201
Group incl. discontinued operations				
Consolidated net income	million €	552	904	352
Earnings per share	€	1.09	1.81	0.72
Distribution	million €	249	299*	50
Dividend per share	€	0.50	0.60*	0.10
Net cash provided by operating activities	million €	2,027	2,559	532
Capital expenditures	million €	1,604	1,734	130
ROCE	%	7.2	12.0	4.8
EVA	million €	(352)	572	924
Net financial payables	million €	4,235	2,833	– 1,402
Stockholders' equity	million €	7,671	8,327	656
Gearing	%	55.2	34.0	– 21.2

*Proposal to the Annual General Meeting

Note: Accounting at the ThyssenKrupp Group is in accordance with US GAAP. Various major disposals in the 2003/2004 fiscal year have impacted the key indicators (see section on "Economic value added management" and the Notes).

Impressions of 2004. Images from the Ideas Park

The Ideas Park was held by ThyssenKrupp as part of Germany's "Year of Technology 2004". The innovative concept of an interactive experience park fired the interest of a broad public – above all children and young people – in technology and science. We hope that the images from the Ideas Park in this report will convey some of the enthusiasm of the 60,000 visitors. The pictures below divide the sections of this report. More images and a report from the Ideas Park are contained in a section starting on page 100.

Staged by ThyssenKrupp and numerous partners, the Ideas Park was a completely new interactive experience park.
Cover picture

60,000 visitors flocked to the three-day Ideas Park, among them many families with children.
Page 03

Visitors to the Ideas Park were able to explore by touch the properties of various materials.
Page 23

A paper chase encouraged children to explore technology at the Ideas Park.
Page 51

Visitors to the Ideas Park discovered how steel can be used to make cars lighter in the future.
Page 69

Dear Stockholders,

Your ThyssenKrupp stock performed very well in fiscal 2003/2004: the share price rose 36%, clearly outstripping the DAX index by almost 17 percentage points. Earnings per share improved to €1.81 from €1.09 a year earlier, allowing us to propose a €0.10 higher dividend of €0.60 to the Annual General Meeting in January 2005.

What lies behind these figures? They show two things: firstly, that the Group performed solidly in the past fiscal year, and secondly that the capital market is recognizing this performance. To give you a clearer picture of our work, I will concentrate on three key questions: How did ThyssenKrupp perform? What progress have we made in implementing our corporate strategy and what are our plans for the new fiscal year? What are the priority issues for staff and management? I will concentrate here on the key points; further details can be found elsewhere in this annual report.

I would like to start by stating – with a certain degree of pride – that the Group's employees once again gave their best in 2003/2004 and set themselves high standards. We took advantage of the upswing in many of the countries and sectors important to the Group to expand our business. However, we did not simply rely on the economy for help but continued to drive forward our internal performance and efficiency enhancement programs.

How did ThyssenKrupp perform? Orders in the Group rose 17% to €41.0 billion in 2003/2004, and sales were up by an encouraging 11% to €39.3 billion. Earnings before taxes reached €1.58 billion, compared with €774 million a year earlier. These figures relate to the Group's continuing operations and therefore do not include contributions from operations we have already sold – such as Triaton or Krupp Edelstahlprofile. We achieved a further significant improvement in the quality of our earnings in the reporting period which allowed us to meet our medium-term profit goal earlier than expected. We also showed that our target of €1.5 billion EBT was a realistic reflection of our earnings potential – something else we take pride in. The Group's net financial payables were further reduced and stood at €2.8 billion on September 30, 2004 compared with €4.2 billion at the end of the prior fiscal year.

Of course there were also obstacles to be overcome. Although the boom on the international steel market ensured full order books and high workloads at ThyssenKrupp Steel, we were also faced with sharp increases in procurement prices for ores, coal, coke, alloys, energy and freights. Higher steel prices were thus essential to absorb the significant cost rises. However, these were only possible in some areas, as we have longer-term supply agreements with many major customers. So it is wrong to believe that the steel industry is the great beneficiary of the steel boom and can raise its prices virtually at will.

The continuing strength of the euro against other major currencies also had an impact on our business, as 46% of ThyssenKrupp's sales are generated outside the euro zone. For example, the 11% increase in the Group's sales would have been 3 percentage points higher had exchange rates remained constant. On the other hand, the stronger euro helped cushion the effects of increasing raw material prices to a certain extent.

What progress have we made in implementing our corporate strategy? As part of our strategy, we are focusing the Group's activities within our three main areas of business Steel, Capital Goods and Services. The aim of our ongoing portfolio optimization efforts is to achieve a continuous and sustainable increase in the earning power and value of your Company.

In May 2003 we launched the "Divest 33+" program to dispose of more than 30 non-strategic interests. This will allow us to concentrate on our core businesses and create more scope for strategic acquisitions in these areas. In 2003/2004 we acquired companies with sales of €0.6 billion and disposed of others with sales of €1.5 billion. We have made good overall progress with our divestment program: more than 20 entities with total sales of €2.2 billion have already been sold. Since the merger in 1999, we have acquired companies with sales of €5.6 billion and disposed of businesses with sales of €4.8 billion. Major transactions in the reporting period included the acquisition of the Korean elevator group Dongyang and the disposal of the IT service provider Triaton.

Combining the former Materials and Serv segments to form the new Services segment is also yielding results. In its first year, the new segment returned significantly improved profits and provides a platform from which we can pool and expand our expertise in materials and industrial services.

A further element of our corporate strategy is the ThyssenKrupp best improvement and efficiency enhancement program. In 2003/2004 ThyssenKrupp best once again set a brisk pace: the number of projects topped the 3,000 mark, generating greater value-enhancement effects and further improving the transfer of knowledge within the Group. The newly launched sales initiative focuses our work even more closely on the needs of our customers.

What are our strategic plans? We intend to stick to our strategy and will take advantage of the economic upswing to speed its implementation. Through organic growth, strategic acquisitions and an even stronger service focus, the aim is to boost ThyssenKrupp's sales in the medium term to €40 – 46 billion. We are also sticking to our target of €1.5 billion for pre-tax earnings as a measure of our strength in a strong economic environment.The five segments of the Group are implementing their strategic plans step by step:

- ThyssenKrupp already played a key role in the restructuring of the German and European steel industries in the 1990s. There has been further consolidation since then, but with new suppliers coming onto the market the process must go on. ThyssenKrupp Steel will continue to play an active part in this process. Carbon Steel will expand its market position and Stainless Steel will further strengthen its market leadership; both aim to remain international leaders in their fields. To do this we aim to extend our edge in product and process innovation, improve our performance, achieve further organic growth and also enter into strategic partnerships where expedient. For example, we are expanding our presence in China and examining the possibility of building a steel mill in Brazil.
- The Automotive segment is already a technology leader. Most of its products hold top positions. Through organic growth and targeted acquisitions we intend to build on the strong market positions of the Body, Chassis and Powertrain business units, primarily in the growth regions of Asia and Eastern Europe. Growth will be based on strict profitability criteria to avoid dependency on individual customers or models.
- Elevator, the world's third largest elevator manufacturer, is using acquisitions and organic growth to systematically improve its international position. The segment is working hard to extend its service capabilities and thus grow its high-margin service business. The new organizational structure introduced in October 2004 will help improve the efficiency of its marketing efforts and internal control systems.
- The Marine business unit of the Technologies segment has entered into a German shipyards alliance with Howaldtswerke-Deutsche Werft; ThyssenKrupp Marine Systems will start operations shortly. The restructuring and efficiency enhancement programs introduced in other areas of the segment are continuing with a view to concentrating on high-tech products delivering high customer value.

- Services, a leading international supplier of materials and industrial services, is concentrating on its core strengths of Materials Services, Industrial Services and Special Products. The segment's goals are to enhance efficiency, intensify cooperation with other segments and further expand its presence in Eastern Europe and North America.

What was of particular importance for management and staff in 2003/2004? For a technology-oriented company like ThyssenKrupp, innovation is vital. Our ability to innovate ultimately determines the success and future of the Company. That's why we have created a climate in the Group that encourages unconventional thinking and new ideas.

As a clear signal of this intent, both the Company and I personally are involved in actions aimed at raising public acceptance and enthusiasm for technology. One example of this was our Ideas Park, staged in Gelsenkirchen in early September 2004. The focus was on explaining and understanding innovations and on discussions with the people behind them. The event was a resounding success, attracting more than 60,000 visitors including German President Horst Köhler and the Prime Minister of North Rhine-Westphalia Peer Steinbrück as well as numerous customers, employees, partners, interested ThyssenKrupp neighbors and stockholders.

ThyssenKrupp takes this dialogue seriously, and we intend to continue it in the future. We regard this as part of our overall responsibility – to our customers for innovative solutions, to our employees for viable jobs, and to the community, whose prosperity depends to a large extent on the economy.

Our primary responsibility is of course to you, our stockholders. You have invested your capital in ThyssenKrupp and are entitled to an appropriate return. But we want more: We want you to be proud of your Company and to believe in its future. That is what we work toward every day.

Sincerely yours,

Prof. Dr.-Ing. Dr. h.c. Ekkehard D. Schulz, Chairman of the Executive Board
Düsseldorf, November 2004

* 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, 2004.

To our stockholders

60,000 visitors flocked to the three-day Ideas Park, among them many families with children.

To our stockholders

In fall 2004, Euro magazine – published by the Handelsblatt group – bestowed its inaugural Euro Corporate Governance Quality Award on ThyssenKrupp. We have been practicing good corporate governance for many years. The Executive and Supervisory Boards report on key aspects of this in the following section, followed by details of your stock's performance in the reporting period and the return on your investment. We will continue to take a responsible approach to your capital and your trust to ensure you keep faith with us as a stockholder.

Executive Board

from left

Edwin Eichler, Dr.-Ing. Wolfram Mörsdorf,
Ralph Labonte, Prof. Dr.-Ing. Dr. h.c. Ekkehard D. Schulz,
Prof. h.c. (CHN) Dr. Ulrich Middelmann, Dr. Olaf Berlien,
Dr. A. Stefan Kirsten

Executive Board and Supervisory Board

Executive Board

Prof. Dr.-Ing. Dr. h.c. Ekkehard D. Schulz
Chairman, born 1941, Executive Board Member since 1991, appointed until January 19, 2007, responsible for Corporate Senior Executives, Legal, Internal Auditing, Corporate Communications, Strategy, and Executive Affairs

Prof. h.c. (CHN) Dr. Ulrich Middelmann
Vice Chairman, also Executive Board Chairman of ThyssenKrupp Steel AG, born 1945, Executive Board Member since 1992, appointed until March 31, 2008, responsible for the Steel segment and for Corporate Affairs – International, Energy

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, Real Estate and for Corporate Materials Management and Mergers & Acquisitions

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 Elevator and Services segments and for Corporate Information Management

Dr. A. Stefan Kirsten
born 1961, Executive Board Member since 2002, appointed until July 31, 2007, responsible for Corporate Controlling, Finance, Investor Relations, Accounting, Taxes and Customs, and for Insurance Services

Ralph Labonte
born 1953, Executive Board Member since 2003, appointed until December 31, 2007, responsible for Corporate Personnel and Social Policy, and for Administrative Services

Dr.-Ing. Wolfram Mörsdorf
also Executive Board Chairman of ThyssenKrupp Automotive AG, born 1948, Executive Board Member since April 15, 2004, appointed until April 14, 2009, responsible for the Automotive segment and for Corporate Technology

Dr.-Ing. Jürgen Harnisch
left the Executive Board at the close of April 14, 2004

Prof. Dr.-Ing. Eckhard Rohkamm
left the Executive Board at the close of February 21, 2004

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
(since January 23, 2004)
Member of the Executive Committee of the IG Metall trade union

Dieter Schulte, Duisburg
Vice Chairman
(until January 23, 2004)
Former Chairman of the German Trade Union Confederation

Dr. Karl-Hermann Baumann, Munich
Chairman of the Supervisory Board of Siemens AG

Wolfgang Boczek, Bochum
Materials tester
Chairman of the Works Council Union ThyssenKrupp Automotive

Carl-L. von Boehm-Bezing, Bad Soden
Former member of the Executive Board of Deutsche Bank AG

Udo Externbrink, Dortmund
(until January 23, 2004)
Systems programmer
Chairman of the General Works Council of Triaton GmbH

Herbert Funk, Hünxe
(until January 23, 2004)
Senior manager & head of plant management of ThyssenKrupp Stahl AG

As of December 01, 2004

Dr. Klaus Götte, Munich
(until March 31, 2004)
Former Chairman of the Executive Board of MAN AG

Heinrich Hentschel, Emden
(since January 23, 2004)
Technical clerk/Hydrostatics
Member of the Works Council of Nordseewerke GmbH

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
(since January 23, 2004)
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
Secretary General of the European Metalworkers' Trade Union Federation

Dr. Klaus T. Müller, Dortmund
(since January 23, 2004)
Head of the Crude Steel Department at ThyssenKrupp Stahl 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

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

Dr. Kersten von Schenck, Bad Homburg
(since April 01, 2004)
Attorney and notary public

Peter Scherrer, Düsseldorf
Trade union secretary at the Düsseldorf branch of IG Metall

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 Stahl AG and Chairman of the Works Council Union ThyssenKrupp Steel

Ernst-Otto Tetau, Brietlingen
(until January 23, 2004)
Machine fitter
Chairman of the Works Council of Blohm + Voss GmbH and Chairman of the Works Council Union ThyssenKrupp Technologies

Bernhard Walter, Bad Homburg
Former Chairman of the Executive Board of Dresdner Bank AG

Supervisory Board Committees

Executive Committee
Dr. Gerhard Cromme (Chairman)
Bertin Eichler
Dr. Karl-Hermann Baumann
Thomas Schlenz

Mediation Committee under Art. 27 par. 3 Codetermination Act
Dr. Gerhard Cromme (Chairman)
Bertin Eichler
Dr. Karl-Hermann Baumann
Thomas Schlenz

Personnel Committee
Dr. Gerhard Cromme (Chairman)
Bertin Eichler
Dr. Karl-Hermann Baumann
Thomas Schlenz

Audit Committee
Dr. Karl-Hermann Baumann (Chairman)
Dr. Gerhard Cromme
Klaus Ix
Hüseyin Kavvesoglu
Thomas Schlenz
Bernhard Walter

Strategy, Finance and Investment Committee
Dr. Gerhard Cromme (Chairman)
Bertin Eichler
Wolfgang Boczek
Dr. Martin Kohlhaussen
Dr. Heinz Kriwet
Reinhard Kuhlmann
Dr. Mohamad-Mehdi Navab-Motlagh
Wilhelm Segerath

Report by the Supervisory Board

In this report the Supervisory Board gives an account of its activities in the 2003/2004 fiscal year and describes its ongoing dialogue with the Executive Board, the main subjects of discussion 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

In 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. 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. 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.

Five Supervisory Board meetings were held in fiscal 2003/2004. Dr. Klaus Götte was unable to attend three meetings for personal reasons. Between meetings, we were kept informed about projects and plans which were urgent or of particular importance. Where necessary, we passed resolutions by written vote.

Work of the committees

The Supervisory Board has set up a total of five committees which prepare resolutions of the Supervisory Board as well as 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 five 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 also met five times. It dealt mainly with the following issues: the compensation system, the Mid Term Incentive Plan (MTI) and the level of compensation for the Executive Board, security issues, the deductible for the D&O insurance for Executive Board members, the acceptance of external directorships by Executive Board members and agreements between one member of the Supervisory Board and the Company.

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 likewise 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. A further important issue were the parameters and timetable for switching the accounting system at ThyssenKrupp to IFRS. 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 2003/2004, dealt with the Group's strategic development and its corporate and investment plan, and prepared the relevant resolutions for the Supervisory Board.

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

Key areas of discussion 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. At several meetings in fiscal 2003/2004 we dealt with the efficiency review of the Supervisory Board.

The efficiency review of the Supervisory Board was discussed several times.

On the basis of detailed documents, the Supervisory Board approved by written procedure the disposal of the Novoferm group to the Japanese company Sanwa Shutter in October 2003.

In the meeting on December 03, 2003 we focused on the parent-company and consolidated financial statements for the year ended September 30, 2003 and adopted the corporate plan for fiscal 2003/2004. On the basis of detailed reports by the Executive Board we discussed the Group's strategic development and the finance plan against the background of the current rating situation. In the absence of the Executive Board, the Supervisory Board dealt in this meeting with the efficiency review of the Supervisory Board and put forward proposals for further improving the reporting by the Executive Board to the Supervisory Board, for more flexible rules concerning the age limit for Supervisory Board members and for the effects of a major change in a Supervisory Board member's professional activity. All proposals were subsequently implemented.

In the meeting on January 23, 2004 – immediately before the Annual General Meeting – the Executive Board reported on the current situation of the Group. The subsequent discussion focused on the effects of the exchange rate development and the increases in raw material prices and freight rates on the business situation and earnings performance. In addition, the Executive Board reported on the planned disposal of the Triaton group, which the Supervisory Board then approved by written procedure in March after the negotiations were concluded.

In a further Supervisory Board meeting after the Annual General Meeting on January 23, 2004, the Supervisory Board was reconstituted with the newly elected employee representatives, and new committee members were elected. Mr. Bertin Eichler was elected Vice Chairman of the Supervisory Board.

Central to the discussions in the meeting on May 14, 2004 was the Group's strategic development plan. In this context we obtained detailed information on the proposals for the shipyards – the combination of ThyssenKrupp Werften with Howaldtswerke-Deutsche Werft. A further key subject was the development of the Elevator segment, in particular with regard to growth prospects in Asia. In addition, we approved the investment plan for fiscal 2004/2005 and the financing thereof and discussed the effects of the CO_2 tax, in particular on the Steel segment. The Supervisory Board approved the sale of shares in the South American joint venture Galvasud by ThyssenKrupp Stahl to co-shareholder CSN. We also dealt with Executive Board matters.

Following the Executive Board's report on the situation of the Group in the Supervisory Board meeting on August 12, 2004, we discussed in detail the development of the Services segment, the status of the service offensive in the Group and the merger of ThyssenKrupp Werften with Howaldtswerke-Deutsche Werft.

Corporate Governance and Declaration of Conformity

The Executive Board – also on behalf of the Supervisory Board – reports in the following section on pages 13-17 on corporate governance at ThyssenKrupp in accordance with section 3.10 of the German Corporate Governance Code. On October 01, 2004 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 May 21, 2003.

Audit of the financial statements

The Annual General Meeting re-elected KPMG as auditors.

The parent-company financial statements for the period October 01, 2003 to September 30, 2004, 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, in accordance with the resolution of the Annual General Meeting on January 23, 2004 and the subsequent award by the Audit Committee of the Supervisory Board. 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 was income recognition and risk assessment in the valuation of long-term manufacturing orders. The report on this, the other audit reports and 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 18, 2004 and at the meeting of the Supervisory Board on November 30, 2004. 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 us for 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, 2004 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.

Composition of the Supervisory Board and Executive Board

The period of office of the employee representatives in the Supervisory Board of ThyssenKrupp AG expired at the close of the Company's Annual General Meeting on January 23, 2004. By resolution of the delegate conference to elect the employee representatives, Mr. Wolfgang Boczek, Mr. Bertin Eichler, Mr. Heinrich Hentschel, Mr. Klaus Ix, Mr. Hüseyin Kavvesoglu, Mr. Reinhard Kuhlmann, Dr.-Ing. Klaus T. Müller, Mr. Peter Scherrer, Mr. Thomas Schlenz and Mr. Wilhelm Segerath were newly appointed to the Supervisory Board on December 09, 2003. In the constituent Supervisory Board meeting following the Annual General Meeting, Mr. Eichler was appointed Vice Chairman. The new Supervisory Board no longer includes among its members on the employee side Mr. Dieter Schulte, Mr. Udo Externbrink, Mr. Herbert Funk and Mr. Ernst-Otto Tetau. The Supervisory Board thanks them for their constructive cooperation in this body and for their commitment in the interests of the Company and its employees. Our special thanks go to Mr. Schulte, who as Vice Chairman of the Supervisory Board for many years played a major role in the work of our board and previously also in the supervisory board of Fried. Krupp AG Hoesch-Krupp.

The employee representatives on the Supervisory Board were newly elected.

Dr. Götte resigned from the Supervisory Board of ThyssenKrupp AG at the close of March 31, 2004. By court resolution, Dr. Kersten von Schenck was appointed member of the Supervisory Board effective April 01, 2004. We also thank Dr. Götte for his many years of service in the Supervisory Board.

Dr. h.c. Friedel Neuber, member of our Supervisory Board, died on October 23, 2004. Dr. Neuber had been closely linked to the Group for many decades, as he was already involved with the predecessor companies. From 1985 to 1993 he was a member of the supervisory board of Thyssen Stahl AG, from 1989 he served on the supervisory board of Fried. Krupp GmbH and later Fried. Krupp AG Hoesch-Krupp. From the formation of the Company in 1999, the Supervisory Board of ThyssenKrupp AG was able to count on the expert advice of Dr. Neuber. On account of his leading role in the business community of North Rhine-Westphalia, he made a major contribution to the success of the merger of Thyssen and Krupp. We will always honor the memory of Dr. Neuber.

On expiry of their appointments at February 21, 2004 and April 14, 2004, respectively, Executive Board members Prof. Dr.-Ing. Eckhard Rohkamm and Dr.-Ing. Jürgen Harnisch left the Company and entered retirement. We thank them both for their many years of deserving and successful service to the Group. With effect from April 15, 2004 the Supervisory Board appointed Dr.-Ing. Wolfram Mörsdorf as a new member of the Executive Board to succeed Dr.-Ing. Harnisch as representative of the Automotive segment. As from February 22, 2004 Dr. Olaf Berlien assumed responsibility for the Technologies segment as successor to Prof. Dr.-Ing. Rohkamm.

The Supervisory Board thanks the Executive Board, company managements, all employees and the employee representatives for their efforts in the fiscal year.

The Supervisory Board

Dr. Gerhard Cromme
Chairman
Düsseldorf, November 30, 2004

Corporate Governance at ThyssenKrupp

Good and responsible corporate governance is a principle of our corporate culture. ThyssenKrupp complies with all the recommendations of the German Corporate Governance Code in the currently applicable version of May 21, 2003 and follows with one exception all Code suggestions.

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. The Executive and Supervisory Boards work together closely in the interests of the Company and are committed to enhancing the long-term value of the Company.

Unqualified declaration of conformity

On October 01, 2003 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 Government Commission on the German Corporate Governance Code. This unqualified Declaration of Conformity also applied throughout the 2003/2004 fiscal year, as confirmed by the Executive Board and Supervisory Board in their Declaration of Conformity on October 01, 2004.

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. 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 16, 2004.

Internet support for 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. They can exercise their voting rights at the Annual General Meeting 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 23, 2004 could also be issued in advance and during the meeting by electronic media. These facilities will also be available to the stockholders for the next Annual General Meeting on January 21, 2005.

Up-to-date information at www.thyssenkrupp.com

Close cooperation between Executive Board and Supervisory Board

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. The Articles of Association make provision for important business transactions to be subject to Supervisory Board approval. For more details, please turn to the Report by the Supervisory Board on pages 8–12.

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 period of office of the stockholder representatives ends at the close of the Annual General Meeting on January 21, 2005. The Supervisory Board submits an election proposal for the election of the stockholder representatives. In selecting candidates, the aim is to ensure that the Supervisory Board always comprises members who have the requisite knowledge, abilities and professional experience and are sufficiently independent. Other factors taken into consideration are the Group's international business activities, potential conflicts of interest and the age limit for Supervisory Board members specified in the Rules of Procedure.

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. von 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.

Success-based compensation for Executive and Supervisory Boards

Executive Board compensation is subject to clear criteria.

Executive Board compensation comprises a fixed component and a variable component. In addition to their bonus, Executive Board members also receive stock appreciation rights under the Company's Long Term Management Incentive Plan (LTMI) as a variable component of compensation. Another component of Executive Board compensation is a Mid Term Incentive Plan (MTI). 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 Notes to the Consolidated Financial Statements contain details of the LTMI and the TMI on pages 156-157.

In fiscal 2003/2004, compensation for the active Executive Board members totaled €11,443.8K (prior year €7,645.5K), of which €3,982.0K (prior year €4,272.0K) related to fixed salaries and €6,980.6K (prior year €3,373.5K) to bonuses. In addition, the Executive Board members received payments of €481.2K from the 3rd installment of the LTMI. The breakdown by individual Executive Board member is shown in the following table. In addition to these amounts, the Executive Board was granted 420,000 stock appreciation rights under the LTMI and 211,867 stock rights under the MTI. At the end of the respective performance period, 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 amount of compensation payable under the MTI is established at the end of the three-year performance period. At September 30, 2004 the hypothetical maturity of the stock appreciation rights issued in the 4th and 5th installments of the LTMI and the stock rights of the 1st and 2nd installments of the MTI would have provided a cash yield.

Executive Board compensation 2003/2004 in thousand €

	Annual income				Rights		
	Fixed salary	Bonus	Stock appreciation rights paid 3rd installment LTMI	Total	LTMI* stock appreciation rights (4th/5th installments)	MTI** stock rights (1st/2nd installments)	Total
Prof. Dr.-Ing. Dr. h.c. Ekkehard D. Schulz, Chairman	792.0	1,402.5	160.40	2,354.90	561.4	631.6	1.193.0
Prof. h.c. (CHN) Dr. Ulrich Middelmann, Vice Chairman	600.0	1,062.5	100.25	1,762.75	425.3	478.5	903.8
Dr. Olaf Berlien	480.0	850.0	0.00	1,330.00	340.3	382.8	723.1
Edwin Eichler	480.0	850.0	0.00	1,330.00	340.3	382.8	723.1
Dr.-Ing. Jürgen Harnisch (until 04-14-2004)	258.2	457.2	80.20	795.60	340.3	313.9	654.2
Dr. A. Stefan Kirsten	480.0	850.0	0.00	1,330.00	340.3	382.8	723.1
Ralph Labonte	480.0	850.0	40.10	1,370.10	327.8	382.8	710.6
Dr.-Ing. Wolfram Mörsdorf (from 04-15-2004)	221.8	322.0	0.00	543.80	0.0	82.6	82.6
Prof. Dr.-Ing. Eckhard Rohkamm (until 02-21-2004)	190.0	336.4	100.25	626.65	340.3	286.4	626.7
Total	3,982.0	6,980.6	481.20	11,443.80	3,016.0	3,324.2	6,340.2

* LTMI calculation based on the intrinsic value of the 4th installment of €0.50 and of the 5th installment of €13.11
** MTI calculation based on the end-of-period price for ThyssenKrupp stock of €15.69

The amounts payable to individual Executive Board members under the two programs, assuming maturity at the balance sheet date, are also shown in the table above:

In addition, the Executive Board members receive non-cash benefits in the total amount of €826.4 K. They mainly comprise 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 or Supervisory Boards in the year under review.

The members of the Executive Board also received pension plans. The pension of an Executive Board member is based on a percentage of the fixed salary component, the percentage increasing with the term of the Executive Board member's appointment (30% from the start of the first, 50% from the start of the second and 60% from the start of the third term of office). The pension plan is therefore not linked to the development of the variable compensation components.

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

Supervisory Board compensation 2003/2004 in €

	Fixed compensation	Bonus	Compensation for committee work	Total
Dr. Gerhard Cromme, Chairman	48,000	120,000	56,000	224,000
Bertin Eichler, Vice Chairman (from 01-23-2004)	22,033	55,082	28,918	104,426*
Dieter Schulte, Vice Chairman (until 01-23-2004)	10,055	25,136	13,197	48,388
Dr. Karl-Hermann Baumann	16,000	40,000	56,000	112,000
Wolfgang Boczek	16,000	40,000	14,000	70,000
Carl-L. von Boehm-Bezing	16,000	40,000	–	56,000
Udo Externbrink (until 01-23-2004)	5,028	12,568	4,399	21,995
Herbert Funk (until 01-23-2004)	5,028	12,568	–	17,596
Dr. Klaus Götte (until 03-31-2004)	8,000	20,000	–	22,400*
Heinrich Hentschel (from 01-23-2004)	11,016	27,541	–	38,557
Klaus Ix	16,000	40,000	14,000	70,000
Hüseyin Kavvesoglu (from 01-23-2004)	11,016	27,541	9,639	48,196
Dr. Martin Kohlhaussen	16,000	40,000	14,000	62,534*
Dr. Heinz Kriwet	16,000	40,000	14,000	70,000
Reinhard Kuhlmann	16,000	40,000	9,639	61,906*
Dr.-Ing. Klaus T. Müller (from 01-23-2004)	11,016	27,541	–	38,557
Dr. Mohamad-Mehdi Navab-Motlagh	16,000	40,000	14,000	70,000
Dr. Friedel Neuber (died 10-23-2004)	16,000	40,000	–	56,000
Dr. Kersten von Schenck (from 04-01-2004)	8,000	20,000	–	28,000
Peter Scherrer	16,000	40,000	–	56,000
Thomas Schlenz	16,000	40,000	42,038	98,038
Dr. Henning Schulte-Noelle	16,000	40,000	–	56,000
Wilhelm Segerath	16,000	40,000	14,000	70,000
Ernst-Otto Tetau (until 01-23-2004)	5,028	12,568	4,399	21,995
Bernhard Walter	16,000	40,000	14,000	70,000
Total	**368,220**	**920,545**	**322,229**	**1,592,588***

* including deductions made under Art. 14 par. 3 Articles of Association

Supervisory Board compensation is regulated by the Articles of Association.

Under Art. 14 of the Articles of Association, 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 which resolves on discharging the Supervisory Board from responsibility for the fiscal year ending on September 30, 2005.

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

For fiscal year 2003/2004, the members of the Supervisory Board will receive total compensation of €1,592,588 (prior year €1,356,482) based on the proposed dividend of €0.60 per share. The individual Supervisory Board members receive the amounts listed in the table above:

Members of the ThyssenKrupp AG Supervisory Board received compensation of €184,238 in fiscal 2003/2004 for supervisory board directorships at Group subsidiaries. Beyond this, with one exception, they 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. von Schenck, received a total of €77,496 for consultancy services for subsidiaries of the ThyssenKrupp Group in the past fiscal year.

Responsible 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. For more details, please turn to the chapter on "Risk Management" on pages 120-124.

ThyssenKrupp carries out systematic risk management.

Continuous improvement in transparency

We attach great importance in our corporate communications to ensuring 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 stock exchange (ad hoc) announcements made by ThyssenKrupp AG are posted online. The Company's Articles of Association and the Rules of Procedure for the Executive Board, Supervisory Board and the Audit Committee can also be viewed on our website. Details of how ThyssenKrupp is implementing the recommendations and suggestions of the German Corporate Governance Code are also available online. 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 (Wertpapierhandelsgesetz), the members of the Executive and Supervisory Boards are obligated to disclose the purchase and sale of ThyssenKrupp shares. At September 30, 2004 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, 2004.

The other directorships held by Executive and Supervisory Board members are listed on pages 186-189. Details of related party transactions are given in the Notes to the Consolidated Financial Statements on page 173.

Auditing by KPMG

It was 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.

ThyssenKrupp stock

Climbing more than 36% ThyssenKrupp's stock performed significantly better in fiscal 2003/2004 than the DAX and DJ STOXX indices, which gained just under 20% and 18%, respectively. This section contains information on the stock's performance, our stockholder structure and our investor relations activities.

Key data of ThyssenKrupp stock

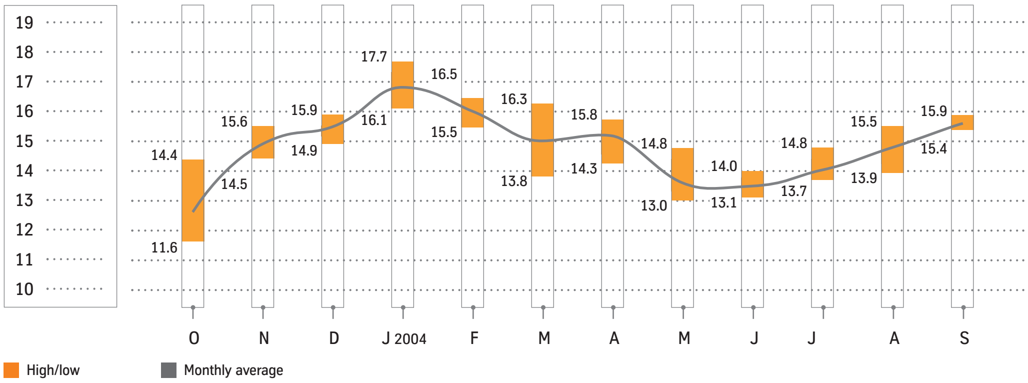
		2001/2002	2002/2003	2003/2004
Capital stock	million €	1,317	1,317	1,317
Number of shares (total)	million shares	514.5	514.5	514.5
Stock exchange value end September	million €	5,762	5,927	8,072
Closing price end September	€	11.20	11.52	15.69
High	€	18.50	13.62	17.67
Low	€	10.87	7.01	11.55
Dividend	€	0.40	0.50	0.60 *
Dividend total	million €	206	249	299 *
Dividend yield	%	3.6	4.3	3.8
EPS	€	0.42	1.09	1.81
EPS from continuing operations	€	1.12	1.12	1.77
Number of shares **	million shares	514.5	507.7	498.0
Trading volume (daily average)	million shares	2.0	2.8	2.5

* proposal to Annual General Meeting
** weighted average of outstanding shares

Encouraging share price performance

In the year under review ThyssenKrupp's stock benefited from both the general brightening of the economic climate and the major improvement on the world steel markets. These parameters and the systematic implementation of our strategy together with the improvement in our operating performance were reflected in a significant increase in the ThyssenKrupp share price. ThyssenKrupp's stock easily

Highs and lows of the ThyssenKrupp stock in €



outperformed the DAX and DJ STOXX reference indices. At September 30, 2004 the share price closed at €15.69, 36.2% higher than a year earlier. In the same period the DAX gained 19.5% and the DJ STOXX 17.8%. Further details of the share price performance are shown in the charts in this section.

The market capitalization improved against the previous year by more than €2 billion to around €8 billion.

Market capitalization of ThyssenKrupp AG in million €

03-25-1999 Initial quotation	9,338
01-05-2000 All-time high	17,287
09-29-2000	7,918
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

Performance of ThyssenKrupp stock in comparison indexed, Sept. 30, 2003 to Sept. 30, 2004, in %

ThyssenKrupp stock master data

		Securities identification number
Stock exchange		
Germany	Frankfurt (Prime Standard), Düsseldorf	DE 000 750 0001
United Kingdom	London Stock Exchange	5636927
Symbols		
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. In fiscal year 2003/2004 some 652 million ThyssenKrupp shares were traded on the German stock exchanges including the Xetra trading system. Against the previous year the trading volume decreased slightly. The average daily volume was 2.5 million shares. Trading in ThyssenKrupp stock accounts for over 1.2% of the total DAX trading volume.

ThyssenKrupp stock is included in major indices

The inclusion of ThyssenKrupp stock in major indices significantly raises its profile with institutional investors. In addition to the German DAX index of leading shares, ThyssenKrupp stock is also included in the corresponding sector indices. At European level the stock is included in the broad DJ STOXX and DJ EURO STOXX indices as well as 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.

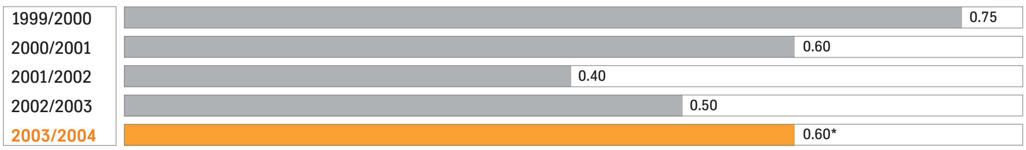
Earnings per share €1.81

Earnings per share (EPS) is calculated by dividing the Group's net income by the weighted average of outstanding shares. In fiscal year 2003/2004, taking into account the volume of treasury stock, the number of shares outstanding averaged 498.0 million. On this basis, EPS was €1.81.

Dividend proposal of €0.60 per share

A proposal will be submitted to the Annual General Meeting on January 21, 2005 to approve payment of a dividend in the amount of €0.60 per share. Based on the stock price of €15.69 on September 30, 2004 the dividend yield is 3.8%. The payout ratio is 99% of the net income of ThyssenKrupp AG and 33% of consolidated net income.

ThyssenKrupp AG dividend payment in €



* Proposal to the Annual General Meeting

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.

Great interest in 2004 employee share program

Value-oriented thinking must not be the preserve of management because ultimately all employees contribute to the success of the Company and enhance its value. Employees should therefore also have the opportunity to participate in this success. That is the purpose of employee shares.

The Group's second employee share program met with a positive response: with almost 47,000 entitled employees in Germany subscribing, the participation rate was 51% compared with 48% for the first program in 2001.

The share issue was based on the 50/50 model pursuant to Art. 19a of the Income Tax Law: employees received a company allowance free of tax and social security contributions in the same amount as their own investment. They could choose between a large share package worth up to €270 (employee contribution up to €135) and a small package worth up to €150 (employee contribution up to €75).

The share price which determined the number of shares per package was established at €15.60 on March 01, 2004. Accordingly, the large package comprised 17 shares (worth €265.20) and the small package 9 shares (worth €140.40). A total of 790,498 shares were transferred to the employees' securities accounts. These shares were taken from treasury stock.

Stable stockholder structure

Following the surveys in 2003 and 2001, ThyssenKrupp conducted a further analysis of its stockholder structure at the end of the fiscal year. These surveys are conducted to allow us to address investors more directly and intensify our dialog with them.

As in the year before, private investors held 20% and institutional investors and investors with major holdings held 80% of the Company's capital stock. Around 80% of stockholders are resident in Germany; the remaining 20% of the capital stock is held by foreign investors.

Private investors continue to hold 20% of the capital stock.

There were only minor regional shifts. Compared with the previous year, the share of German institutional investors decreased slightly. The share of investors on the European continent and in North America remained virtually unchanged, while the share of investors in the United Kingdom and Asia increased slightly in each case.

Accordingly, we will continue to make intensive efforts to serve investors from the regions of importance to ThyssenKrupp – North America (5.4% of the capital stock), United Kingdom (4%), Switzerland (2%), Sweden (1.5%) and France (1%). At the same time we will increase and strengthen contacts with investors in all regions of the world.

The largest stockholder is the Alfried Krupp von Bohlen und Halbach Foundation, Essen, which notified us that it holds 20% of the voting rights in ThyssenKrupp AG. The Fritz Thyssen Foundation holds 4.96% of the voting rights.

ThyssenKrupp AG also holds treasury shares in the amount of 3.14% of the capital stock (16,130,745 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 80% of the capital stock.

Investor relations further improved

Our IR work won several awards.

ThyssenKrupp won recognition from several quarters in the reporting period for the high standard of its communications with all capital market participants. In the blue chip category of the "Beste Investor Relations Deutschland" competition, ThyssenKrupp climbed from third place a year earlier to second place in the reporting period. We have also steadily risen in the rankings of Capital magazine's investor relations award, this year winning third prize in a very close run competition. Last but not least, the international magazine "Institutional Investor" awarded ThyssenKrupp's investor relations team first prize in the "Most improved IR" category.

These awards are both an acknowledgement of our dialogue with investors and an incentive to further optimize our communications instruments and enhance our investor relations work.

In fiscal year 2003/2004 we further increased our presence in the key financial centers. ThyssenKrupp presented itself to institutional investors on more than 40 roadshow days. The aim was both to intensify contacts of many years' standing and to establish new ones. In the reporting period we visited investors in Austria and Italy for the first time.

On the basis of this year's stockholder survey we will actively target new groups of investors for ThyssenKrupp in the future. To this end we will increasingly visit investor conferences. In fiscal year 2003/2004 we took part in 15 conferences in Germany and abroad and presented ThyssenKrupp to both institutional and private investors.

A key instrument in our communications with investors – especially private investors – is the ThyssenKrupp website, which we will continue to expand. All presentations and publications are already available online and for downloading. In addition, analysts' and investors' meetings, conference calls, the Annual Press Conference and Annual General Meeting are transmitted live on the Investor Relations section of the website. Our Investor Relations team can also be contacted in person whenever they are needed.

Business performance

Visitors to the Ideas Park were able to explore by touch the properties of various materials.

Business performance

ThyssenKrupp achieved earnings of €1.58 billion in fiscal 2003/2004, its best performance since the merger in 1999; a year earlier, pre-tax income was €774 million. There was double-digit growth in both orders and sales: order intake rose by 17% to €41.0 billion and sales by 11% to €39.3 billion. Our proposal to the Annual General Meeting – and thus to you, our stockholders – will be for a €0.10 higher dividend of €0.60 per share. Our strong income situation and the continued reduction of our financial debt will strengthen the Group to meet the challenges of the future – for our stockholders, our customers and our employees.

Course of business in 2003/2004

The economic parameters in fiscal 2003/2004 were predominantly favorable. Supported by dynamic growth in Asia and North America the world economy improved markedly, which impacted positively on ThyssenKrupp's performance. Order intake from continuing operations increased by 17% to €41.0 billion and sales by 11% to €39.3 billion. Without the appreciation of the euro against major currencies these increases would have been even higher.

Dynamic world economy

The global upswing gathered strength in 2004, although raw materials and energy became more expensive. Particularly in the first half of the year world economic growth increased strongly. According to current estimates, world GDP increased by 4.7% and world trade by 9.0% in 2004.

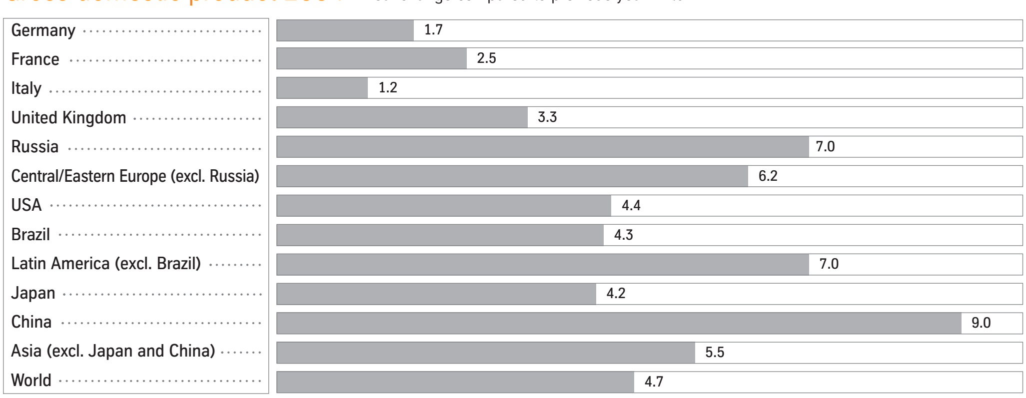
World GDP increased by 4.7%.

The improvement in the world economy was driven by the dynamic performance of North America and Asia. The high growth in the USA was due mainly to business spending, while private consumption grew at a more moderate rate partly as a result of slightly higher interest rates. The Japanese economy expanded more strongly than expected, profiting above all from high demand from the USA and Asia. The Asian emerging markets continued their expansion in 2004. The Chinese economy continues to grow at a high rate despite a now tighter economic policy.

Latin America overcame several years of stagnation and returned to the growth track in 2004, favored by currency depreciations and high exports. The countries of Central and Eastern Europe also showed above-average increases in economic output in 2004.

The euro zone is lagging behind the rest of the world economy. Although exports increased in the wake of the global economic recovery, there was a lack of impetus from domestic demand. According to initial estimates the economy of the euro zone grew by 2% in 2004. Similar growth is also forecast for Germany, where stagnating private consumption and slow business spending dampened the economy. The only bright point in 2004 were exports, which again rose strongly despite the appreciation of the euro.

Gross domestic product 2004* Real change compared to previous year in %



* Estimate

World crude steel production exceeded one billion tons.

Different trends on individual sales markets

In the sectors of importance to ThyssenKrupp – the graphic on the next page shows an analysis of Group sales by major customer groups – the market situation was very mixed.

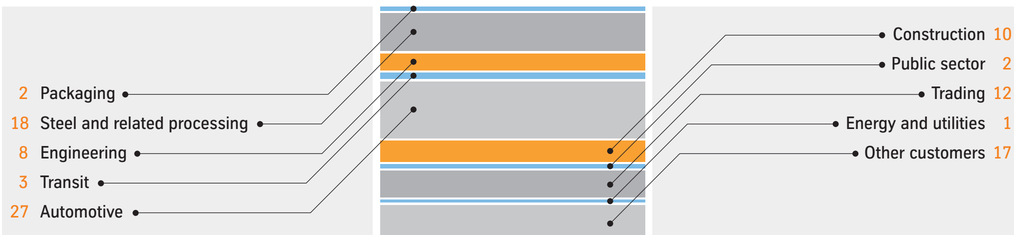
The international steel market experienced a major boom. According to initial estimates, world crude steel production grew by 8% to pass the billion ton mark for the first time in 2004. China, which increased its share of world steel production to 25%, played a major role in this with production growth of over 21%. Other countries also increased their output by a total of around 4%. China's expanding steel and starting material requirements led to supply bottlenecks worldwide and large price increases for raw materials, freight rates and steel products.

Scarce supplies and high order backlogs also dominated the picture on the Western European steel market. After declining in the previous year, steel consumption increased again in 2004. Crude steel production in the EU (15) rose by 5% to 169 million metric tons despite temporary bottlenecks in raw material supplies; nevertheless the volumes on offer were not enough in all cases to meet customers' rising requirements. The German steel industry, operating at high levels of capacity utilization, increased its output by just under 4% to around 46.5 million tons.

The carbon flat steel market in Western Europe was characterized by demand overhangs, even though shipments by European manufacturers increased significantly. Imports from non-EU countries were down from the previous year owing to higher steel prices and robust demand in other regions – above all in the first half of 2004 – and were therefore unable to close the supply gap. Starting from the fourth quarter 2003 steel prices were raised in stages at the beginning of each quarter. The price hikes were necessary to pass on drastic increases on the cost side, which were partially cushioned by the appreciation of the euro. Nevertheless, price levels in Europe remained much lower than on the North American flat steel market where extremely lively demand met with inadequate supply. In Asia, markets and prices weakened slightly beginning in the spring; this increased the regional price differences and resulted in steel trade flows being diverted first to the USA and, from mid-2004, increasingly also to Western Europe.

The stainless steel market also profited from the recovery of the world economy. According to estimates, production of stainless steel reached a record level of more than 24 million metric tons in 2004. The global market for cold rolled flat products also increased by 6% to a new record level of 13.1 million tons. In Western Europe, demand improved significantly at the beginning of the year, enabling an increase in base prices in the middle of the fiscal year. Starting May 2004, the massive price increases for unalloyed scrap were passed on to customers via a scrap surcharge. Despite weaker orders in the summer months and increasing imports from non-EU countries, the market remained largely robust due to steady demand from major end users. On the North American market, demand for stainless steel increased significantly. This, together with a number of consolidations on the supply side, allowed several base price increases to be made. In Asia and particularly China the market was much more difficult. Although demand grew at an above-average rate, destocking of excess inventories by producers and distributors had a dampening effect from spring 2004. Together with new cold-rolled capacities coming on stream, this resulted in pressure on the already lower prices on the Chinese market. The lack of alloy surcharges as a price component made the situation worse. Traditional stainless imports to China decreased significantly.

Sales by customer group 2003/2004 in %



The international auto market showed slight growth. According to current estimates, more than 63 million vehicles were produced in 2004, 4% more than in 2003. However, there were considerable regional differences between the traditional and new production centers.

After declining in 2003, auto production in the NAFTA region increased by 1.7% to 16.5 million vehicles in 2004. Lower passenger car volumes were more than offset by increased production of light trucks such as minivans and sport utility vehicles as well as heavy trucks. The auto market in South America also improved. According to estimates, vehicle production in the Mercosur countries increased by 10% to just under 2.2 million units in 2004.

There was also significant growth in Asia and in Central and Eastern Europe. While Japanese production was only slightly higher than a year earlier at 10.5 million vehicles, other Asian manufacturers expanded their output by 14% to 12 million vehicles. China built 5.2 million units in 2004, 14% more than a year earlier. The countries of Central and Eastern Europe including Russia also increased their volumes by over 15% to almost 3.2 million cars and trucks.

In Western Europe, auto production was slightly higher than in 2003 at an estimated 16.8 million vehicles. Manufacturers in Germany increased their output to just under 5.6 million units, but only thanks to higher exports; new registrations on the domestic market declined.

German auto production increased to 5.6 million vehicles.

The improvement in the world economy also had a positive impact on the capital goods industry. German machinery manufacturers recorded high orders both from the domestic market and particularly from abroad, leading to a 5% increase in production in 2004. Engineering output also increased in the USA and other major countries. Machine tool production showed particularly high growth rates. Strong domestic demand resulted in a 10% increase in US production in 2004. German machine tool output expanded by 5%.

Construction activity in Germany remained weak. The depressed order situation resulted in another slight fall in construction output in 2004. In the USA, by contrast, construction activity increased despite high vacancy rates. The construction industry in many Central and Eastern European countries as well as in Asia remained favorable.

Strong rise in business for ThyssenKrupp

ThyssenKrupp in figures

		2002/2003	2003/2004
Order intake	million €	35,105	41,017
Sales	million €	35,327	39,342
EBITDA	million €	2,455	3,258
Income*	million €	774	1,580
Employees (Sept. 30)		184,157	184,358

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

Sales by segment million €

	2002/2003	2003/2004
Steel	11,664	13,700
Automotive	6,295	7,312
Elevator	3,365	3,568
Technologies	5,382	5,092
Services	10,603	11,887
Real Estate	345	337
Corporate	26	28
Segment sales	**37,680**	**41,924**
Inter-segment sales	(2,353)	(2,582)
Sales of continuing operations	**35,327**	**39,342**

	2002/2003	2003/2004
Steel	352	426
Services	647	409
Segment sales	**999**	**835**
Inter-segment sales	(189)	(121)
Sales of discontinued operations	**810**	**714**

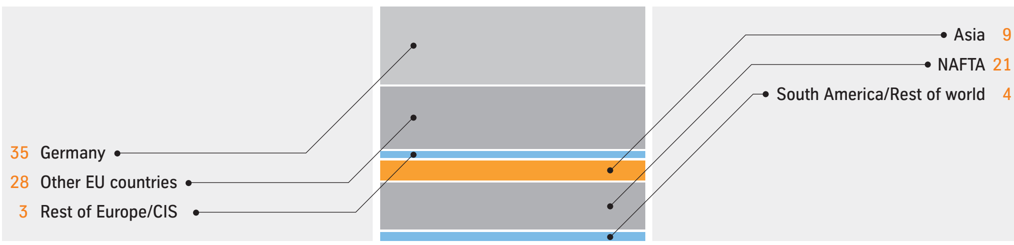
Order intake and sales improved substantially.

ThyssenKrupp performed successfully in fiscal 2003/2004. Key indicators improved significantly as shown by the tables above. Order intake and sales expanded considerably despite continuing negative exchange rate effects.

A number of significant operations were divested in fiscal 2003/2004 as part of the ongoing portfolio streamlining program. To allow comparability between the periods, the following statements regarding order intake, sales, earnings and employees apply only to continuing operations unless otherwise stated.

Order intake from continuing operations increased by 17% to €41.0 billion in 2003/2004. The Steel, Automotive and Technologies segments in particular recorded high growth rates. Excluding the effects of the rise in the euro against the US dollar, the Group's order intake would have increased by 20%. New orders at the discontinued operations reached €751 million in the reporting period.

Sales by region 2003/2004 in %



Sales from continuing operations increased by 11% to €39.3 billion. The main growth was in the Steel, Automotive and Services segments. If the euro-US dollar exchange rate had remained unchanged, Group sales would have been 14% higher. The discontinued operations achieved sales of €714 million in 2003/2004.

The main sales regions besides the German market were the rest of the EU and the NAFTA region; the graphic above shows an overview. Sales to customers outside Germany reached €25.8 billion in the reporting the year, or 65% of total Group sales. One of the fastest-growing sales regions was China. Sales to customers in China reached over €1.1 billion in 2003/2004.

Steel: Very good sales performance

Sales million €

	2002/2003	2003/2004
Carbon Steel	7,161	8,301
Stainless Steel	3,957	4,990
Special Materials	1,150	962
Total	12,268	14,253
Consolidation	(604)	(553)
Steel	**11,664**	**13,700**

All figures relate to continuing operations.

The Steel segment profited from extremely high demand growth on the world steel market in 2003/2004. Order intake increased by 24% to €14.3 billion. Sales rose by 17% to €13.7 billion. In both cases this was due to higher volumes and – to a lesser extent – improved revenues. The increased steel prices only showed up in average revenues with a time lag as we have longer-term agreements with most of our important customer groups. The discontinued operations achieved order intake of €509 million and sales of €426 million.

Steel profited from high demand on the world market.

Crude steel production at ThyssenKrupp Steel was 17.2 million metric tons, 3% higher than a year earlier; both Carbon Steel and Stainless Steel increased their output. Although the core facilities were working at their capacity limits, over large periods this was not enough to fill customer requirements. To meet the high demand, we reduced our inventories of work in process and finished goods and purchased slabs from other steel companies.

The Carbon Steel business unit increased its sales by 16% to €8.3 billion. The rise was partly due to the inclusion of the non-grain-oriented electrical steel business and companies from the Services segment. Apart from that, the increase in sales at ThyssenKrupp Stahl was mainly due to higher volumes and also to higher revenues, the latter mainly in the second half of the reporting period. We were able to significantly increase prices in several steps for spot and quarterly deals. Given the high proportion of longer-term agreements, average revenues in the full fiscal year were ultimately around 6% higher than a year earlier. Shipments increased both inside and particularly outside Germany. Sales of our hot-dip coated products were again very positive. Sales of tinplate, medium-wide strip and tailored blanks were also encouraging, as was the performance of our European steel service centers. The only decrease in sales was at ThyssenKrupp Steel North America due to exchange rate factors and a shortage of starting materials.

Stainless Steel increased its sales by 26% to €5.0 billion. Although European production of stainless flat products was seriously disrupted by strikes in the second fiscal quarter, sales volumes were distinctly higher than a year earlier. Revenues were boosted by the huge rises in raw material prices. These caused increased costs, above all for nickel, chromium, molybdenum and scrap, which were passed on to the market with a time lag via the alloy surcharge and, from March in the NAFTA region and from May in Europe, an additional scrap surcharge. In addition, the high demand enabled us to push through base price increases on the European market. The favorable market environment in North America, which also permitted base price rises, mainly benefited our Mexican subsidiary ThyssenKrupp Mexinox. After declining sharply in previous years, demand for nickel-base alloys improved slightly, leading to an increase in sales.

The Special Materials business unit achieved sales of €1.0 billion, 16% down from a year earlier. The decline at the continuing operations was mainly structural: in the reporting year the non-grain-oriented electrical steel business was integrated into the Carbon Steel business unit and the remaining grain-oriented business suffered declining sales for market reasons. Sales of the tool steel specialist Edelstahl Witten-Krefeld increased significantly in a favorable market environment. In addition, foreign distribution companies from the Services segment were allocated to the business unit.

Automotive: Growth in systems business

Sales million €

	2002/2003	2003/2004
Chassis	2,764	3,049
Body	1,685	1,889
Powertrain	1,877	2,412
Total	6,326	7,350
Consolidation	(31)	(38)
Automotive	**6,295**	**7,312**

The international auto market improved slightly in the reporting period. Automotive increased its sales by 16% to €7.3 billion. This was mainly due to significant growth in the systems business, higher volumes at the North American foundries, the inclusion of new companies and the establishment of two joint ventures in China. The improvement in international demand for truck crankshafts and the growing proportion of diesels in the vehicle market also contributed to the increase in business volume. These positive factors outweighed the negative influences – declining sales volumes at the stamping plants and at Plastics in North America, disposals of operations and negative exchange rate effects. If the euro-US dollar exchange rate had remained unchanged, sales would have increased by 22% against the previous year.

Automotive sales rose by 16%.

In the Chassis business unit, sales were significantly higher than a year earlier. The main positive factor here was growth in the systems business. A new assembly plant for complete front and rear axles started operation in Leipzig and further new plants began production in Mexico and the USA. In addition, there was both volume and price growth at the North American foundries. Sales also benefited from the start of production of a new van model, components for which are supplied by six Automotive companies. Further contributory factors were higher leaf and coil spring volumes and expanded after-market business at ThyssenKrupp Bilstein. By contrast, the North American stamping plants reported lower sales for exchange-rate reasons.

The Body business unit also recorded a pleasing rise in sales in fiscal 2003/2004, part of which was due to the first full-year contribution of ThyssenKrupp Sofedit. Increased demand from Japanese transplants in the USA also had a positive impact. Sales of the European companies increased mainly due to strong demand in the truck sector and numerous new orders from German and Japanese car manufacturers. The North American stamping plants, on the other hand, reported lower orders in some cases. In addition, the discontinuation of prototype business at Milford, declining tooling sales and reduced demand for plastic products led to lower sales in the USA.

The largest increase in sales in the Automotive segment in fiscal 2003/2004 was reported by the Powertrain business unit, which included ThyssenKrupp Presta SteerTec as from December 01, 2003. The increase was due partly to the trend towards diesel vehicles and partly to business in crankshafts. Alongside continuing high demand for passenger car crankshafts, demand for truck crankshafts improved significantly both in Europe and the NAFTA region. Other positive factors were a strong improvement in Brazilian export products, the start of production of steering systems for a new model platform, increased demand for camshafts, and various new program launches and ramp-ups for example in the transmission and axle components and aluminum castings businesses.

Elevator: Market position in Asia strengthened

Sales million €

	2002/2003	2003/2004
Germany/Austria/Switzerland	603	613
France/Benelux	394	416
Spain/Portugal/Latin America	529	550
North America/Australia	1,438	1,295
Other Countries	361	641
Passenger Boarding Bridges	77	82
Accessibility	108	119
Total	**3,510**	3,716
Consolidation	(145)	(148)
Elevator	**3,365**	**3,568**

Market position in Asia significantly strengthened.

In the Elevator segment, demand for new installations remained weak and new orders were subject to strong price competition. In the service and modernization businesses, on the other hand, we continued our growth course. Significant factors in this were intensified marketing efforts and acquisitions on the Triad markets. The largest new acquisition was ThyssenKrupp Dongyang Elevator in Korea which significantly strengthens our market position in Asia. Despite substantial negative exchange-rate effects, the segment's order intake and sales were higher than a year earlier. Order intake increased by 12% to €3.8 billion, while sales rose by 6% to €3.6 billion. If the euro had remained unchanged against the US dollar, order intake and sales would have been 16% and 10% higher than a year earlier.

The Germany/Austria/Switzerland business unit achieved growth in both order intake and sales. The Austrian and Swiss companies in particular significantly increased their volume of business. In Germany, we solidified our market position despite stiff price competition.

In the France/Benelux business unit, order intake and sales showed pleasing growth. Although the French service and sales network was impacted by the ongoing restructuring process, business in France was positive, as it was in the Netherlands. In particular exports of new installations were increased.

Orders received by the Spain/Portugal/Latin America business unit were significantly up from the already high prior-year level. The largest increases were achieved in Latin America. Sales also performed positively. Both order intake and sales benefited from the receipt/billing of major orders and infrastructure projects.

Due to the negative exchange-rate trend order intake and sales decreased in the North America/Australia business unit. In the North American market, vacancy rates for office and commercial buildings and residential buildings continued to rise, resulting in considerably weaker new installation business. This was only partially offset by the positive trend in the modernization and service areas.

In the Other Countries business unit, order intake and sales increased despite negative exchange-rate effects. The acquisition of ThyssenKrupp Dongyang enabled Elevator to increase its business in Asia significantly, boosted by the continuingly positive Chinese market. Business in Eastern Europe also progressed well. By contrast, there was a slight fall in sales on the Northern European markets. In the next four years we will supply and install a total of 658 elevators, escalators and moving walks worth US$100 million for the expansion of Dubai Airport.

Order intake and sales of the Passenger Boarding Bridges business unit improved significantly in the reporting period. This was mainly due to two factors: firstly the part-billing of major orders and secondly the winning of a second major contract for Dubai Airport. We will be supplying a total of 123 passenger boarding bridges for the airport expansion, including 25 capable of servicing the A380 superjumbo.

Major contracts for Dubai Airport.

In the Accessibility business unit, order intake and sales were very encouraging. The growth was made possible by significant efforts to increase market penetration and by the widening of our sales territories.

Technologies: Strong order situation

Sales million €

	2002/2003	2003/2004
Production Systems	1,250	1,154
Plant Technology	1,452	1,673
Marine	884	773
Mechanical Engineering	1,711	1,363
Transrapid	65	82
Total	5,362	5,045
Consolidation	20	47
Technologies	**5,382**	**5,092**

The market environment for Technologies in the reporting period was significantly better than a year earlier. Demand for mechanical engineering products, particularly machine tools, improved significantly in 2004 both in the USA and in Western Europe. Construction equipment experienced growth in the USA, Europe and Asia, and the trend in specialized and large-scale plant engineering was also largely encouraging. Against this background, Technologies increased its order intake by 16% to €5.8 billion despite a number of disposals. Sales declined by 5% to €5.1 billion. Excluding the disposals, order intake increased by 29% and sales by 4%.

Chemical and cement plant business played a major role in high order intake.

The order intake of the Production Systems business unit was unchanged from the previous year. MetalCutting recorded a pleasing increase, due not only to improved demand for machine tools but also to the market success of innovative new products. Orders at Autobody Manufacturing Systems, on the other hand, were down from the previous year, while Assembly Plant reported a slight improvement. Overall, sales of Production Systems declined.

Order intake at Plant Technology was significantly up from the already high prior-year level. Chemical and cement plant business played a major role in this. Uhde won a third contract for a fertilizer complex in Egypt, and Polysius landed a major contract for a cement factory in Saudi Arabia. The order backlog of Plant Technology increased by €0.8 billion to €2.8 billion. In line with the very good order situation the business unit achieved a large increase in sales.

At Marine several new contracts for container ships resulted in another rise in order intake. At the end of the reporting period the shipyards had an order backlog of €1.7 billion, level with the previous year. In July 2004, work began on production of the first Corvette 130 for the German Navy. At Blohm + Voss, the implementation of the restructuring program proceeded swiftly. Nordseewerke has a good workload. Marine suffered a fall in sales mainly due to project deferrals at Blohm + Voss.

Mechanical Engineering reported a decline in order intake and sales, but only because of the disposals of Novoferm, Polymer and Henschel. Excluding the disposals, the business situation improved significantly in almost all areas.

The Transrapid business unit reported a reduced order intake. Sales were higher than a year earlier due to the billing of the Shanghai contract.

Services: Successful start

Sales million €

	2002/2003	2003/2004
Materials Services Europe	4,682	5,258
Materials Services North America	1,411	1,499
Industrial Services	1,312	1,280
Special Products	3,149	3,885
Construction Services	131	0
Total	10,685	11,922
Consolidation	(82)	(35)
Services	**10,603**	**11,887**

All figures relate to continuing operations.

In the reporting period, the newly formed Services segment achieved sales of €11.9 billion. This 12% improvement resulted mainly from the exceptionally high level of demand on the international raw and processed material markets. Sales of €409 million were generated by discontinued operations.

Sales at the Materials Services Europe business unit increased significantly thanks to higher prices for rolled and stainless steel. Our stockholding companies in Central and Eastern Europe, in particular Poland and Hungary but also the Czech Republic, performed extremely well and recorded substantial growth compared with the prior year. Activities in Poland were augmented by a new central warehouse; we also established a company in Russia. Our service activities in several Western European countries were restructured and refocused with positive results. Our warehousing and service business advanced beyond classic processing to include warehouse, material and supply chain management for customers.

Despite the appreciation of the euro against the US dollar and the transfer of companies to the Steel segment, the Materials Services North America business unit recorded higher sales than a year earlier. The US material market recovered, particularly in the second half of the fiscal year. Demand for non-ferrous metals grew, while the lifting of Section 201 tariffs and the raising of prices to world market level improved import opportunities for carbon steel. Our supply chain management services were further improved and new customers acquired.

New customers were won for supply chain management.

Sales at the Industrial Services business unit declined slightly. Compared with the prior year, our international activities returned a satisfactory performance as the economic environment in our global target markets remained stable. Business was particularly positive in the US market. In Germany, demand for the classic industrial services of plant maintenance and cleaning fell as several customers have relocated their production capacities abroad. German customers were slow to award service orders due to the sluggish economy. The picture was more positive for services to the booming steel industry and for new insulation activities. Overall, however, maintenance and modernization spending was restrained.

The Special Products business unit achieved further significant sales growth. The technical units offering system solutions operated at full capacity. The joint venture with Salzgitter in the area of contractors' plant allowed us to make great progress on the foreign markets. Our steel trading activities profited from the strong demand from China. The raw materials units performed very encouragingly thanks to rising prices. Our business with metals, in particular nickel, continued at a very high level.

Real Estate

Sales at Real Estate were down 2% to €337 million. The Residential Real Estate business unit, which manages some 48,000 housing units belonging to the Group and third parties, recorded a slight drop in sales. Sales of Real Estate Management, which focuses on optimizing the Group's commercial properties, declined; the Development and Consulting activities were discontinued at the end of the reporting year.

Core business expanded through systematic portfolio management

As in previous years, ThyssenKrupp once again pursued its strategy of active portfolio management in the reporting period with numerous acquisitions and disposals.

- The Steel segment made a number of acquisitions and disposals with a view to focusing more closely on its core business. The Carbon Steel business unit withdrew from the Brazilian joint venture GalvaSud and will now concentrate its downstream activities for the international automotive industry on the growth market China. Stainless Steel acquired the remaining 30% interest in the stainless steel service center C.i.pro.s and is now the sole proprietor of this company. This has significantly strengthened our sales and distribution organization in Italy, Europe's second-largest stainless steel market. Berkenhoff, no longer a core business, was sold at September 30, 2004, and Krupp Edelstahlprofile was divested effective October 01, 2004. Several further marginal activities were also sold.

- In December 2003, the Automotive segment acquired a 60% interest in Mercedes-Benz Lenkungen GmbH. Together with the new company, now trading as ThyssenKrupp Presta SteerTec, ThyssenKrupp Automotive is now in a position to offer complete steering systems for cars and trucks. The acquisition of a stake in Bertrandt AG, one of Europe's leading engineering service providers, will strengthen the international market position of both companies. With the Chinese automotive market growing rapidly, ThyssenKrupp Automotive intensified its cooperation with Asian partners. We established two joint ventures –ThyssenKrupp Presta Fawer (Changchun) to produce steering systems and ThyssenKrupp Zhong-Ren Chassis for body and chassis parts – and expanded our sales offices in Tokyo and Hiroshima. ThyssenKrupp Automotive is thus responding to the wishes of the auto manufacturers for their top suppliers to have a global presence. ThyssenKrupp Automotive disposed of several marginal activities in fiscal 2003/2004.

- Several acquisitions in the Elevator segment allowed us to once again strengthen our position on the international markets. The acquisition of a majority interest in the Dongyang group gave us control of one of the market leaders in Korea, which is Asia's third biggest market for elevators and escalators. Further acquisitions in Southeast Asia, Australia and New Zealand enabled us to also boost our local presence on these important growth markets. Acquisitions in the established markets of Europe and North America were aimed at strengthening our position in particular in the service and stair lift businesses.

The contracts on the German shipyards alliance have been signed.

- In the Technologies segment, Uhde made targeted strategic acquisitions to expand its technology portfolio in the areas of polyester/polyamide production plant and pharmaceuticals/life sciences. As part of our active portfolio management strategy, we completed the sale of the Novoferm group at the start of the fiscal year and disposed of the Measuring Machines operating group as a further step in the restructuring of our MetalCutting business. The signing of the contracts to form a German shipyards alliance in early October 2004 represented a milestone for the future development of the segment. ThyssenKrupp Werften and Howaldtswerke-Deutsche Werft (HDW) are to be combined in a new group under the management of ThyssenKrupp Marine Systems AG.

- In conjunction with a local partner, Services established a company in Russia which will broaden the base for the segment's materials warehousing and service business in Eastern Europe. The segment also acquired an interest in a Chinese coking plant, an investment which delivers three advantages: a long-term supply source, a substantial fixed annual tonnage of coke, and cost-free export licenses. The sale of the Information Services unit was an important step in streamlining the activities of the newly combined Services segment; the IT service provider Triaton was acquired by Hewlett-Packard. Effective October 01, 2004, ThyssenKrupp HiServ's facility management activities were sold to Wisag and Bilfinger Berger. We also disposed of a number of smaller marginal activities.

In fiscal 2003/2004, ThyssenKrupp acquired activities with total sales of €0.6 billion and disposed of activities with sales of €1.5 billion. Since the merger of Thyssen and Krupp in 1999, companies with sales of €4.8 billion have been sold and businesses with sales of €5.6 billion have been acquired. Under our portfolio optimization strategy, we plan to carry out further disposals of non-strategic investments as well as selective strategic acquisitions.

Workforce slightly increased

Employees by segment

	Sept. 30, 2003	Sept. 30, 2004
Steel	47,199	46,630
Automotive	41,414	43,491
Elevator	29,689	31,658
Technologies	29,871	27,803
Services	34,629	33,469
Real Estate	638	575
Corporate	717	732
Employees of continuing operations	**184,157**	**184,358**

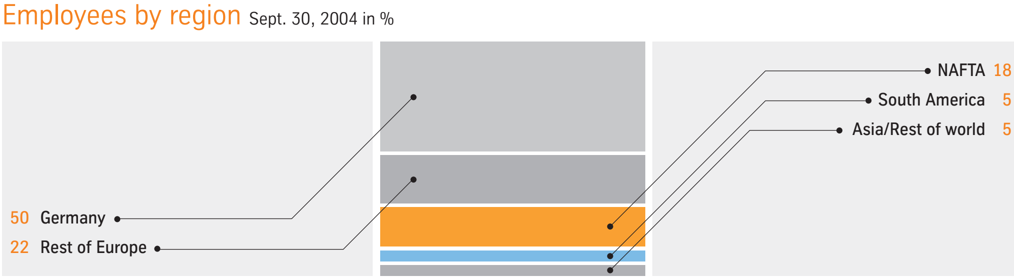
	Sept. 30, 2003	Sept. 30, 2004
Steel	2,087	1,359
Services	3,858	1,319
Employees of discontinued operations	**5,945**	**2,678**

Our workforce increased slightly in fiscal 2003/2004. On September 30, 2004, ThyssenKrupp had 184,358 employees worldwide, 201 or 0.1% more than a year earlier. There were a further 2,678 working at discontinued operations at the end of the reporting period.

In Germany, the number of employees at continuing operations decreased 2,530 to 91,331. There was a 2,731 increase in employees outside Germany to 93,027. The proportion of employees working at foreign subsidiaries thus rose to just over 50%. Apart from Germany, the largest workforces are in the USA, France, Brazil, Italy, the United Kingdom and Spain.

Personnel expense increased 1% to €9.2 billion in the reporting year.

Employees by region Sept. 30, 2004 in %



The use of e-procurement reduced our purchasing costs.

Higher raw material prices

The sharp growth in demand for steel products and raw materials in the People's Republic of China resulted in higher purchase prices for numerous raw materials, steel, steel products and castings. But despite shortages on the primary material markets, our supplies were secured. Prices for other goods were kept stable or even lowered as a result of intensive purchasing efforts and the use of e-procurement. Purchasing volumes were pooled Groupwide, and greater use was made of foreign procurement markets. Materials expense in 2003/2004 amounted to €23.2 billion, 16% more than the year before.

Alongside higher production output, another reason for the increase in our materials expense were the price rises on the international raw material markets, cushioned only to a certain extent by the weakness of the US dollar against the euro. Calculated on a dollar basis, FOB prices for ore rose by around 20% and for coking coal by 20 – 40%. Coke prices almost trebled in comparison with the prior fiscal year. However, the impact on ThyssenKrupp was limited as only just over 10% of our requirements were bought on the spot market.

Nickel prices fluctuated sharply. Following highs in January 2004, the price initially fell before climbing again to US$15,000 per ton toward the end of the reporting period, though remaining highly volatile. Chromium prices rose steadily and significantly, while strong demand pushed molybdenum prices to record levels.

Prices for alloyed scrap mirrored those of the respective primary materials in the reporting period and on average were 44% higher than the year before. The price of unalloyed scrap rose 48%, reaching an all-time high in August 2004.

Our international trading activities in long and flat steel products were also faced with higher procurement prices as a result of developments on the raw material markets. It was a different picture for operating materials, capital goods and in particular services, as well as for purchased electrical, pneumatic and hydraulic parts insofar as they were relatively independent of metal prices. Individual price rises in some areas were compensated by lower prices in others, with the result that material costs remained largely unchanged.

Prices for purchased production parts also stabilized. With the exception of parts with a high steel content, we managed to agree slightly lower prices with our suppliers. Concentrating procurement more in areas where the Group produces and sells its products was a major contributing factor in this. In the future we plan to purchase more from low-cost countries, e.g. in Eastern Europe.

In the logistics area, the conclusion of Groupwide agreements with local and global suppliers and the continued development of the freight exchange in the Steel segment enabled us to significantly lower our freight costs. Intensive regional coordination delivered further savings for overland transportation in the USA. By contrast, capacity shortages in ocean shipping led to a worldwide increase in freight rates.

Increasing use is being made of the Group's e-procurement platform. The Catalog Ordering module allows online catalog orders to be made directly from the workplace. Over 190 suppliers with more than 1.6 million items are now integrated in the catalog. In the reporting year, the platform was extended to include a tool for requests for quotes and auctions. All these systems are networked with the relevant local subsystems. We now have modern web-based purchasing solutions which automate business processes and reduce material costs. This allows us to intensify competition among our suppliers and open up new procurement sources, primarily in low-cost countries. Electronic purchasing in the Group is supported by user groups, best practices and benchmark projects.

Fleet management in Germany was successfully centralized in the reporting year, leading to savings from lower process costs as well as pooling and standardization effects. The centralization of travel management in Germany generated further savings, with reductions in process costs and even in travel costs themselves. This was made possible by the introduction of a standard travel policy based on an online booking facility and a uniform credit card system.

In the energy area, electricity prices in Germany once again increased significantly from the year before. This impacted the new electricity purchase agreements we had to conclude, although a ThyssenKrupp best project helped limit the price increase. The subsidization of renewable energies and combined heat and power plants as well as the ecology tax have pushed up German electricity prices to among Europe's highest. The amended Renewable Energies Act will add to the already heavy burden on electricity-intensive consumers. The special rules for energy-intensive companies are of limited assistance and apply only to a few major electricity consumers in the Group. On top of this, the high electricity prices also had a knock-on effect on our procurement costs for electricity-intensive products such as industrial gases.

A ThyssenKrupp best project cushioned the rise in electricity prices.

As the amendment to the German Energy Industry Law was delayed, the regulatory authority has yet to start work, which means that the expected impetus for lower electricity and gas transmission fees failed to materialize. Gas prices themselves rose in the wake of higher oil prices, and the competitive situation on the gas market remained unsatisfactory.

Continuous advancements in pollution control

ThyssenKrupp is committed to the principle of sustainability. We regard economy, ecology and social responsibility as important factors, although economic success is the key prerequisite for progress in the other two areas. ThyssenKrupp's products, processes and services for innovative and environment-friendly technologies make a major contribution to sustainable development. We are also a member of econsense, the sustainability forum set up by German industry.

In fiscal 2003/2004 we spent €377 million on operating pollution control equipment at our companies in Germany and abroad. €65 million was invested in environmental protection equipment. At 47%, the greater part of the running costs for environmental protection was spent on water pollution control. Clean air activities accounted for 33% and recycling/waste disposal a further 17%. The remainder was spent on noise reduction and landscape protection.

Plans by the German Ministry of the Environment to implement the EU emissions trading directive in the reporting year would have placed a major burden on the German steel industry and jeopardized its sustainable development. After intensive negotiations with the Economics and Labor as well as the Environment ministries, a compromise was agreed which excludes process-related gases from the emissions trading system. However, the system will still have a significant impact on German steel production, albeit one that can be compensated. In the first stage of emissions trading from 2005 to 2007, ThyssenKrupp will be granted almost adequate $C0_2$ emission rights – subject to the decision of the German emissions trading office. However, the differences in emissions trading mechanisms in the other EU states will result in a further distortion of competition. It is also still unclear as to how the allocation of emission rights will be regulated in the second trading period from 2008 to 2012.

Our products and processes contribute to environmental protection.

ThyssenKrupp's main contribution to sustainable development lies in new engineering methods and products that minimize environmental impact and improve recyclability. An excellent example is the NSB® NewSteelBody, an in-house development which is 24% lighter than the production benchmark model while offering equivalent safety at only slightly higher production costs. Calculated over the lifetime of a car, the lower body weight alone would reduce fuel consumption by 450 liters. Another development that reduces fuel consumption is the Presta DeltaValveControl with internal exhaust gas recirculation which enhances the efficiency of diesel engines while reducing exhaust emissions.

Production processes at ThyssenKrupp are also subject to continuous improvement in the interests of sustainable development. The start-up in summer 2004 of a new recycling process at our Duisburg site represented a further important step on the way to the zero waste concept in which all waste materials are fed back into the value chain. In this innovative process, iron- and carbon-bearing dusts and sludges – such as those resulting from waste gas cleaning – are first pressed into solid bricks and then melted in the blast furnace with coke and fluxes. Applied here for the first time worldwide, this new technology allows waste materials to be converted into typical steel mill products – hot metal, slag and blast furnace gas. This method further closes the material loop and avoids the expense of external recycling or landfilling of the iron-bearing dusts and sludges.

The measurements required as part of the approval process for the new Schwelgern coking plant at the Duisburg site of our Steel segment were carried out to schedule. Independent experts confirmed that the plant gives off neither the typical smells associated with coke production nor any major noise emissions. The dust emissions from the coke quenching towers were also measured using a method specially developed for the new coking plant in collaboration with the state environment office. This confirmed that dust emissions were lower than 10 grams per ton of coke, as planned by the process developers. The new quenching process is thus just as environmentally friendly as the dry coke cooling process.

As part of an EU-funded research project, the Marine business unit of Technologies has developed a water treatment system which, as a world first, also removes copper and tin compounds from the antifouling coatings of docked ships from waste water. The system uses ion exchangers and a UV radiation unit. The wastewater is created when the paint on ships' hulls is cleaned or removed using high-pressure water jets. The new system generates 98% less waste than the previously used sand-blasting method; the heavy metal load entering the water has fallen by 90%.

When it comes to sustainable development, environmental efforts frequently go hand in hand with a commitment to the community. ThyssenKrupp is replacing the conventional roofing at several schools in the city of Duisburg with 5,500 square meters of solar paneling from its own production. Thanks to their innovative thin film cell technology, these panels yield 20% more energy than conventional solar modules.

45 development centers for our customers

Innovation is essential to the success of our technology-intensive products and services. That's why we spent €191 million on basic research and development projects in the past fiscal year, 1% more than a year earlier. A further €457 million was spent on customer-related development work, including technical quality assurance, again 1% more than in fiscal 2002/2003. This adds up to €648 million spent on innovations as against €629 million the year before. ThyssenKrupp once again carried out some 2,000 research and development projects.

We spent €648 million on research and development.

The roughly 3,000 scientists, technicians and engineers involved in R&D work in the Group are specialists in the fields of materials, production, process, electronics and information technology and maintain close contacts with international universities and public research institutions as well as with the development departments of our customers. ThyssenKrupp operates a total of 45 development centers in Europe, Asia and the USA.

More details on the major innovations of the past fiscal year can be found in the "Research and development" section on pages 56-60.

The importance of innovations, both for ThyssenKrupp and for Germany as a technology location, was underlined by our Ideas Park: staged in Gelsenkirchen, this three-day event on a 17,500 square meter site offered more than 60,000 visitors the opportunity to experience technology at first hand. A central element in the "Year of Technology" organized by the German Ministry of Education and Research, the event demonstrated the need for a positive attitude to technology and the opportunities it offers. For more on the Ideas Park, please turn to the "Commitment" section on page 68.

Capital expenditures at €1.7 billion

In the reporting period, ThyssenKrupp made investments totaling €1.7 billion, 8% more than the previous year. €1.4 billion was spent on property, plant and equipment and intangible assets, while the remaining €0.3 billion was used for acquisitions. Capital expenditure was €0.2 billion higher than depreciation (€1.5 billion).

Investment by segment million €

	2002/2003	**2003/2004**
Steel	678	729
Automotive	319	439
Elevator	132	214
Technologies	133	159
Services	337	147
Real Estate	45	151
Corporate	29	27
Consolidation	(69)	(132)
Group	**1,604**	**1,734**
Intangible assets	96	106
Property, plant and equipment	1,186	1,325
Financial assets	322	303

Steelmaking base in Duisburg modernized.

Capital expenditure in the Steel segment amounted to €729 million in the reporting period, with depreciation at €788 million. A key project at Carbon Steel was the further modernization of the steel production base in Duisburg. The investments in the hot end agreed with the Environment Ministry of North Rhine-Westphalia to reduce dust pollution in the north of Duisburg were virtually completed. In summer 2004 we started operation of a new shaft furnace to recycle iron-bearing steel mill wastes. A new walking beam furnace is being installed at the hot strip line in Duisburg-Beeckerwerth to meet the high quality requirements of our automotive customers. Major investments were made in Rasselstein's tinplate production facilities. The construction of a continuous annealing line and further coating equipment in the next few years will make the Andernach plant the world's biggest tinplate production site. In response to the strong demand for tailored blanks, capacity was increased under phase two of the expansion project at the Duisburg-Hüttenheim plant.

Stainless Steel put a new 20-high cold rolling mill into production in Krefeld to match capacity to rising demand. Investments at ThyssenKrupp Acciai Speciali Terni rounded off a technical concept for the thin slab caster and cold strip line. ThyssenKrupp Mexinox invested in improvements to the productivity and quality of its annealing and pickling lines and expanded its finishing capacities. The expansion of Shanghai Krupp Stainless in China is proceeding to plan. A second cold rolling mill was installed in the reporting period and is now in the start-up phase, to be followed by testing of the new annealing and pickling line and the cold strip mill. Cold strip capacity will subsequently be ramped up to 290,000 t/year.

In the Automotive segment, capital expenditure totaled €439 million and depreciation €319 million. Once again, most of the investments and associated capacity increases were order-related. A project center, where all Automotive companies involved in a project can work closely with the respective customer, was established in Bochum to handle numerous new development orders. The Chassis business unit built an assembly plant for subframes and side members in Hermosillo, Mexico. Numerous new orders in North America and Europe necessitated the modernization and expansion of stamping and welding lines. At Mandern in the German state of Rhineland-Palatinate, preparations got underway for the production of a further air suspension system.

Capital spending at the North American and European plants of the Body business unit was concentrated on expanding stamping, welding and assembly lines. ThyssenKrupp Drauz is further strengthening its position as a specialist producer of body assemblies through to complete vehicle bodies. The companies of the Powertrain business unit also invested mainly in the expansion and modernization of their production and processing capacities. Upon completion of a further expansion phase, the Ilsenburg site will be the world's biggest camshaft manufacturer. Capacities for the production of steering systems also had to be extended. ThyssenKrupp Fahrzeugguss installed a counter pressure casting line which will allow it to move into a new market segment. This innovative casting process makes it possible for the first time to use aluminum alloys for safety-relevant components.

The Elevator segment invested €214 million, while depreciation amounted to €51 million. The main focus was on financial investments, the most important being the acquisition of what is now ThyssenKrupp Dongyang Elevator in South Korea. This enabled us to significantly strengthen our position in the promising Asian market. Further investments related to the acquisition of attractive maintenance contracts and equity interests. The objective was to steadily expand our service business and strengthen our market presence.

In the Technologies segment, capital expenditure totaled €159 million and depreciation €125 million. The emphasis was once again on modernizing and rationalizing production operations. Berco, for example, modernized forging presses used to produce track chain links and combined them into an automated line. Investments were also made to expand the product range. To step up its activities on the Chinese market for large-diameter bearings, Rothe Erde expanded the production capacities of its local joint venture. Uhde acquired the Swiss engineering company Inventa-Fischer to expand its technology portfolio. The company builds plants for the production of polymers and synthetic fibers.

Production operations at Technologies further improved.

Investments in the Services segment amounted to €147 million with depreciation at €144 million. The focus was on property, plant and equipment aimed at maintaining operational readiness and expanding and modernizing the warehousing and service business. There were three main financial investment projects: in Russia we established a materials warehousing joint venture, in China Services acquired a stake in a new coking plant, and in Germany the segment acquired a company specializing in heat, cold, noise and fire insulation.

Income, dividend

In the reporting period, the Group doubled its pre-tax income from continuing operations from €774 million a year earlier to €1.58 billion. The strongest growth was in the Steel and Services segments. Against this background, our proposal to the Annual General Meeting is for a dividend payment of €0.60 per share, €0.10 higher than the year before.

In fiscal 2003/2004, ThyssenKrupp generated income from continuing operations before taxes and minority interest of €1,580 million, €806 million more than in the previous year. 2003/2004 was thus the best fiscal year in the history of the Group since the 1999 merger. This performance was driven by the success of measures to improve earnings quality and by high global demand for raw and processed materials, especially steel. In addition, the reporting year was marked by significant advances in the implementation of the portfolio optimization program. Four significant entities were either sold or their sale initiated; they are no longer included in income from continuing operations in the reporting period and the adjusted prior-year figures. The earnings contributions of these entities were €20 million (net of tax) in 2003/2004 and –€10 million (net of tax) in the prior year. The breakdown of income by segment is shown in the following chart.

Details of segment earnings are presented in the “Management’s discussion and analysis” section of the Financial Report on pages 109-112.

All segments increased their earnings.

All segments, particularly Steel and Services, achieved earnings improvements. One decisive factor throughout the Group was the successful implementation of efficiency enhancement programs.

In the Steel segment, Carbon Steel achieved significant volume growth. Higher prices generally served only to offset raw material cost increases. After a weaker first half, Stainless Steel significantly increased its volumes and base prices in the second half of the reporting year. The reason for this was an improvement in demand in the EU region and the USA. The Chinese cold rolling mill, currently undergoing expansion, moved into profit. Special Materials recorded a loss due to the difficult market situation for grain-oriented electrical steel combined with restructuring expenses and strike costs at the Terni plant.

The profit increase in the Automotive segment was mainly due to cost-reduction and restructuring measures. The increased value of the euro against other major currencies, further increases in personnel costs in North America, and increased starting material prices had a negative impact.

Income by segment million €

	2002/2003*	2003/2004
Steel	439	911
Automotive	189	288
Elevator	355	370
Technologies	42	67
Services	36	271
Real Estate	60	72
Corporate	(332)	(380)
Consolidation	(15)	(19)
Income from continuing operations**	**774**	**1,580**

	2002/2003*	2003/2004
Steel	5	0
Services	(15)	20
Discontinued operations (net of tax)	**(10)**	**20**

* adjusted due to the presentation of discontinued operations and the change of inventory method; see Notes 3 and 4 to the financial statements
** before taxes and minority interest

In the Elevator segment, the Germany/Austria/Switzerland and Spain/Portugal/Latin America and the Other Countries business units increased their profits. However, North America/Australia posted lower earnings due to price pressure on new installations and increased starting material prices.

The main reason for the earnings rise in the Technology segment was an improved workload at Plant Technology and Mechanical Engineering; the one-time expense resulting from the sales financing of two cruise liners had a negative impact.

The Services segment multiplied its earnings many times over, mainly thanks to improvements at Materials Services Europe and North America. In addition to favorable economic conditions, efficiency enhancement and restructuring programs had a major impact here.

ThyssenKrupp AG income €301 million

The net income of ThyssenKrupp AG in the reporting period as calculated by HGB (German GAAP) was €301 million, compared with €406 million a year earlier. Income from investments decreased from €1,128 million to €460 million, mainly due to lower profit transfers and higher loss transfers from domestic subsidiaries. Other operating expenses decreased due to lower risk provision. After deducting expenses for Group management activities, pension costs for former employees of ThyssenKrupp AG and its predecessors, and net interest costs of €152 million, income from ordinary activities amounted to €338 million (previous year €582 million).

Income tax expense amounted to €37 million, compared with an income tax benefit of €70 million in the previous year. The income taxes in the reporting year result from the limitation on the use of tax loss carryforwards (minimum tax) and additional taxes for prior years. They also include withholding taxes on dividends from foreign subsidiaries. The tax benefit in the previous year resulted from the reversal of a tax accrual after the successful settlement of a test case before the Tax Court. Of the net income of €301 million, €1 million has been transferred to retained earnings. Subject to approval by the Annual General Meeting, the remaining net income of €300 million plus €9 million carryforward is to be used to pay a dividend of €299 million; the balance of €10 million is to be carried forward.

Dividend payout of €299 million.

€0.60 dividend per share

The legal basis for the dividend payment is the HGB unappropriated net income of ThyssenKrupp AG in the amount of €309 million (previous year €257 million). It comprises the net income of ThyssenKrupp AG under German GAAP in the amount of €301 million (previous year €406 million), less €1 million which has been allocated to retained earnings, plus the €9 million carryforward from the previous year. The Executive Board and Supervisory Board will propose to the Annual General Meeting the payment of a dividend in the amount of €0.60 per share, compared with €0.50 per share in the previous year. Of the unappropriated net income of €309 million, an amount of €299 million is to be used to pay a dividend on the 498,358,299 shares eligible for dividend payment as of September 30, 2004. The balance of €10 million is to be carried forward. Should the number of shares eligible for dividend distribution change before the date of the Annual General Meeting due to a change in the number of shares held as treasury stock, the proposed dividend distribution will be adjusted accordingly.

Balance sheet of ThyssenKrupp AG (HGB) million €

	Sept. 30, 2003	Sept. 30, 2004
Investments in non-consolidated subsidiaries	7,373	7,892
Other fixed assets	1,800	1,702
Fixed assets	**9,173**	**9,594**
Receivables from non-consolidated subsidiaries	9,522	8,017
Other operating assets	205	760
Operating assets	**9,727**	**8,777**
Assets	**18,900**	**18,371**
Stockholders' equity	**4,976**	**5,028**
Special item with reserve elements	**81**	**59**
Accrued liabilities	**1,091**	**1,053**
Liabilities to non-consolidated subsidiaries	11,127	10,725
Other liabilities	1,625	1,506
Liabilities	**12,752**	**12,231**
Stockholders' equity and liabilities	**18,900**	**18,371**

Statements of income of ThyssenKrupp AG (HGB) million €

	2002/2003	2003/2004
Income from investments	1,128	460
Other operating income	328	355
Other expenses and income	(874)	(477)
Income from ordinary activities	582	338
Extraordinary income	(246)	0
Income taxes	70	(37)
Net income	**406**	**301**
Allocation to retained earnings	(149)	(1)
Carryforward	0	9
Unappropriated net income	**257**	**309**

Start of the new fiscal year and outlook

The world economic upswing will continue in 2005. However, in view of high energy and raw material prices as well as moderately increasing interest rates, the pace of global growth is expected to slow slightly. In this economic environment we expect ThyssenKrupp to continue its pleasing performance overall.

Slowdown in global growth

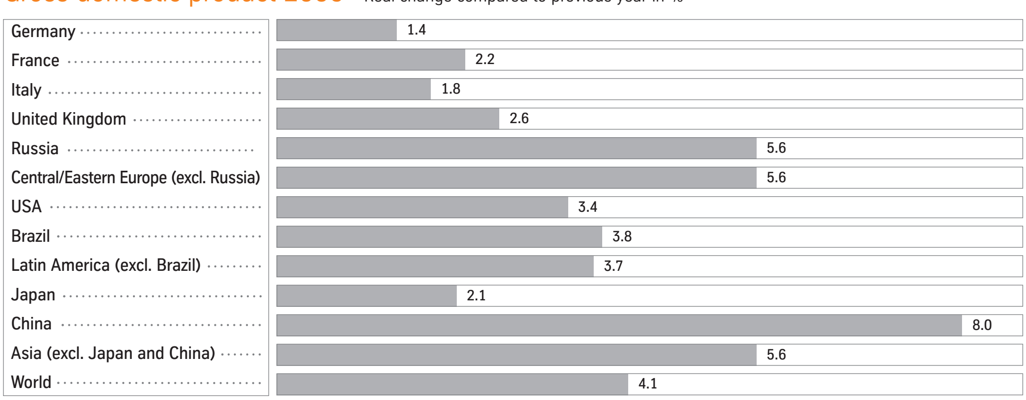
In the course of 2004 there were already signs that economic growth was slowing in some regions of the world. High prices for energy and raw materials as well as tighter monetary policies in key countries will dampen global growth moderately in 2005. Nevertheless, the world economy is expected to achieve real growth in GDP of around 4%. Growth in world trade is expected to slacken slightly. This continuing positive scenario assumes a gradual decrease in oil prices, no distortions on the currency markets and no serious geopolitical uncertainties.

Economic growth is expected to slow.

In North America and Asia, the regions of greatest growth in 2004, overall economic growth is expected to slow slightly in 2005. In the USA, we expect a slowdown of the previously strong economic upswing. The foreseeable policy of moderate interest rate increases will result in a cooling of business spending and private consumption. In Asia, much will depend on developments in China. Although the economic policies of the Chinese government will moderate the pace of investment growth in 2005, the Chinese economy is still expected to expand significantly. Japan's economic growth will be hampered above all by a weakening of exports. In Latin America, the economic situation will remain stable with moderate growth. Higher-than-average growth is expected in the Central and Eastern European countries.

The euro zone economy is not expected to grow significantly in 2005 and will continue to lag behind the rest of the world. Whereas export growth will decrease as a result of the slight global slowdown, internal demand is expected to improve marginally, without it being possible to speak of a self-sustaining recovery. This overall trend also applies to Germany, but there are also signs of a slight weakening of overall economic growth in 2005.

Gross domestic product 2005* Real change compared to previous year in %



* Forecast

As in 2004, the situation on the markets important to ThyssenKrupp will be mixed in 2005. We expect the following developments:

The boom on the steel market will continue.

- The boom on the international steel market will continue in 2005. The key factor will remain the high growth in Chinese demand. Even if the upward trend in China is slightly flatter, it is likely that steel, raw materials and logistics capacities will remain in short supply worldwide. Expansion projects will only be able to meet the rising demand to a limited extent. The situation on the raw material markets will therefore remain tight and result in continuing high raw material costs and steel prices. Overall, we anticipate world crude steel production of approximately 1,090 million metric tons in 2005, 5% more than in 2004 (1,040 million tons). In Germany, production is expected to increase to 47 million tons, compared with 46.5 million tons in 2004.

- Future developments on the stainless market will depend to a large extent on capacity expansion, especially in China. However, as growth there is expected to be weaker, stainless steel from Asia will be increasingly sold in the higher-price countries of Western Europe. Production of stainless steel grades is expected to reach a record level of 24.9 million metric tons in 2005. In the nickel-base alloys area, the market recovery discernible since 2004 is expected to continue.

- According to current forecasts, world auto production will rise to almost 67 million vehicles in 2005. The main source of the 4% growth will be China and the other Asian countries. The auto market is also expected to improve in Brazil. In North America, production is expected to rise only slightly, and in Western Europe production volumes will remain virtually unchanged. The German auto industry could expand its production to 5.75 million cars and trucks in 2005.

- The expectations for the German mechanical engineering industry are positive. A 3% production increase appears realistic in 2005. Growth will also continue in the USA, Japan and China, though at a lower slightly lower rate than in 2004 as a result of the economic slowdown. Demand for machine tools is expected to continue to grow strongly.

- The situation for the German construction industry will remain difficult in 2005. A marked weakening is expected in the USA. The prospects for the markets in Central and Eastern Europe and Asia remain more favorable.

Subsequent events

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

Encouraging performance expected in 2004/2005

If the economic forecasts are accurate, we expect the Group's encouraging performance to continue in 2004/2005. We expect the following developments:

- **Sales:** According to current plans, we expect sales in the region of over €41 billion in the current fiscal year. This does not include portfolio changes.
  - Steel forecasts a further increase in sales of carbon flat steel due to higher prices; volumes should remain at a good level. Sales of stainless flat steel are expected to rise due to higher shipments and the passing-on of alloy costs.
  - Automotive also expects higher sales. The startup of new plants as well as growth in existing operations will contribute to this.
  - Elevator forecasts a further expansion of business. Sales will grow above all in Asia and Latin America – with moderate increases in the other markets.
  - At Technologies, sales are expected to remain level with the prior year despite the disposal of some operations. On a like-for-like basis, sales are forecast to increase, particularly due to the good order situation in plant technology and rising demand for system components.
  - Services forecasts a decrease in sales, mainly due to the reclassification of steel trading companies to the Steel segment. Continued increases are expected in the Eastern European market.
- **Earnings and dividend:** Assuming no distortions on the raw material and currency markets, our aim for 2004/2005, despite the signs of a slowdown of the global economy, is to maintain the very good level of pre-tax earnings achieved in 2003/2004. This does not include the effects of disposals. We will continue to pay a dividend based on our earnings performance.
- **Employees:** The Group's workforce is expected to increase slightly in the current fiscal year. According to current plans we will have 185,000 employees at September 30, 2005. The headcount in Germany is expected to decrease due to portfolio measures, while outside Germany new companies with their workforces will be added. Training young people will remain a high priority: we aim to achieve a high apprentice training rate and provide training beyond our own requirements as in previous years.

Sales of over €41 billion are expected in 2004/2005.

No supply bottlenecks are expected in our purchasing.

- **Procurement:** We expect material expense of more than €24 billion in 2004/2005. One of the reasons for the increase will be a higher proportion of purchased products and services. Raw materials and steel will continue to be in short supply, depending on market developments in China. However, thanks to our long-term supplier relationships, we do not anticipate any bottlenecks. We will generally buy materials on the spot market in order to take advantage of downward price fluctuations. No bottlenecks are expected in the procurement of operating materials, components and services. We will make greater use of electronic procurement. For example, the new ThyssenKrupp RFQ platform enables us to request quotes from suppliers worldwide and thus benefit from increased competition. Where complex systems are concerned, however, we will place greater emphasis on partnerships and long-term supplier relationships. Purchasing in low-cost countries is to be increased; we also intend to buy more in the regions where we sell our products and services. The successful ThyssenKrupp best purchasing initiative will be continued to further utilize potential for cost reduction.

- **Research and development:** We will spend approximately €620 million on developing new products and processes including quality assurance in the new fiscal year. This is slightly less than the previous year. Basic research and development projects will account for €170 million, while €450 million has been budgeted for customer-related projects including technical quality assurance. Central to many projects will be the development of new materials in the steel area and optimized components in the Automotive segment. Greater safety, comfort and environmental friendliness are important goals of our development efforts, which will be carried out by approximately 3,000 university-educated engineers, scientists and technicians.

- **Environmental protection:** Around €400 million will be spent on ongoing environmental protection programs in 2004/2005. Most of it will go towards reducing water and air pollution. In addition there will be numerous expenditures for new environmental protection facilities, particularly in the Steel segment. Waste recycling will be increased in order to preserve natural resources by better utilizing raw materials. Systematic energy saving will also contribute to making our production lines environmentally compatible.

- **Capital expenditures and financing:** The volume of investment approved by the Supervisory Board is €3.1 billion, roughly the same as the previous year. In 2004/2005, additions to fixed assets are expected to total €2.0 billion, €0.5 billion above depreciation. We also intend to continue to meet our gearing target of 60%.

Our future potential

A paper chase encouraged children to explore technology at the Ideas Park.

Our future potential

ThyssenKrupp's future depends on its performance. Our products and services have to compete on the world's markets every day. Behind every new contract and every new idea are people who work hard for their Company and see their own future as linked with that of ThyssenKrupp. That's why we encourage the commitment and creativity of our employees – to the benefit of all concerned. We also look beyond our own Company and provide support where it is needed – promoting cultural, sporting, academic or social activities. You will find further details in the following section.

Responsibility for the future

As a supplier of high-quality industrial products and services, ThyssenKrupp operates in a field of tension between the interests of various stakeholders, including stockholders, creditors, suppliers, customers, employees, external partners, government authorities, private organizations, parties, trades unions and associations. Balancing these interests in the overall context of corporate responsibility is a constant challenge.

Sustainable profits are the key to a successful future for any company. Profits secure the company's existence and its ability to carry on meeting its customers' needs. Profits secure dividend payments and enhance the value of the company in the interests of its stockholders. Profits secure jobs and ensure the company can pay taxes as well as make voluntary contributions to the community.

That's why we strive to expand our potential and make all our actions as efficient and sustainable as possible. Investments, innovations, a commitment to training, jobs and the community as well as constant improvements to the business portfolio make ThyssenKrupp a committed and responsible corporate citizen wherever it operates.

ThyssenKrupp provides support where the Group is active.

Continuous portfolio optimization

Through the growth of markets, our segments and subsidiaries have developed into global players, serving customers around the world with high-quality products and services. In addition to our firm customer focus and our pursuit of cost reductions through higher production volumes, we concentrate the Group's activities on regional growth markets – a good current example being China. This calls for a high level of flexibility: only by constantly reviewing and developing our business portfolio can we strengthen our capabilities and invest selectively in growth areas – through organic growth or acquisitions. On the other hand, even successful companies sometimes have to leave the Group if they do not fit in with our core business areas – the focus of our investment spending – and would have better chances for long-term development under different ownership. Since the merger in 1999, we have sold companies with total sales of €4.8 billion and acquired others with sales of €5.6 billion. For an overview of our portfolio management in the past fiscal year, please turn to pages 35-37.

Even when withdrawing from specific areas of activity, the Group does not neglect its responsibilities. We always strive to find best-owner solutions, i.e. the new owner must see our "marginal" activity as part of its "core" business and thus as a strategic step toward improving its own market and production base. The divested companies are then able to exploit their potential appropriately in the new alliance. Transparent communications are an important part of our best-owner approach: the supervisory bodies of the subsidiaries concerned, with their local employee representatives, and the works councils are involved in any forthcoming changes as early as possible. The workforces are also informed openly about the industrial strategy and prospects for future development at the first possible opportunity.

Investing in the future

In the last five fiscal years, financial investments, i.e. the acquisition of companies or equity interests, accounted for 14% of the Group's total investment spending of €9.9 billion. The greater part – 86% – was made up by spending on property, plant and equipment in the amount of €8.6 billion. In the reporting year we spent €1.4 billion alone on property, plant and equipment to rationalize or expand production, set up new production lines or improve pollution control at our plants.

There are high costs involved in creating new jobs – a single job can cost well over a million euros depending on the machinery involved. The expansion of tinplate production capacities in Andernach is a good example. Rasselstein, a company in the Steel segment, is investing some €160 million to increase its production capacities by 20% by the year 2005. Rasselstein is Germany's only manufacturer of tinplate and a global leader in both product and production technology. The investment will create around 100 new jobs, equating to expenditure of €1.6 million for each new job.

Details of major investments in the reporting year are provided on pages 41-43.

Initiative for innovations

As a technology-oriented company, ThyssenKrupp pursues the strategic goal of maintaining the technology leadership of its products and services. This requires the ability to innovate – the basic prerequisite for growth and competitiveness.

Carried out in the segments, our customer- and market-centric research and development activities are dominated by product and process technology projects, aimed for example at developing new materials or innovative production and processing methods. We work closely with external cooperation partners, such as the Fraunhofer Society and the Max Planck Society, and with numerous universities.

The ThyssenKrupp Innovation Contest promotes creativity.

In 2000, the Group launched an annual internal innovation contest as a way of systematically recording and promoting innovation. To date more than 200 entries have been received, of which around 30% were submitted by subsidiaries outside Germany.

The ongoing monitoring and assessment of technology trends is an important strategic task. It allows us to adapt our products and services to new opportunities and risks and to get involved in our customers' development processes at an early stage. Successful examples include nanotechnology, hybrid and fuel cell technologies, and the use of magnesium in automotive construction.

For more information on current research and development projects in the Group, please turn to pages 56-60.

Focus on employees

Innovative and challenging jobs call for qualified and motivated employees. That's why ThyssenKrupp attaches great importance to training and development. We have been training beyond our needs for many years – mainly in the form of industrial apprenticeships – so as to give as many young people as possible a sound start to their working lives. And when we are unable to retain newly qualified apprentices, ThyssenKrupp's trainers provide assistance in looking for jobs or gaining further qualifications.

Anyone intending to embark on a course of university or college studies can apply for a place on the ThyssenKrupp study support program. If they meet the requirements and are accepted onto the program, they will receive both financial support and mentoring by a ThyssenKrupp executive, who provides technical/professional and personal assistance throughout the degree course and helps with internships, assignments and dissertations. For details and conditions, please visit our website at www.thyssenkrupp.com.

Our study support program helps high achievers.

More information on ThyssenKrupp's personnel and social policy is provided on pages 61-63.

Innovative performance incentives

Our working time and compensation initiatives are just as innovative and flexible as our products and services. Wherever it makes good sense, our plants use the options for flexible working hours provided in the collective agreements. This helps us meet our customers' needs quickly and cost-effectively and adjust our production in line with the market.

Enabling employees to share in the company's success is a major component of our performance-oriented corporate policy. To this end we once again issued employee shares in the reporting year. The participation rate of over 50% means that one in two employees in Germany decided they wanted to become co-owners of the Group. More information on the employee share program can be found on pages 61-62.

Special profit sharing programs at subsidiaries provide further performance incentives. Works agreements set out goals in the form of measurable indicators that can be influenced by employee performance. The employees then receive an annual bonus based on the extent to which the respective targets have been met.

Commitment to the community

Anyone wishing to identify and utilize future potential must be prepared to take on responsibility beyond their own direct area of activity. That's why ThyssenKrupp lends its support to nonprofit institutions, projects and activities. Donations are based on award criteria which reflect the Group's philosophy and values. For more on our commitment to the community, please turn to pages 66-68.

Pushing the boundaries of conventional thinking and action, assuming social responsibility, and at the same time pursuing the primary goal of any company to increase the profitability and the value of the business: all these things together are what constitute strategic sustainability for ThyssenKrupp, a guiding principle for the Group.

Research and development

Our scientists and development engineers are concentrating on key technologies in order to secure ThyssenKrupp's leading position in high-quality, high value-added products. Our efforts are geared to the requirements of strategically important customers to ensure that new and improved products and processes become established quickly. Today's knowledge edge is tomorrow's business success.

NewSteelBody attracting major interest.

Joint development projects with car manufacturers

Car producers from Europe, Asia and the USA have responded extremely positively to the NSB® NewSteelBody concept of our Steel segment. Shortly after it was unveiled at the 2003 Frankfurt Motor Show a first development project was carried out with a German car manufacturer. A two-year project has now been launched with a French producer to test, adapt and possibly implement the NSB® concept in a floor structure for a production model. Further well-known German manufacturers are planning to launch steel spaceframe solutions in the next few years, taking advantage of our expertise. The NSB® concept has also attracted major interest in Japan, from where the Steel segment has received concrete requests for support. The NSB®project was awarded first prize in this year's ThyssenKrupp Innovation Contest.

The NSB® project demonstrates that the key to weight reduction with steel lies in the use of thin-walled tubular sections made of modern multiphase steels. To improve its production capabilities in this area, ThyssenKrupp Stahl commissioned the design of a new draw-bending facility based on its own specifications and put it into operation in 2003/2004. The new system pre-bends Tailored Tubes® prior to final hydroforming. This allows components to be made which were previously regarded as unproducible.

"Modular door" saves costs and weight

Together with the Technologies segment, Steel has developed a new concept for car doors. Compared with the benchmark model, the so-called "modular door" is 1.2 kg lighter and is also cheaper to produce and assemble. The weight reduction is due to the use of modern multiphase steels and tailored products. More information on this can be found on pages 94-99.

Advanced surface engineering

The new zinc-magnesium coating developed in the reporting period at the DOC® surface engineering center met with major customer interest due to its outstanding processing capabilities and anticorrosion effect. Car manufacturers will use the new coatings, applied to electrogalvanized sheet by vacuum deposition, from the beginning of 2007. For more details, please turn to pages 88-93.

First rapid sales successes were achieved by the organic coated steel with anti-graffiti coating that we brought to market in the reporting period. Sprayed-on paint can be removed easily from the coating using plain water and without costly preliminary treatment. The coating is applied to a primed and prepainted steel sheet and prevents the graffiti from forming a permanent bond with the surface. ThyssenKrupp is the first manufacturer of coil-coated steel for facade elements to launch this innovation on the market.

Stainless steel in car manufacture

The Steel segment has made the leap into volume production with NIROSTA® H400 stainless steel. Designed for automotive weight reduction, the material will be used for eight highly stressed components in the body of the new Audi A6. The range of vehicles featuring this stainless steel now extends from trucks to the Porsche Carrera GT. NIROSTA® H400 offers high strength and particularly good crash properties, and ThyssenKrupp is the sole supplier.

Process innovation reduces costs

A team from the Stainless Steel business unit won joint third prize in this year's Innovation Contest for a new process for the manufacture of ferritic stainless steel. Directly after hot rolling, up to 30 coils are annealed in a newly developed modular furnace, utilizing their residual heat. In addition to improving product quality, the process reduces annealing times, shortens the process chain and lowers overall costs.

After starting up a vacuum induction furnace for high-purity superalloys in fiscal 2002/2003, we began developing production routes for semifinished products of these materials in the reporting year. The production trials using the latest simulation and analysis techniques are proceeding successfully. The vacuum-melted superalloys are used in the aerospace and power generation industries.

Automotive: Components for greater safety and ride comfort

Our Automotive segment sees itself as a supplier of innovative solutions that open up new opportunities for international vehicle producers. The innovations are developed by the segment itself or in close collaboration with the other segments of the Group. As well as product and system capabilities we are further expanding our material and process competencies. Greater safety, increased comfort and reduced fuel consumption are the goals of the development projects.

Two such projects won prizes in the 2004 ThyssenKrupp Innovation Contest. The market implementation of the new counter pressure casting (CPC) process for aluminum castings won joint second prize. The process enhances the mechanical properties of parts and allows reductions in component weight. The development of the Presta DeltaValveControl system, which won joint third prize, opened up new market potential. Fuel consumption and exhaust emissions are significantly reduced by this mechanical system which continuously regulates valve operation.

New ideas bring constant improvements to suspension systems.

Development efforts in the suspension area were aimed at improving comfort, dynamics and handling. One new project is an electromechanical leveling (EML) system that reduces rolling and pitching to keep the car horizontal in all driving situations, taking speed and load into account. A prototype vehicle is being built together with a customer.

Also in the development phase is the CVS system (Continuous Variable Stabilizer) for active roll stabilization. It uses split lightweight tubular stabilizers. The DampMatic and DampTronic suspension systems are already being used successfully by DaimlerChrysler in the A-Class and Porsche, respectively.

In the area of manufacturing technology, ThyssenKrupp Automotive has improved the hot stamping process, resulting in shorter cycle times. At the same time investigations are being carried out into the hot stamping of tailored blanks. Innovative solutions are also being developed for laser welding, pulse riveting and roller hemming.

TWIN elevators get faster

After the successful startup of the first TWIN installation at the University of Stuttgart in December 2002, two further TWIN elevators were installed at ThyssenKrupp's Dreischeibenhaus headquarters in Düsseldorf in the reporting year. In the Stuttgart pilot installation a TWIN was installed to resolve the bottleneck caused by a sharp increase in student numbers. The number of elevator shafts in the building remained the same. In the Dreischeibenhaus the number of shafts was reduced from eight to six to free up useful space. These examples show the typical advantages of these elevators in modernization projects. In the TWIN system, two cabs travel independently of one another in only one shaft. A four-stage safety system that prevents collisions has been upgraded from a mechanical to an electronic version. Speeds of up to eight meters per second are now possible and even higher speeds will be achievable shortly.

For the successful installation of the TWIN elevator at Stuttgart University, the segment won the "Elevator World Project of the Year Award 2004" in the modernization category.

Accelerating moving walk for longer distances

ThyssenKrupp moving walks are fast and comfortable.

The Elevator segment has developed a new transportation concept, a moving walk with acceleration, high-speed and deceleration zones. For decades, experts have been seeking solutions for distances between 150 and 1,000 meters. Automated people-movers are usually too expensive to install and have too few passenger spaces. Conventional moving walks, on the other hand, are too slow. The accelerating moving walk increases its speed to more than twice that of a person on foot. The concept was realized by splitting the individual sections of the treadway into front and rear pallets. The front pallet rests on four guide rollers and is connected to the rear pallet by a link. The rollers ensure that the pallets slide underneath each other in the startup zone and the passenger only sees the front part. As speed increases, the pallets move apart and the entire length becomes visible. This development makes it possible to cover larger distances – e.g. at airports and trade fairs – faster and more comfortably. We are currently working on further optimizing ride comfort.

New passenger boarding bridge for Airbus A380

We have developed a technologically unique passenger boarding bridge for the largest passenger aircraft in the world, the Airbus A380. The aim was to connect to a door in the upper deck and so reduce boarding and disembarking times from 45 to 38 minutes. The necessary lift was achieved by a hydraulic system allowing the use of tested, low-cost technology.

New ammonia process developed for fertilizer production

The Plant Technology business unit of the Technologies segment was quick to recognize the trend towards ever larger, more cost-efficient ammonia plants and developed a new process called the “Uhde dual pressure process”. With it, ammonia plants with a synthesis capacity of 3,300 tons per day can be built with no critical equipment exceeding the sizes of a current world-scale 2,000 t/d plant. This development won joint second prize in the Innovation Contest. Ammonia is mainly used for the production of fertilizers.

Saying goodbye to cables in shipbuilding

The cost of building ships would be considerably reduced if cables could be replaced by wireless data transmission systems. The Marine business unit of Technologies is participating in a project supported by the German Research Ministry linked with an initiative called “Vision 2010: reducing costs in shipbuilding by 30%”. In the project ThyssenKrupp is defining the systems to be investigated, preparing the test setup and cooperating in the field tests. The results show that wireless transmission is electromagnetically compatible for linking with remote units. A demonstration system has proved its efficiency on the “Nils Holgersson” ferry. Approval for the use of the wireless remote displays is being sought from the Federal Office for Shipping and Hydrography. The new technology offers particular potential for repairs and retrofitting.

Technologies researching future shipbuilding ideas.

Isothermal titanium forging for aircraft engines

In modern aeroengines, so-called compressor blisks (bladed disks) are becoming increasingly popular for reasons of aerodynamics and weight reduction. In these blisks, disks and blades are no longer made separately and then joined; instead they are formed from solid forged disks by conventional or electrochemical machining. As part of a joint development project with Rolls-Royce Deutschland and MTU, the Mechanical Engineering business unit of Technologies is developing a new process for the production of near-net-shape blisks from a titanium alloy. The blades are formed into the disk in one operation by isothermal forging. Compared with the conventional process, machining requirements are reduced by approximately 50%. In addition, isothermal forging allows the thermomechanical treatment to be tailored precisely to the requirements of the difficult titanium material. Mechanical Engineering is a long-standing supplier of nickel and titanium disks to international turbine manufacturers. The successful development of this process gives us an additional lead over our European competitors.

New Transrapid

We are currently in the process of adapting the Transrapid vehicle to the specific requirements of airport links. A new three-section vehicle currently being developed and built will offer high comfort and low-cost operation and meet the high demands of public transit systems.

Protection against corrosion

Zinc helps reinforced concrete last longer.

The development engineers in the Services segment have come up with a new idea to protect reinforced concrete buildings from corrosion by utilizing the protective effect of zinc sprayed onto the outside of the concrete. This zinc coating is connected with the reinforcements inside the concrete by stainless steel pins. As a result, corrosion no longer attacks the steel inside the concrete but the zinc coating outside which acts as a sacrificial anode. The method has already been used to refurbish a concrete facade in Frankfurt. Depending on concrete structure, climate and coating thickness, buildings can be protected for over 20 years.

People at ThyssenKrupp

Around 184,000 employees in over 70 countries on all five continents are the face of ThyssenKrupp to our customers and partners. The sum of their individual achievements is what makes the Group successful. Training and company pension plans, fair compensation and employee shares are therefore key to the future of the Group. This is also true of our collaboration with universities with which we aim to attract young talent to ThyssenKrupp.

Strong commitment to training

At September 30, 2004 a total of 4,476 young people were learning one of 70 occupations offered by ThyssenKrupp in Germany. Compared with the previous year, we raised our apprenticeship training rate from 5.2% to 5.3%. The occupations industrial mechanic, energy electronics specialist and mechatronics specialist accounted for the highest share of apprenticeships, together making up 46% of the total. The choice of apprenticeships on offer ranges from industrial mechanics, IT electronics specialists and clerical occupations to traditional steel industry jobs. But we also have apprentices training to be chefs, roofers and inland boatmen.

As part of the 2003 ThyssenKrupp training initiative, we created over 70 additional apprenticeships to offer young people the chance to enter the job market and improve their future prospects. ThyssenKrupp's initiative was thus introduced a year earlier than the training pact agreed between government and industry. But we are also participating in the training pact: with over 150 new apprenticeships and initial training placements ThyssenKrupp has made a further contribution toward improving the training opportunities for young people in Germany.

We thus remain true to our traditions and continue to train well in excess of our own needs. We see this as a responsibility to society which we are glad to fulfill.

Further developments in company pensions

We continued to pursue our company pension strategy, focusing on two goals: We wish to convert existing schemes from defined-benefit to defined-contribution plans and from annuity to lump sum payments. To ensure that the new plans are available not just to new employees but also to those who have been with the Group for years, many subsidiaries have already offered their employees individual changeover options. This allows long-serving employees to increase their benefits through personal contributions, which automatically lead to additional employer contributions, in a defined-contribution plan.

One out of two employees now shareholders

A campaign entitled "Like 50% for free? Get a share of the future!" was launched at the beginning of 2004 under which our employees in Germany could purchase ThyssenKrupp shares at special rates. By utilizing tax advantages, shares worth up to €270 were available at half price, i.e. for up to €135.

With this new issue of the employee share program we wish above all to allow employees to share in the Group's success. In addition, we hope the campaign will encourage employees to identify more strongly with their company and with the ThyssenKrupp Group as a whole, promote the shareholder culture in the workforce and last but not least enhance the Group's attractiveness as an employer.

Employee shares were again offered at a low price.

With a 51% participation rate, just under 800,000 ThyssenKrupp shares were purchased by employee shareholders during the course of the program.

It is planned to expand this share program step by step to include our foreign workforces, starting in the current fiscal year.

Exchanging ideas: Collaboration with universities promotes dialogue

Finding, inspiring and keeping skilled employees is an important task for a future-oriented organization. For this reason ThyssenKrupp is currently collaborating intensively with six key universities: RWTH Aachen, TU Berlin, Ruhr-University Bochum, Dortmund University, TU Dresden and TU Hamburg-Harburg. The direct exchange between research and education on the one hand and industry on the other is so important to ThyssenKrupp that Executive Board members of ThyssenKrupp are acting as patrons of the university partnerships. The aim is to intensify the sharing of scientific findings and also to address other common concerns such as education, international cooperation and the fostering of talented students. Activities range from fellowships and prizes such as the “ThyssenKrupp Student Award” to workshops, study trips and joint projects.

In addition, ThyssenKrupp will actively participate in the reorganization of university courses into bachelor's and master's degree courses and offer corresponding career and development opportunities.

ThyssenKrupp supports Tongji University in Shanghai.

Cooperation also takes place outside Germany. The collaboration with Tongji University in Shanghai is aimed at intensifying the good relations with this up and coming economic region and establishing contacts with students with a view to recruiting executives for the Group's activities in China in the long term. Together with other companies, ThyssenKrupp is supporting the establishment of an endowed professorship in business law. This follows the endowed professorships in mechanical engineering in 1998 and controlling in 2002.

Management competencies of proven value

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 – and to make efficient use of our executives' expertise. The selection and development of executives is therefore based on the eight ThyssenKrupp management competencies which define the requirements executives need to meet – from leadership qualities to market orientation to internationality.

As part of our annual worldwide survey of potential and succession planning in all segments, high potentials are identified using an assessment profile based on these management competencies. Expert management audits supplement these internal assessments. 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 possible 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 may be a suitable option if they need to expand their practical experience. In addition, individual coaching is available as well as a multi-stage Groupwide seminar program in which international groups of participants work together to develop solutions to current questions of corporate strategy. In addition, internationally renowned professors present forward-looking management approaches based on the latest research findings of the world's business schools – tailored 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.

Executive compensation policy

Executive compensation at ThyssenKrupp is linked both to individual performance and to the Company's success. This is reflected in bonus schemes and the Long Term Management Incentive (LTMI) plan as a long-term capital market-oriented element of compensation for the top management. In fiscal year 2002/2003 the final installment of this LTMI plan was issued, the term of which expires in 2006.

In 2002/2003 a new earnings-related compensation element was introduced in the form of the Mid Term Incentive (MTI) plan for the Executive Board members of ThyssenKrupp AG. In the reporting period the MTI was extended to include the executive board members of the segment lead companies and other selected executives. The plan is linked both to the development of the Group's EVA and to the ThyssenKrupp share price over a three-year performance period.

The Group also offers its executives an attractive postretirement benefit plan which also provides financial security in the event of a reduction in earning capacity or – in the event of death – for an executive's surviving dependants. The switch from defined benefits to defined contributions over the past two years has made the plan easier to calculate and more transparent for the Group subsidiaries. For example, the benefit amount no longer depends on final salary but on the development of an employee's salary throughout their working life. It is also possible to top up postretirement benefits through deferred compensation.

The company pension scheme is attractive and calculable.

ThyssenKrupp best

The ThyssenKrupp best program achieved further success throughout the Group in the reporting period. Both in Germany and abroad, numerous projects were implemented, further opportunities for improvements at the subsidiaries were identified and the transfer of knowledge was expanded. Added impetus was provided by the sales initiative. The aim of all ThyssenKrupp best projects is to increase the efficiency of the Group and make our work better, faster, more cost-effective and more customer-focused. That applies equally to products, services, operating processes, management and organization.

More than 3,000 projects throughout the world

At the end of the reporting year the number of improvement projects under the program had risen to 3,047. Of these, 1,543 projects were already successfully completed. In many cases, the results are transferable to other areas of the Group where they can be used for example to improve operating processes, reduce logistics and material costs or further lower the number of accidents at work.

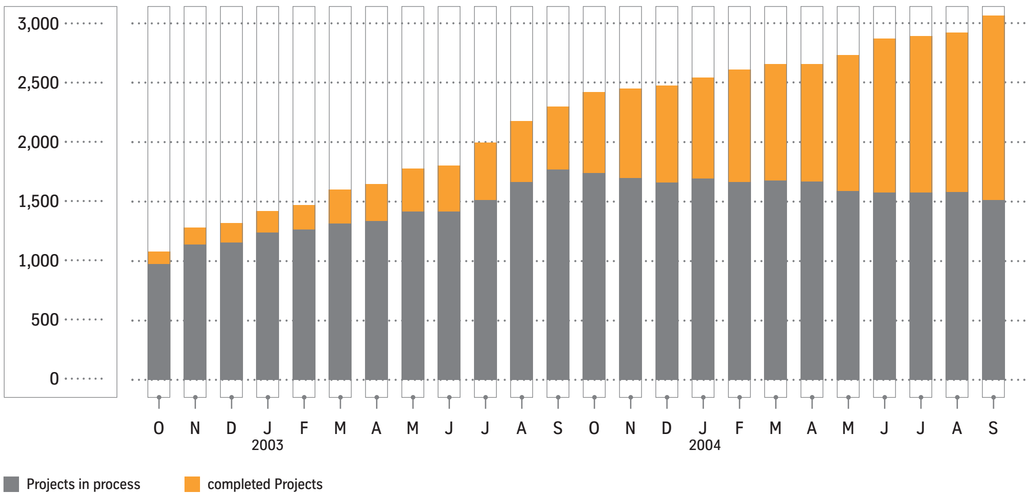
The best projects cover a broad spectrum.

As in the previous year, the main focus of project work lay in the areas of operating efficiency, sales, performance quality and capital productivity. 80% of all projects in 2003/2004 were in these areas. In addition, there were initiatives relating to knowledge and innovation management and the increased use of e-technologies. Other projects were concerned with expanding service business. This breadth of the program means that ThyssenKrupp best contributes significantly more to enhancing the value of the Company than conventional cost reduction or quality improvement programs.

Firmly established nationally and internationally

The program is firmly established nationally and internationally. Over 50% of all projects are being carried out outside Germany. As well as companies in Europe, North, Central and South America, numerous subsidiaries in Asia are also participating in ThyssenKrupp best. The newly acquired subsidiaries in South Korea also took part for the first time in the reporting period. The high importance of project work was underlined by numerous visits by Executive Board Members of ThyssenKrupp AG and the segment lead companies to projects in Germany and abroad.

ThyssenKrupp best projects worldwide



Additional impetus from sales initiative

ThyssenKrupp best was given added impetus by the sales initiative. In times of growing competition it is increasingly important to focus firmly on customer needs and requirements. This is where the sales initiative comes in. Its aim is to intensify customer contacts, develop new profitable growth markets in the core business areas and guarantee a profit-optimized product mix in production. More than 120 new projects were launched in this area in the reporting year.

Further improvement potential identified

In addition, we again systematically screened the business processes of all German and foreign subsidiaries for further opportunities for improvement. All elements and interfaces of the value creating process – from procurement to production to after-sales service – including organizational and management processes were examined. This ultimately resulted in a further 763 best projects aimed at unlocking the potential identified.

Successful methods employed

To carry out the projects efficiently we use approaches such as the proven Six Sigma methodology. This method is especially successful with repetitive production-related processes, where it can reduce process costs or increase productivity by for example reducing defect rates and saving material. Six Sigma has now been successfully used in more than 280 projects across the Group.

Systematic knowledge sharing through best pl@za

The Groupwide knowledge network that is a central component of ThyssenKrupp best was further expanded in the reporting period: new elements include method collections for the sales initiative, further successful project examples and intensive training courses for program participants. Of particular importance is the web-based project management software tool best pl@za. It provides comprehensive information on all ongoing projects and permits rapid transfer of project-related expertise. Regular project leader meetings and cross-segment workshops intensify the Groupwide exchange of experience.

best pl@za was further expanded.

best Awards for four successful project teams

Four project teams from the Steel, Technologies and Services segments won ThyssenKrupp best Awards in the reporting year for innovative solutions that can be transferred to other areas of the Group. The award competition, introduced by the Executive Board of ThyssenKrupp AG in fiscal 2002/2003, is an additional motivation for all staff involved in the program. It will be held again in the new fiscal year.

Commitment

As a committed and responsible corporate citizen ThyssenKrupp brings its efforts to bear wherever people can be helped directly. In many cases the Group also makes a contribution in areas where public tasks can be better accomplished with direct private involvement. Beyond the business side of things we play an active role in the communities in which we operate, supporting culture, education, sport and innovation and promoting social, charitable and humanitarian activities.

Active membership of Initiativkreis Ruhrgebiet

On account of our traditional links with the regions in which ThyssenKrupp has operated for many years we mainly support initiatives and projects based in these locations. For instance, for many years we have been providing moral and financial support for 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. As the corresponding projects and institutions are frequently based near to our major locations, this also benefits the employees of the Group. 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 for the reconstruction of the Frauenkirche church in Dresden.

We also promote sport, mainly in the form of regional sports clubs and competitions. For example, for many years we have been supporting the annual Rhine-Ruhr marathon and the international rowing regatta in Duisburg.

Education to secure the future

Several university chairs are supported by ThyssenKrupp.

In the area of education ThyssenKrupp finances individual university chairs and is active in numerous support organizations. One prominent example is the European School of Management and Technology in Berlin, aimed at putting Germany back among the leaders in academic achievement. In addition, ThyssenKrupp is a longstanding member of Stifterverband für die Deutsche Wissenschaft, a funding association via which we provide targeted sponsorship for academic projects. Under partnership agreements with various universities, we fund study support programs and provide internships and dissertation placements.

Help in emergencies

In recent years our support for social, charitable and humanitarian activities has focused on aid, e.g. for natural disasters. The flood victim relief program in the aftermath of the 2002 floods in eastern Germany is one example. Another is our support for the youth exchange program between Germany and the USA after the September 11 attacks.

In connection with the 2002 flood victim campaign, numerous employees of our Group made personal donations on top of the donation made by the Company.

In the reporting period, employees of ThyssenKrupp Presta donated the bonus they received for a ThyssenKrupp best project to two programs for the needy in South America. The Executive Board of ThyssenKrupp AG doubled this donation and a significant sum was raised.

Networking and knowledge sharing

In an increasingly networked world it is increasingly important to support projects that act as catalysts in the dialogue between government, business and science. The Group supports opinion forums, conferences and other discussion platforms which promote the exchange of views on business and technical issues and contribute to intercultural understanding.

In addition we provide strong support for Acatech, the council for engineering sciences run by the Union of German Academies of Science and Humanities. Acatech aims to promote dialogue on forward-looking technologies and their significance for sustainable growth and intensify exchanges between science, business, government and society.

Initiative of the year: Discovering Future Technology

Technology capabilities will decide Germany's future.

Germany's competitiveness depends to a crucial degree on its ability to innovate. This has not always been adequately recognized in recent times. Instead there has been increasing skepticism towards new technologies. The consequences are profound: the loss of important technological leadership positions in the global market and a dramatic shortage of young scientists/engineers are threatening Germany's future as a center of technology. To counter this trend, government, science and business launched a number of activities in 2004, such as the "innovation offensive" and the "year of technology". ThyssenKrupp also decided to expand its commitment to education, networking and knowledge sharing. In May 2004 we created an initiative of our own called "Discovering Future Technology". Our aim is to contribute to a fundamental change of attitude in our society and promote a technology-friendly climate that sees innovations as an opportunity and not as a threat. We also want to encourage young people to take up technical training or studies. Finally, the goal of the initiative is to bring together the major forces in business, science, government and the media to provide impetus for wider activities.

The initiative was launched in mid-May with a new phase of our image campaign. In TV commercials and print ads, complex technical themes were communicated to a broad public in an imaginative and appealing way. The new motifs again feature children of ThyssenKrupp employees explaining the benefits of high technology in their own way. In addition, more than 30 advertorial supplements were placed in the main German dailies and weeklies highlighting the importance of innovation for our country. Produced in association with editorial staff, the supplements focused on various aspects such as economics, education, the capital market, innovations, individual sectors and the global economy. Many renowned partners of ThyssenKrupp from the technical/scientific field contributed guest articles. This joint action was unprecedented in the German media landscape and met with a tremendous response.

More than 60,000 visitors made our Ideas Park a success.

The highpoint of the initiative was a free “Ideas Park” held at the Arena AufSchalke in Gelsenkirchen from September 2-4, 2004. The idea was to turn the themes of the media initiative into a living experience. To awaken fascination for technology, it has to be made tangible. We therefore developed an exhibition concept which was just as innovative as the materials and technologies on display. The Ideas Park was staged in a camp outside the arena covering an area the size of three soccer pitches. Viewing the many exciting exhibits – from the Ariane rocket engine to the Transrapid – visitors were able to experience how innovations come about and meet the people behind the ideas – scientists, engineers and users. There were numerous participation activities for younger visitors. More than 60,000 people accepted our invitation to become explorers in the world of technology. The most prominent guests were German President Horst Köhler and the Prime Minister of North Rhine-Westphalia Peer Steinbrück. Over 500 staff from ThyssenKrupp and our partners in the initiative worked hard over the three days, answering questions from young and old, explaining the technologies and providing an authentic insight into the world of innovations.

Another highlight was the supporting program, offering guests a total of 48 hours of information and entertainment on two stages. It covered all the themes of our initiative in the form of high-level discussion panels, interesting presentations as well as practical tips on training and study opportunities. The technology shows created especially for the Ideas Park featuring well-known moderators such as Günther Jauch and Ranga Yogeshwar were a central attraction. Overall, more than 50 partner organizations participated in the event, including the universities of Aachen, Berlin, Bochum, Dortmund, Dresden and Hamburg-Harburg, the Fraunhofer Society and the “Jugend forscht” foundation. The TV network ZDF presented a number of live broadcasts from the event including the children’s quiz show ”1, 2 oder 3”.

A survey of visitors conducted by TNS Emnid underlined the resounding success of the innovative exhibition concept. 94% of visitors said their visit had been worthwhile and three out of four guests said that the Ideas Park had had a positive effect on their attitude to technology. 94% said that it had enhanced the reputation of ThyssenKrupp. This proves that we succeeded in getting the message across – technology is exciting, technology is fun, technology is our future. More information and pictures from the Ideas Park can be found on pages 100-105.

Business areas and segments

Visitors to the Ideas Park discovered how steel can be used to make cars lighter in the future.

Business areas and segments

ThyssenKrupp is based on three strong pillars: Steel, Capital Goods and Services. Our operating business is organized in the five segments Steel, Automotive, Elevator, Technologies and Services. In the reporting period, we once again disposed of marginal activities in all five segments and strengthened the core activities. We will continue to pursue this strategy in the coming years to ensure responsible and sustainable development. The goal is to cement and expand the strong positions we occupy on the international markets, particularly in the world's growth regions.

Business areas and segments

Edificio Forum auditorium, Barcelona/Spain

Steel

Steel today is innovative and intelligent – and remains the No. 1 industrial material. Our flat steel products are tailored to customer requirements: easily formable, corrosion-resistant and extremely strong.

Employee at ThyssenKrupp Sofedit, France

Automotive

Our components and systems are used in cars all around the world. We develop and manufacture products for the international auto industry, for a "future in motion".

Elevators at Allianz, Frankfurt

Elevator

Our elevators and escalators keep people on the move. They are efficient, economical and aesthetically pleasing – whether in a Frankfurt office center or the Sydney Opera House.

Rothe Erde large-diameter bearings in offshore wind turbines

Technologies

Our world-leading market positions are based on innovative systems capabilities. Ships, chemical plants, wind power, Transrapid: we offer our customers progress in many fields.

Employee at ThyssenKrupp Services

Services

Our services free up customers worldwide to focus on their core business. Our experts organize complete international logistics chains and provide industrial services.

Steel

Our Steel segment is a major player in the international steel business. In terms of technologies and innovations we lead the world. We are among the margin leaders in Europe. In Carbon Steel and Stainless Steel we focus on high value added flat products offering above-average growth prospects. Added to this we provide product-specific steel processing services. Sales increased to €13.7 billion.

Steel in figures

		2002/2003	2003/2004
Order intake	million €	11,542	14,329
Sales	million €	11,664	13,700
EBITDA	million €	1,282	1,745
Income*	million €	439	911
Employees (September 30)		47,199	46,630

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

Steel aims to defend its leading international positions.

Steel pursues a consistent strategy of systematically catering to the requirements of its globally active customers and continuously developing its own core capabilities. On the basis of technological expertise, favorable locations, state-of-the-art facilities and highly qualified employees, we aim to further expand our good position in the international steel industry – through increased efficiency, service focus, organic growth, strategic alliances and collaborations. Higher-value products account for more than 80% of sales in Carbon Steel and 90% in Stainless Steel. In these demanding market segments we wish to defend our leading international positions.

With portfolio optimizations and permanent performance improvements in all business units, we have created good conditions for contributing a positive EVA to the Group on a sustained basis. The improvement programs combined under the umbrella of ThyssenKrupp best received a further boost from initiatives such as WorkPro and Project 2006 at Carbon Steel together with 3S (Success in Stainless Steel).

System partner to our customers

A central success factor in the Steel segment is technology leadership in processes and products. Our innovations and development projects are strictly geared to the requirements of our key customer groups. In flat carbon steel the automobile industry is the technology driver, but we also explore new avenues with our customers in the construction and domestic appliance sectors as well as in the aerospace, chemical, and process engineering industries. By bringing together material, design and production technology, Steel acts as a system partner capable of integrating the know-how from various disciplines and developing holistic solutions for customers.

Added to this is an income-oriented investment policy to which the segment owes its highly cost-effective and globally competitive facilities. In Duisburg, the central location of the Carbon Steel business unit, we will be building a new replacement blast furnace and relining another in the next few years. With only a slight increase in capacity, this will secure our supply of hot metal on a long-term basis and further reduce the environmental impact and dust emissions thanks to the use of state-of-the-art technology.

The Steel segment aims to strengthen its market position in core business areas through organic growth. In this, Carbon Steel focuses on businesses close to the market. Examples include the forward strategy of Rasselstein involving the expansion of tinplate coating capacities at the Andernach location and the doubling of tailored blank production capacity in Duisburg. In both cases we are taking into account the strong growth in demand for steel products meeting high technological requirements.

On the international markets the segment's operating companies strive to be reliable and competent partners to their global customers in industries ranging from vehicle construction to electronics. To offer these customers the high-quality supplies and services they have come to expect close to their production sites around the globe, the segment is organized on an international basis. For example, Carbon Steel has steel service centers and tailored blank production sites in Europe, the USA, Mexico and China. Following the acquisition in fiscal 2002/2003 of the Galmed hot-dip coating line in Spain, a further key coating facility went into operation this year in China. The new TAGAL hot-dip galvanizing line produced its first coil in December 2003 and will supply the Chinese auto industry with high-quality flat products. In the next few years we aim to develop the Chinese market by investing in service centers and further tailored blanks facilities.

Global presence expanded

Stainless Steel is likewise represented with production sites, service centers and sales offices throughout the world. In the core market of Western Europe, stainless capacities have been moderately expanded in recent years with a view to participating in market growth. We also intend to increase our capacities in Mexico. The expansion of activities in China is a top priority. Investment in the expansion of the Shanghai Krupp Stainless plant will continue as scheduled. In the current fiscal year cold strip capacity will increase from 80,000 to 290,000 metric tons. In parallel with this we are intensifying sales activities by setting up service centers and sales offices as well as offering technical advice to customers. In Europe and North America, too, Stainless Steel is in the process of further optimizing its international sales strategy. The sales, distribution and service centers are being expanded and reorganized. An important step in strengthening the worldwide sales network will be the building of a stainless distribution center in southern China.

The Chinese market is becoming increasingly important.

Strategic focus on growth

In the strategic development of the segment we are concentrating our efforts entirely on the two pillars Carbon Steel and Stainless Steel. Accordingly, the electrical steel activities in the Special Materials business unit were restructured and now comprise only the grain-oriented products. The non-oriented products, which are mainly used in electric motors and generators, are now integrated in Carbon Steel. For the specialty steel long products and nonferrous metal wire activities of the Special Materials business unit, we have either already implemented best owner solutions or plan to do so shortly as part of the portfolio optimization.

We will continue the structural and operating optimizations in the Carbon and Stainless Steel business units in the future and focus our strategy even more sharply on internal and external growth. As a result, ThyssenKrupp Steel will contribute to the reorganization of both the European and international steel industry.

Automotive

The Automotive segment has continuously expanded its position as a systems supplier, development partner and materials specialist. Virtually every car on the road today features our products. At some 140 locations in 17 countries, we produce customized components, modules and systems for Body, Chassis and Powertrain applications. Sales increased to €7.3 billion.

Automotive in figures

		2002/2003	2003/2004
Order intake	million €	6,271	7,424
Sales	million €	6,295	7,312
EBITDA	million €	533	644
Income*	million €	189	288
Employees (September 30)		41,414	43,491

* before taxes and minority interest

The Automotive segment has set itself ambitious goals to strengthen its international market position. We aim to build on existing leadership positions, enhance our performance, expand our regional presence, differentiate ourselves further from the competition, and advance our international employee development program. In achieving these goals, the cross-segment material and process capabilities available in the ThyssenKrupp Group play a key role in customer retention.

With the acquisition of an interest in Bertrandt, one of Europe's leading engineering specialists, the segment now offers its customers a complete package of technology, development, process and production know-how. This investment permits Automotive to become involved in the development of vehicle models at a very early stage in which 80% of the costs are already defined by the selection of materials and design. We are thus better equipped to meet the increasing market demands for the supply of modules through to complete bodies in white. The reallocation of the Assembly Plant activities from Technologies to Automotive will allow us to utilize synergies in body-in-white assembly equipment and construction.

Innovations such as the Presta DeltaValveControl, independent suspension systems for heavy trucks and advances in mechanical and electric steering systems attracted great interest from our automotive customers. All companies made particular progress in the area of weight reduction. The expansion of our Ilsenburg site allowed us to considerably extend our lead in the field of assembled camshafts.

Expansion in Asia and Eastern Europe

Asia as well as Central and Eastern Europe are among the fastest growing markets in the automobile sector. Automotive aims to further expand its presence in these markets. In China we have joined up with local partners to establish various companies for the production of steering systems and chassis components. Preparations are under way to establish further new companies, e.g. for the production of crankshafts. In addition, we will further intensify our collaboration with Asian automobile manufacturers in their respective local markets and also with their foreign production sites.

Automotive sees growth potential in Asia, Central and Eastern Europe.

In view of its medium- and long-term growth potential, we are monitoring very closely the entire region of the EU enlargement countries. The crucial factors for us are the strategy and location decisions of the vehicle manufacturers: “We follow our customers”. Automotive already has two locations in Poland, two in Romania and one in the Czech Republic. Further operations will be added. For example, plans currently under way include the expansion of steering systems production in Poland and shock absorber capacities in Romania, as well as the establishment of a production site for structural components in Slovakia and of crankshaft forging and machining capacities in Eastern Europe. For Russia's growing automobile market, the scope for increasing activities with domestic vehicle manufacturers is likewise being assessed. In addition, we aim to expand our supplies to European vehicle producers in Russia.

Technology leader in the global marketplace

A further key strategic goal for Automotive is to differentiate itself from the competition. One approach to this is to develop more attractive and innovative products, strengthen process capabilities and establish regional technology centers. The ThyssenKrupp Automotive Innovation Center in Bochum is an example of this. Based on its core competencies and innovative components, the segment also aims to position itself more strongly as a supplier of individual solutions by pooling the know-how of its companies on a project- and customer-focused basis.

Know-how is pooled for projects and customers.

For a globally active company like Automotive, highly motivated and well-trained staff are essential. Various programs to foster young talent, facilitate international exchanges, further develop and enhance the international competencies of employees and management are therefore key modules of our modern HR development system.

As a technology leader, the Automotive segment strives to respond flexibly to changes on the world markets and proactively shape the changing relationship between automobile manufacturers and suppliers. Automotive has the capability to identify new challenges in good time and develop attractive, innovative products and solutions. ThyssenKrupp Automotive will continue to keep the “future in motion”.

Elevator

The Elevator segment's strategy is paying dividends. As a supplier of high-quality, technologically advanced elevators, escalators and passenger boarding bridges, we achieved sales of €3.6 billion in the reporting period thanks to innovations, satisfied customers and strategic acquisitions. Over 800 branches throughout the world and a new, growth-oriented organizational structure safeguard our outstanding market position.**

Elevator in figures

		2002/2003	2003/2004
Order intake	million €	3,367	3,766
Sales	million €	3,365	3,568
EBITDA	million €	426	446
Income*	million €	355	370
Employees (September 30)		29,689	31,658

* before taxes and minority interest

Exploiting cross-selling potential in major airport projects.

Proven strategy with new organization

From the start of fiscal 2004/2005, the Elevator segment is being reorganized. The network of close-to-market branches which guaranteed our previous growth in the elevator business will be strengthened and expanded. At operating level, the branches will be managed by regional centers, which in turn will be organized in four business units: Central/Eastern/Northern Europe, Southern Europe/Africa/Middle East, Americas and Asia/Pacific. These business units will be responsible for the strategic development of the regional activities. In addition there will be two global business units: Escalators/Passenger Boarding Bridges and Accessibility. By combining the passenger boarding bridges and escalator business, we can better utilize cross-selling potential in major airport projects.

In the future our product range will continue to comprise elevators, escalators and moving walks, passenger boarding bridges and stair and platform lifts. Our competence lies in the production, modernization and maintenance of these products.

Continued expansion course

The Elevator segment successfully continued its expansion course in the reporting period. The acquisition of a majority shareholding in Dongyang in Korea was the second largest investment in the segment's history after the takeover of Dover Elevators in the USA in 1998. With this acquisition we distinctly strengthened our market position in Asia in particular with high-rise elevators in the premium quality sector.

In addition, to expand the service business in Asia, two independent local elevator maintenance companies were acquired in Singapore and Malaysia. The acquisition of Elevator Technologies in Auckland gave us access to the New Zealand market. Also, ThyssenKrupp Elevator now has its own company operating on the Italian market following the acquisition of a majority shareholding in Marco Bonfedi Ascensori Scale Mobili in Milan.

To improve technical support in Asia, ThyssenKrupp Elevator set up an International Technical Services (ITS) center near Shanghai. This center serves as a back office for the service engineers when they are visiting customers. The ITS provides inspection and repair services as well as technical support of the very highest quality. Together with the National Technical Services in the USA and the International Technical Services in the UK, the new ITS forms a global network, facilitating the exchange of information and helping optimize the expertise of our technicians in various countries.

** Original wording changed on January 25, 2006.

Quality and technology capabilities underlined**

With innovations such as TWIN and ISIS we have systematically underlined our technological strength.** The TWIN elevator system, in which two cabs operate independently of each other in a single shaft, permits speeds of up to 8 meters per second. Soon even higher speeds will be possible. This means that the technical conditions have already been met for a high-speed TWIN suitable for use in the world's tallest buildings.

TWIN elevators are also suitable for very tall buildings.

ISIS, the machine room-less traction elevator for medium and low rise buildings, is in demand in particular in North America. Its performance data and cost-efficiency make it ideal for many buildings where other elevators would be uneconomical.

Elevators and escalators around the world

The Elevator segment again completed numerous major projects in the reporting period. For example, our installations were used by spectators and participants at the 2004 European Soccer Championships in Portugal and the 2004 Summer Olympics in Athens. We supplied 40 elevators and 51 escalators to Athens, while the Metro system and Estadio da Luz soccer stadium in Lisbon were fitted with 19 escalators and 20 elevators.

ThyssenKrupp Dongyang Elevator received two major orders from Korea. The first was for the supply of 199 elevators for the Korea National Housing Corporation and the second for 136 escalators for the Metro in Busan. We also delivered four specially designed moving walks made in Germany for a recreation park. From China, the world's biggest market for people moving systems, Elevator received six major orders for a total of 144 escalators and 207 elevators. In India a major order for 19 escalators and 14 elevators was concluded.

New York has a new skyscraper fitted with our products: The 229 meter tall Time Warner Center houses 75 elevators and 18 escalators from ThyssenKrupp. Another world-famous building – Sydney Opera House – has likewise joined our list of customers: its people moving systems, like those in Parliament House in Canberra, are now serviced by ThyssenKrupp.

Following the success of the TWIN installations at Stuttgart University and the ThyssenKrupp Group headquarters in Düsseldorf, orders were received for three further projects. Two panorama TWIN elevators are to be installed in the Main Triangle building in Frankfurt, and four elevators will be supplied to the BMW Group as part of the modernization of its headquarters in Munich. One TWIN elevator will be installed in the Ocean Center in Valencia/Spain.

** Original wording changed on January 25, 2006.

Technologies

The Technologies segment is an international manufacturer of high-tech plant and machinery. On the basis of world-leading market positions and innovative system and engineering capabilities, the segment supplies systems, facilities, specialized machinery and components together with associated services. Due to disposals, sales decreased to €5.1 billion. Excluding disposals, sales climbed 4% against the previous year.

Technologies in figures

		2002/2003	2003/2004
Order intake	million €	4,984	5,770
Sales	million €	5,382	5,092
EBITDA	million €	159	161
Income*	million €	42	67
Employees (September 30)		29,871	27,803

* before taxes and minority interest

Technologies' goals focus on market leadership with high-performance business units holding top-three positions, technology leadership, the development of innovative products with high customer value and the swift expansion of service activities.

The Production Systems business unit is home to the specialized machinery activities, mainly for the automobile industry. Our MetalCutting products occupy a leading position on the world market. Autobody Manufacturing Systems, previously also part of Production Systems, was allocated to the Automotive segment and combined with ThyssenKrupp Drauz at the beginning of the new fiscal year. The combination made sense in particular on account of the closeness to shared customers in the automobile industry. Assembly Plant develops, designs and manufactures modular systems for the assembly of engines, transmissions and axles. From January 01, 2005 it will be allocated to the Mechanical Engineering business unit.

The Plant Technology business unit comprises specialized/large-scale plant engineering activities focusing on the petrochemical, chemical, cement, materials handling and coke production sectors. In chemical and plant engineering we are international pacesetters in fertilizers, electrolysis, gas technology, cokemaking, polymer processes, refineries and pharmaceuticals. Through intensive innovation efforts, we aim to strengthen our core technology competencies and build on our leading market position. A further focus is machinery and equipment for the production of cement including associated after-sales services. The aim is to further consolidate the leading market position already achieved by intensifying R&D activities and developing new products for related areas. The segment also builds a wide range of systems and facilities for mining, processing and materials handling.

Leading position in surface naval ships and conventional submarines

The shipyards in Hamburg, Emden and Kiel form a highly efficient system house.

The Marine business unit holds a leading position in the construction of surface naval ships and – together with Howaldtswerke-Deutsche Werft (HDW) – is the world's foremost producer of conventionally powered submarines. On May 16, 2004, ThyssenKrupp and HDW shareholders One Equity Partners signed a non-binding letter of intent under which our shipyards and HDW are to be combined in a new alliance under the control of ThyssenKrupp. The merger will result in a system house with strong positions in naval shipbuilding. In the meantime the reciprocal due diligence reviews have been successfully completed and the main features of the new structure developed.

Under the new structure all existing locations will be maintained. Based on the existing key activities of the individual shipyards, the structure focuses on four product groups: submarines, naval ships, merchant ships and repair. The shipyards in Hamburg, Emden and Kiel will each be developed into centers of excellence with clearly defined product responsibility. On October 17, 2004 the merger agreements were signed. The merger will be completed as soon as the approvals of the supervisory bodies and the requisite regulatory approvals have been obtained.

The Mechanical Engineering business unit brings together world-leading producers of components and systems for the machine building sector. The range of products and services includes rings and large-diameter antifriction bearings for solar and wind energy systems, earth-moving machinery, off-shore equipment and general machine building applications. The strategic goal is continued globalization; in particular we aim to rapidly expand activities in China. In addition, market potential in Eastern Europe is to be developed. A market position is to be swiftly established in China for excavator and bulldozer undercarriages and components – further core activities of this business unit. The range also includes components for energy generators and ship's equipment. A world leading producer of rubber processing equipment, the Elastomertechnik unit aims to further stabilize its market shares in Asia, Russia and South America. In turbine component production, the segment aims to secure its market leadership in turbine blades and improve its position in compressor disks.

Focus on German line for Transrapid

The Transrapid business unit is focusing on the realization of a German project following the successful completion of the link in Shanghai. On April 13, 2004 Shanghai Maglev Transportation Development Company and the German Transrapid consortium signed the acceptance test record. The project to link Munich's airport and central train station is currently being pursued in Germany. The system design work and preparations for the zoning procedure have already been completed. In addition, we aim to develop new markets with strategic alliances.

The Transrapid project in Shanghai was successfully completed.

New projects

The Plant Technology business unit received several major orders to build chemical complexes. In Belgium a new boiling reactor is being built for the production of ethylene dichloride, a starting material for numerous key chemical products. It is the first commercial use of a new technology developed in association with the PVC specialists Vinnolit. The business unit is to supply coke-oven batteries to customers in China and Japan, and a 300,000 tpy facility for the production of plastic pellets is planned for a petrochemical plant in China.

A new air-independent submarine propulsion system could bring our shipyards new orders for modern non-nuclear submarines. Outstanding features of this in-house development, which is based on a closed-cycle diesel system, are its reliability, simple maintenance and low cost. A demonstration unit is currently undergoing optimization to improve the system's performance and capacity.

Plant Technology has developed machinery for the extraction of oil sand in Canada which can crush frozen material at temperatures down to minus 50 degrees Celsius. In addition, a 6,000 metric ton container has been developed and built which is used to store the material between the crusher and the downstream processing facilities. Around 80 liters of oil can be extracted from each ton of oil sand.

Services

With over 33,000 employees in 60 countries, the Services segment is the world's leading service provider for industrial customers. Around half of its €11.9 billion sales were generated outside Germany. A third of the segment's employees work abroad.

Services in figures

		2002/2003	2003/2004
Order intake	million €	10,707	12,006
Sales	million €	10,603	11,887
EBITDA	million €	240	434
Income*	million €	36	271
Employees (September 30)		34,629	33,469

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

More than 125,000 articles available ex stock.

The Services segment is focused on high-quality process and supply services for manufacturing industry, including maintenance and repair, production support, in-plant logistics, scaffold services and technical services for the erection and maintenance of plant and facilities.

We are also one of the world's largest suppliers of stainless steel, nonferrous metals and plastics. Our range of products comprises over 125,000 items available from stock. The segment offers numerous value-adding services including slitting, cutting to length, cutting, sawing, flame cutting, milling, drilling and coating. All a customer has to do is order the material in the required form and volume, and we will supply it just in time. If required, we also handle the entire supply chain management for international customers, encompassing all activities from the purchase order to warehousing to delivery.

The portfolio is rounded off by the worldwide supply of steel and tubes, service activities in railway equipment and civil engineering as well as the distribution of metallurgical products, minerals and special coke.

Strong international focus

Services offers its customers full service packages in procurement, production, logistics and distribution from a single source. This frees up customers to focus on their core business. Our strong international focus means we can successfully bid for high-volume orders outside Germany. Services' customers come mainly from the steel, steel processing, automotive, aerospace, engineering, chemicals, oil and gas industries.

The segment's strategic and operating performance in Western Europe, in particular France, the Benelux countries and the UK, is very encouraging. As a growth market, the NAFTA region is also attractive. In the USA, for example, we have a five-year agreement for logistics services with Rolls-Royce. Overall Services generates around 20% of its sales in the USA, Canada and Mexico, mostly in materials services. However, in the future the USA could also play an increasingly important role in our industrial services business.

A further attractive growth market is Eastern Europe. We operate our own companies in Poland, Hungary and the Czech Republic. These supply local manufacturers with an extensive range of materials from stock along with complex services, for example for automakers. The Services companies currently generate sales of €300 million in Eastern Europe and this will be expanded over the next few years. This region is already important for the sale of large-diameter pipe as well as for the purchase of metals, alloys and minerals.

Focus on customers

Services continues to systematically tailor its products and activities to the needs of customers: “What do they want?” and “What else do they need?”. In our target markets of Western Europe, Eastern Europe and NAFTA, we plan to set up additional locations through targeted investment, partnerships and alliances. Focusing on regions in which the segment can supply its full range of services, we will offer service-oriented system and marketing solutions to local producers and conclude long-term contracts.

In addition, we plan to achieve further organic growth by winning orders from within the ThyssenKrupp Group.

Additional sites are being established in target markets.

Real Estate

Renting apartments and managing and utilizing industrial and commercial properties – these are the key activities of our Real Estate experts. Sales in the reporting period remained generally stable at €337 million. Real Estate comprises two business units: Residential Real Estate manages 48,000 housing units, mostly owned by the Group, and Real Estate Management optimizes the Group's commercial property.

Real Estate in figures

		2002/2003	2003/2004
Order intake	million €	345	337
Sales	million €	345	337
EBITDA	million €	118	151
Income*	million €	60	72
Employees (September 30)		638	575

* before taxes and minority interest

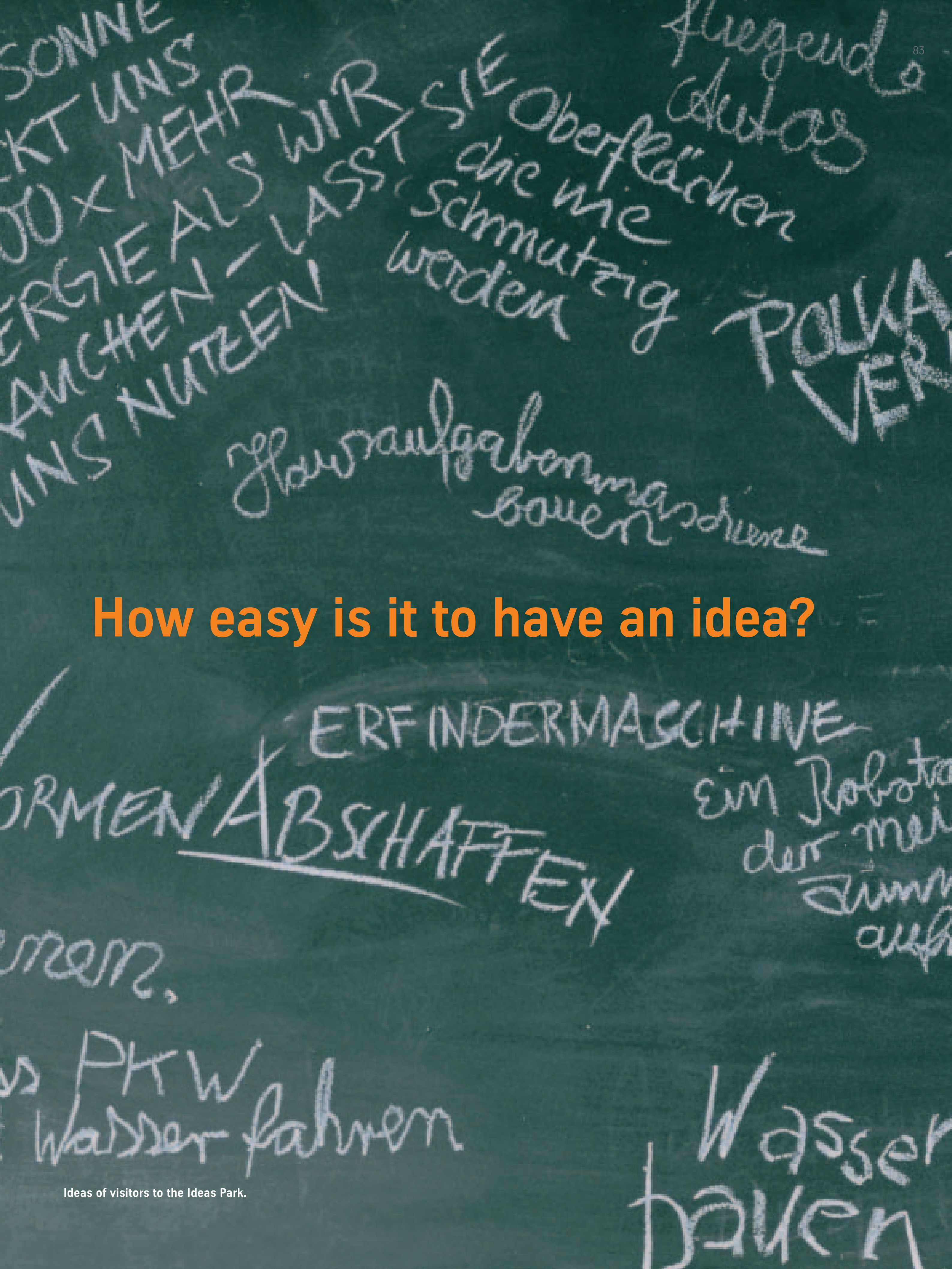
Extensive improvement programs are securing the value of our real estate.

Real Estate views itself as a service provider for private tenants and investors as well as for subsidiaries of the Group.

The Residential Real Estate business unit is responsible for the largest share of sales. Letting and managing 48,000 apartments and houses in the Rhine/Ruhr region, it is one of Germany's biggest industry-based real estate service providers. Extensive improvement and maintenance programs were again carried out to safeguard the value of the portfolio in the past fiscal year.

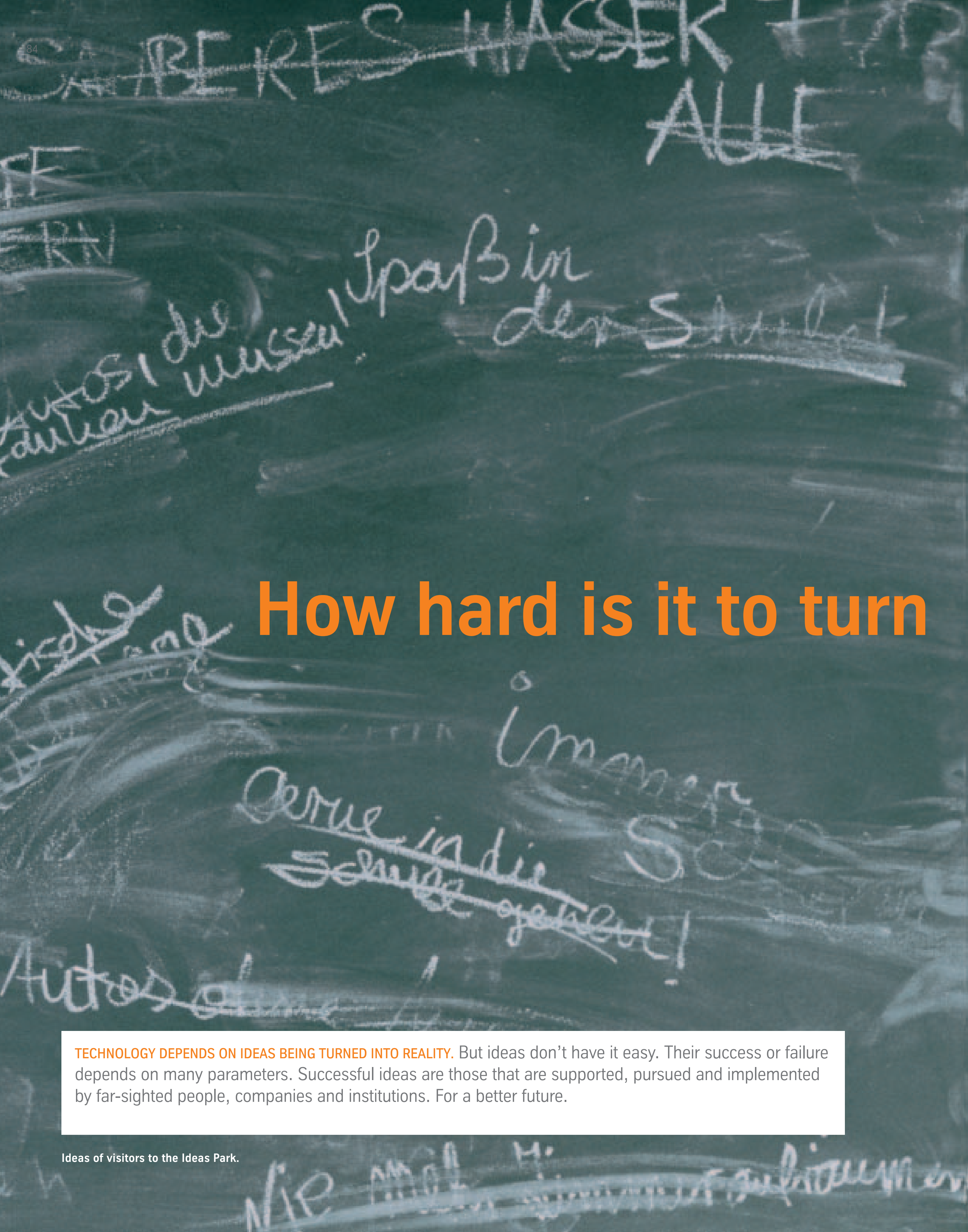
The Real Estate Management business unit is mainly involved in corporate real estate management for the ThyssenKrupp Group. The Groupwide real estate clearing scheme was systematically expanded to support individual companies in the leasing or managing of real estate. At the end of the reporting period, the business unit disposed of low-revenue marginal activities such as the development and consulting business.

Development projects still under construction will be completed and billed.



How easy is it to have an idea?

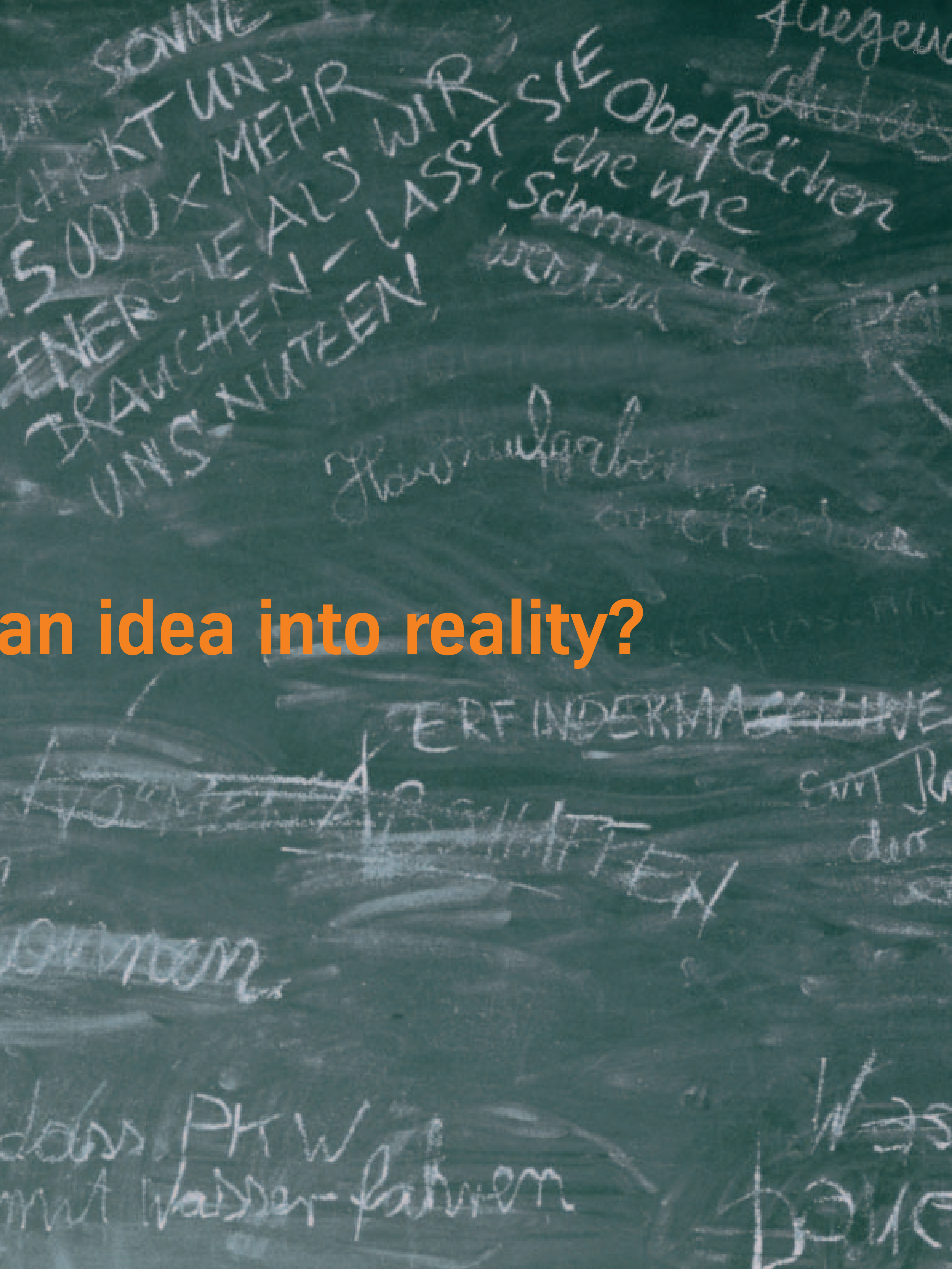
Ideas of visitors to the Ideas Park.



How hard is it to turn

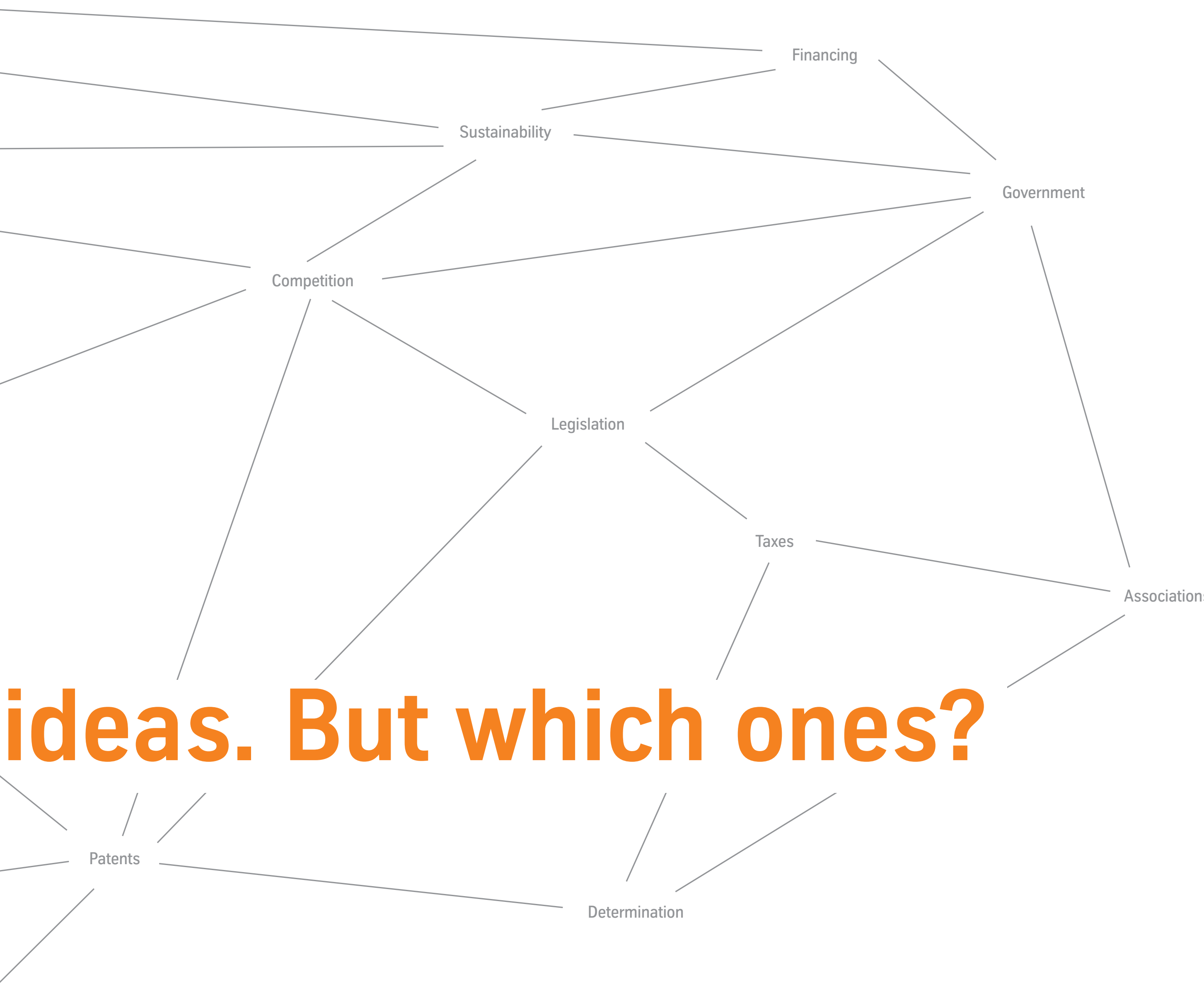
TECHNOLOGY DEPENDS ON IDEAS BEING TURNED INTO REALITY. But ideas don't have it easy. Their success or failure depends on many parameters. Successful ideas are those that are supported, pursued and implemented by far-sighted people, companies and institutions. For a better future.

Ideas of visitors to the Ideas Park.



an idea into reality?

The future belongs to



ideas. But which ones?

Developing ideas that can make it in the future means understanding market needs, pursuing solutions in close partnership with customers, and transforming given parameters into success factors. That's why ThyssenKrupp argues for an innovation-friendly environment as a catalyst for business and society to raise awareness of technology, highlight its opportunities and benefits, and provide support for innovations. In achieving these goals of the Company, focus is essential – a focus on our own strengths, in order to augment them with the strengths of others, and a focus on those areas which offer the Company and its partners the greatest innovation potential.

Of the many innovation areas that we are developing, three are highlighted on the following pages: materials, processes, and communication.

1 Innovation. Materials
Steel sheet with improved corrosion protection

Innovative materials are the basis of new products and largely determine their properties and market success. ThyssenKrupp's DOC® surface engineering center works continuously to develop new, innovative products to meet ever rising market and customer demands. The DOC® is supported in its varied activities by two project groups of the Fraunhofer Society.

Dr. Bernd Schuhmacher from the DOC® talks with Dr. Axel Zwick from the Fraunhofer Society about a new coating for steel sheet which opens up new opportunities for auto manufacturers.

DR. BERND SCHUHMACHER, DOC®

"When it comes to body materials, one of the most important demands of auto manufacturers is for innovative coatings that improve the corrosion resistance or processing properties of thin body panels."

DR. AXEL ZWICK, FRAUNHOFER SOCIETY

"Our tests showed that the new material results in a marked increase in laser weld quality during processing in the car plant."

DR. BERND SCHUHMACHER, DOC®

"Close integration of industrial product development and basic and applied research is essential in developing innovations like these and getting them to market successfully."

DR. AXEL ZWICK, FRAUNHOFER SOCIETY

“Conventional coating technologies don’t allow us to develop these new types of coatings.”

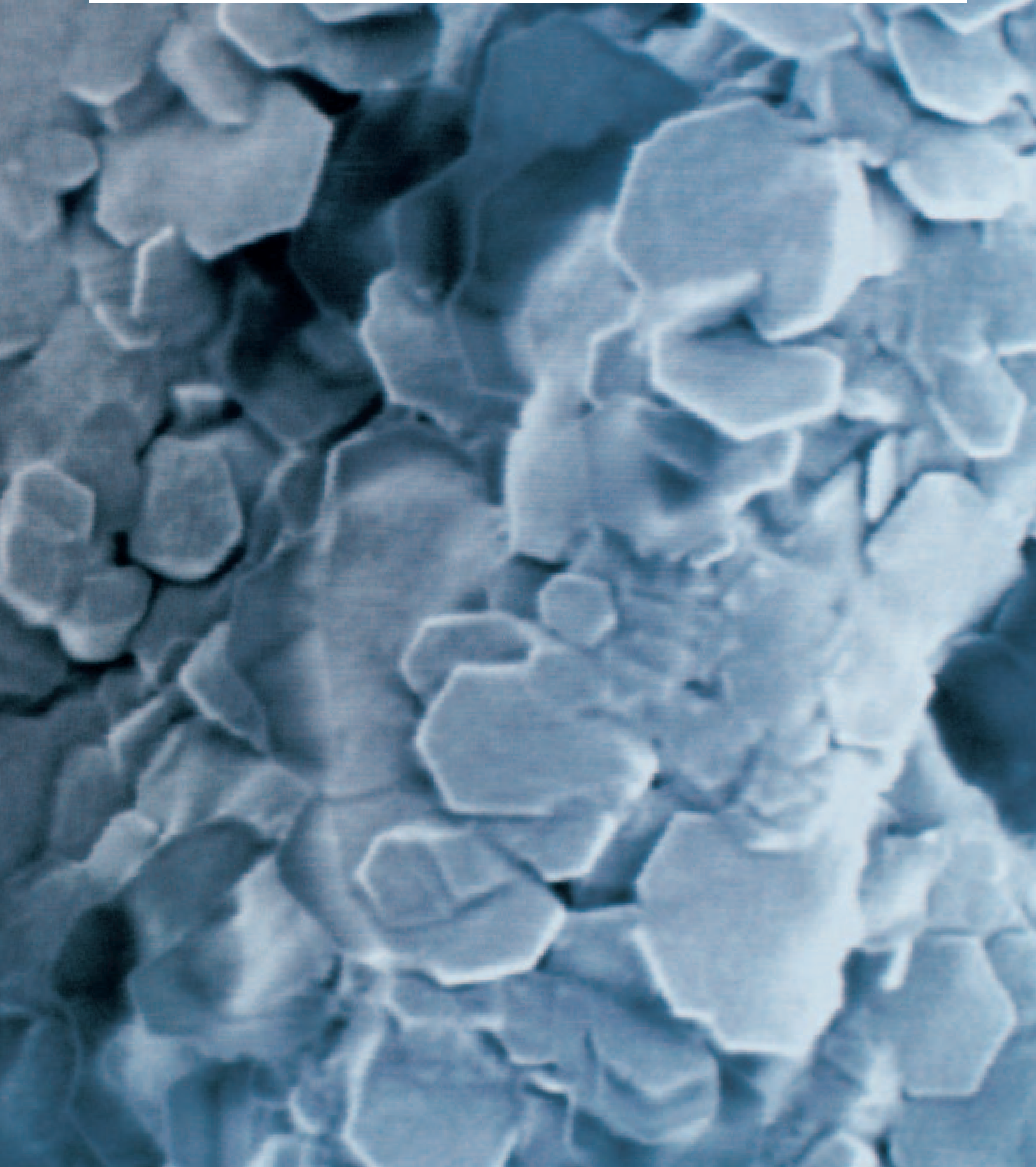
DR. BERND SCHUHMACHER, DOC®

“Using a vacuum deposition technology previously not used in the steel industry, we developed a completely new zinc-magnesium alloy coating at the DOC®. The coating is only half as thick as the usual zinc coating but offers the same level of corrosion protection and the added benefit of significantly improved laser weldability.”

OFFERING PROTECTION

The view through a scanning electron microscope shows innovation on a scale scarcely imaginable: the zinc-magnesium surface structure provides better rust protection despite thinner coatings.

MAGNESIUM VAPOR AGAINST CORROSION. When steel sheet is coated with zinc, the zinc provides active rust protection. Its electrochemical properties prevent the steel beneath from corroding when the protective coating is breached. A newly developed coating from ThyssenKrupp in which the zinc-coated steel is covered with an additional ultra-thin layer of magnesium provides improved protection. The zinc and magnesium combine to form an alloy which offers significantly increased corrosion protection.



PROMOTING EFFICIENCY

Innovative materials in combination with innovative technologies – such as the hydroforming process developed by ThyssenKrupp – allow the cost-effective production of lightweight components of unprecedented complexity.

BETTER RIDE. The zinc magnesium coating was developed in the DOC®, ThyssenKrupp's center of excellence for surface engineering. Based on this new coating, a family of products was developed which provides the auto industry with improved processing quality during laser welding. In addition, a product variant reduces the cost of secondary corrosion protection in body cavities and panel overlaps. Both offer auto manufacturers significant cost advantages.

2 Innovation. Processes
Intelligent modular doors

Even technologies that have been in use for many years and seem to have been exploited to the full often still hold unsuspected potential for innovation. Tapping that potential requires reexamining conventional knowledge and combining it with new capabilities, in this case in the areas of processing equipment and materials.

Susanne Schlegel, managing director of Group subsidiary Nothelfer, talks with Alfred Lösch, development engineer at Nothelfer, about an innovative process developed by the company that redefines the production and assembly of car doors.

SUSANNE SCHLEGEL, NOTHELFER

“Auto manufacturers constantly demand process simplification from their system partners.”

ALFRED LÖSCH, NOTHELFER

“Another requirement is for weight reduction with unchanged or improved functionality.”

SUSANNE SCHLEGEL, NOTHELFER

“For us the question was how to build car doors in a completely different way.”

ALFRED LÖSCH, NOTHELFER

“This concept offers cost savings in production and is also easier to repair.”

ALFRED LÖSCH, NOTHELFER

“The answer is our ‘modular door’, which sets new standards in weight reduction and process simplification.”

SUSANNE SCHLEGEL, NOTHELFER

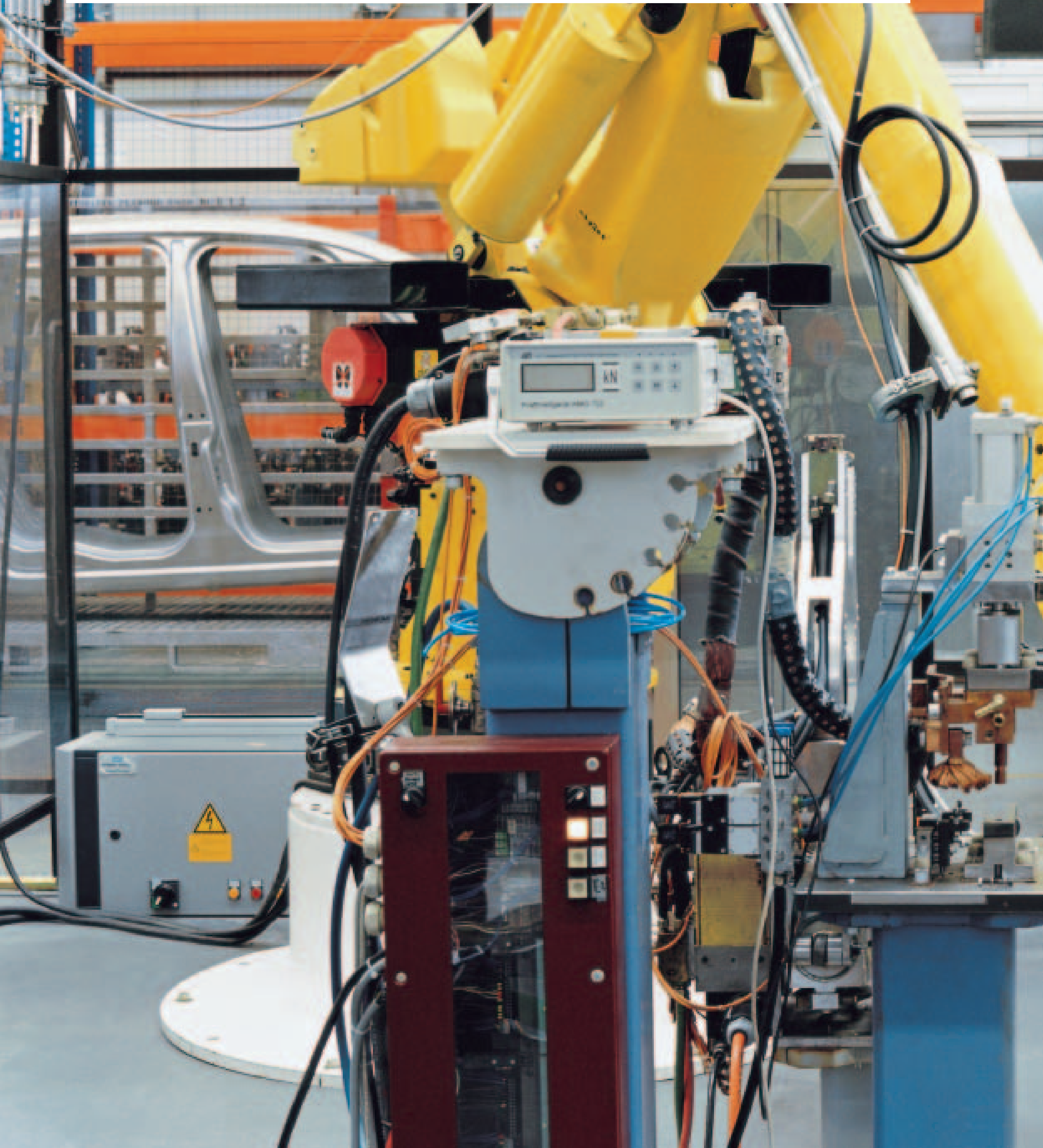
“The new door consists of an inner and an outer module, which are joined by threaded fasteners.”

SIMPLIFYING PROCESSES

Thanks to an integral contour, the door seal can be clipped on easily and removed at any time. The complicated gluing of door seals can thus be eliminated.

COMPOSED OF COMPONENTS. The inner and outer modules of the lightweight modular door are supplied, painted and assembled separately. The weight- and strength-optimized modules are connected by a threaded fastener. This innovative door technology is a forward-looking Nothelfer development based closely on auto manufacturers' needs.

INCREASING COST EFFECTIVENESS WORLDWIDE. Cost reduction is becoming increasingly important for international auto manufacturers. The modular door allows them to reduce costs by 7% per door pair compared with conventional technology. The end customer also benefits because the modular door is easier and therefore cheaper to repair, for example after damage to the outer panel.



INCREASING VALUE

The modular door is optimized for production and assembly.

3 Innovation. Communication
Firing enthusiasm for technology

For a technology-oriented company based in Germany it is vital to promote a climate in society that encourages the acceptance of technical innovations and increases young people's interest in technical occupations and university courses. One prerequisite for this is innovative communication. As part of Germany's "Year of Technology 2004", ThyssenKrupp launched an initiative called "Discovering Future Technology". A central element of this was the Ideas Park, aimed at turning technology into a living experience for the whole family and giving visitors young and old a hands-on guide to modern technology.

Prof. Dr. Ekkehard Schulz, Executive Board Chairman of ThyssenKrupp AG, talked with young visitors about the Ideas Park.

PROF. DR. EKKEHARD SCHULZ, THYSSENKRUPP

"A lot of children have come to the Ideas Park. How do you like it here?"

LISA, VISITOR

"What I like is that you can touch these technical things and learn more about them."

MAX, VISITOR

"Sometimes it's complicated if it's not explained properly. Even my teacher sometimes can't explain things so well. But here you can understand everything."

PROF. DR. EKKEHARD SCHULZ, THYSSENKRUPP

"Children in England take technology as a subject at school. Maybe we should have that in Germany too. What's been of most interest to you in the Ideas Park?"

LISA, VISITOR

"I liked the bobsleigh and the way Susi Erdmann explained how you can make it go faster. The technology shows on the stage were exciting as well."

PROF. DR. EKKEHARD SCHULZ, THYSSENKRUPP

“Some people think that technology is not such a good thing, and too complicated.”

CREATING UNDERSTANDING

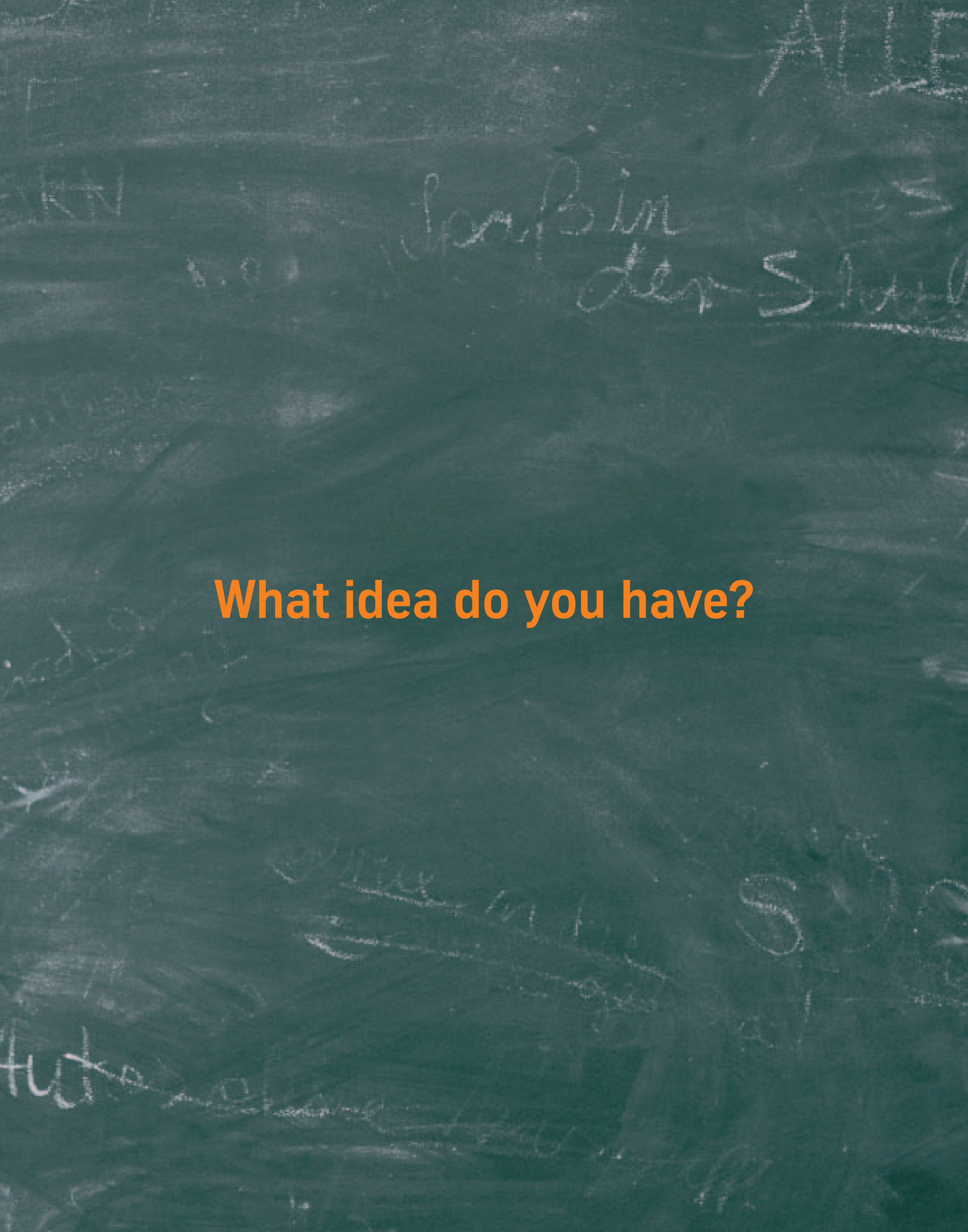
From the fascinating world of nanoparticles – shown here formed into a hedgehog-like structure by the action of a magnet – to innovative assembly techniques in carbody manufacture, the Ideas Park offered plenty of opportunities to discover future technology.

ENTHUSIASM. In the space of only three days, 60,000 people visited the Ideas Park to experience and learn about modern technology. Many many more read about it in 32 advertorial supplements with more than 150 pages of reports placed in regional and national newspapers as part of a broad media partnership. Several television networks also supported the project with reports and programs before and during the event. The keen interest shown in the Ideas Park and the overwhelming response it received from visitors and in the media show that when business, science and government all work together, young people can be fired up for technology and Germany's future as a center of technology can be enhanced.

UNLOCKING POTENTIAL

Complex technical topics were explained in an understandable way at the Ideas Park, allowing visitors young and old to grasp what technology is all about.

DISCOVERING FUTURE TECHNOLOGY is the name of a ThyssenKrupp initiative aimed at kick-starting a technology dialogue across all segments of society and all age groups and facilitating access to innovations in a new way. One highpoint of the initiative was the Ideas Park, a unique interactive technology experience park staged by ThyssenKrupp with the active support of numerous partners from the business, education, research and media worlds. Visitors were offered a varied program with technical exhibits, celebrity guests and participation activities. Children, young people and adults became explorers, experiencing technology first-hand, following discussions and presentations, and learning about training and study opportunities.



What idea do you have?

Financial report

Financial report

Some people read annual reports to find out about the course of business, strategy or plans for the future. Others are more interested in figures and analysis. We try to satisfy both types of reader. The following financial report contains a detailed analysis of the economic situation in fiscal 2003/2004, the consolidated US GAAP financial statements and additional German GAAP disclosures. It presents all the relevant facts in transparent and comparable form, based on international standards.

1. INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST / DIVIDEND

In fiscal 2003/2004, the ThyssenKrupp Group generated income from continuing operations before taxes and minority interest in the amount of €1,580 million, €806 million more than in the previous year. Fiscal 2003/2004 was the best financial year since the merger of the ThyssenKrupp Group in 1999. This income level was achieved through the successful implementation of steps to improve the quality of income and favourable global economic conditions regarding raw materials, especially for steel. In addition, the current year was affected by significant advances in the implementation of the portfolio optimization program. Four material businesses were sold or the sale was initiated and the income of these businesses was not included in income from continuing operations in the current and the previous year. The income contribution of these businesses amounted to €20 million (net of tax) in the current year and €(10) million (net of tax) in the previous year.

Income by segments in million €

	2002/2003*	2003/2004
Steel	439	911
Automotive	189	288
Elevator	355	370
Technologies	42	67
Services	36	271
Real Estate	60	72
Corporate	(332)	(380)
Consolidation	(15)	(19)
Income from continuing operations**	**774**	**1,580**

	2002/2003*	2003/2004
Steel	5	0
Services	(15)	20
Discontinued Operations (net of tax)	**(10)**	**20**

* adjusted due to the presentation of discontinued operations (see Note 3) and the change of inventory method (see Note 4)
** before income taxes and minority interest

Steel

Steel recognized income from continuing operations in the amount of €911 million after recognizing €439 million in the previous year. Excluding the gain on sale of the quarto plate activities in the Stainless Steel business unit amounting to €41 million, which was included in the previous year earnings, income increased €513 million. In addition to the volume effects from a positive economic environment, the increase was primarily driven by numerous action programs that had a positive impact on income. In fiscal year 2003/2004, the Steel segment began using the average cost method to value inventory which is consistent with its competitors. Prior periods have been appropriately adjusted. Had the segment continued to apply the LIFO method as in previous years, the recognized segment income from continuing operations before income taxes and minority interest would have been €635 million in the current year and €375 million in the previous year; the difference would have been recognized as drop in inventories, which would have had a positive impact on income over time.

Berkenhoff GmbH and Krupp Edelstahlprofile GmbH in the Special Materials business unit have been accounted for as discontinued operations and therefore, in the current and previous fiscal years, results will no longer be included in income from continuing operations. The sale of Berkenhoff GmbH was consummated as of September 30, 2004 and the sale of Krupp Edelstahlprofile GmbH was initiated as of September 30, 2004 and has been finalized subsequent to year end.

Carbon Steel increased income in the fiscal year by €326 million to €588 million. Had the business unit continued to apply the LIFO method as in previous years, the recognized business unit income from continuing operations before income taxes and minority interest would have been €487 million in the current year and €229 million in the previous years; the difference would have been recognized as drop in inventories, which would have had a positive impact on income over time. This increase can be primarily attributed to the success of the previously implemented improvement programs in all areas. The largest rise in profits was at ThyssenKrupp Stahl AG. The main reason for this increase was a significant rise in demand which allowed for higher shipping volumes. In addition, higher prices helped offset substantial cost increases for raw materials such as ore, coal/coke and scrap metal as well as freight and energy rates. The building construction and cold room operations which emerged from the restructuring of the construction elements group significantly improved their performance from the previous year. Whereas the building construction sector, burdened with further adjustment costs, continued to show a loss. The cold room business posted a small profit. Tinmill products again increased profits compared to the previous year and made a substantial contribution to total profits. Also, the medium-wide strip products and the European and American Steel Service Center recorded substantial increases in profits. Tailored Blanks recognized a loss compared to the previous year resulting from start-up costs associated with two new plants. The non-grain-oriented sector, previously in the Special Materials business unit, improved considerably and recognized a profit after posting a loss in the previous year.

The results of Stainless Steel were €385 million, about €162 million greater than that of the previous year. After deducting, from the previous year results, the gain from the sale of the quarto plate activities in the amount of €41 million, profit increased by €203 million. Had the business unit continued to apply the LIFO method as in previous years, the recognized business unit's income from continuing operations before income taxes and minority interest would have been €210 million in the current year and €192 million in the previous year; the difference would have been recognized as drop in inventories, which would have had a positive impact on income over time. The primary reason for the significant improvement in performance is the successful implementation of performance improvements in all areas. Beginning in the third quarter, after an unsteady first half of the year, the market conditions improved resulting in a significant improvement in earnings. As demand increased, price increases were pushed through in the EU region and shipments increased. The extension of the alloy follower by a scrap metal component at least partially offset the additional charges caused by the drastic increase of scrap metal prices. The demand and price level in the US market increased due to consolidation in the stainless steel industry in North America and particularly benefited the Mexican cold rolling plant which recorded a significant increase in income. The Chinese cold-rolling activities recognized a profit for the first time. The nickel-base alloy business also recognized a profit due to entry into the aviation and space industry and a successful restructuring.

Special Materials reported a loss of €66 million after showing a loss of €38 million in the previous year. As part of a portfolio adjustment, the sale of Berkenhoff GmbH was consummated on September 30, 2004 and the sale of Krupp Edelstahlprofile GmbH was initiated on September 30, 2004 and finalized subsequent to year end. Both companies' current year and previous year results are no longer included in continuing operations. As part of the extensive reorganization of the Electrical Steel sector, the non-grain-oriented sector has been assigned to the Carbon Steel business unit. The grain-oriented sector suffered from a difficult market environment and produced a loss in the amount of €81 million, primarily attributable to the Italian plant Terni. The loss at Terni included operating expenses related to a strike in the amount of €19 million and restructuring costs in the amount of €20 million. The tool-steel-producer Edelstahl Witten-Krefeld recognized income in the amount of €14 million. The earnings improvement of Edelstahl Witten-Krefeld of €28 million is primarily due to the successful implementation of a restructuring program. The higher scrap prices negatively impacted earnings as there is a time delay before these increases can be passed onto customers.

Automotive

ThyssenKrupp Automotive achieved a profit of €288 million, which is €99 million higher than the prior year. The initiated cost reduction and restructuring measures more than offset the significant increase in personnel expense in the USA and the negative effect of the appreciation of the EURO compared to all other major currencies. In addition, the effect of continued pricing pressure from customers as well as higher raw material costs had a negative impact on the year results.

The Chassis business unit again experienced a remarkable improvement on the results of the previous year. There continues to be a positive impact from the restructurings at the Kitchener plant and at ThyssenKrupp Federn. In contrast, restructuring of a British foundry and significant increases in scrap prices at the North American foundries have had a negative impact.

Income in the Body business unit was also significantly higher than in the previous year. The success of the cost reduction measures were partially offset by the increased costs from pension and healthcare obligations in the USA. In addition, the first full year consolidation of the French company Sofedit had a clear positive impact on income.

In fiscal 2003/2004, the Powertrain business unit continued to be ThyssenKrupp Automotives primary contributor to income, improving on the previous year yet again. All products contributed to this improvement.

Elevator

The Elevator segment achieved profits of €370 million in fiscal year 2003/2004, again exceeding the previous year profits of €355 million. All business units recognized a profit and nearly all business units realized an increase in earnings, particularly in the business units Germany/ Austria/ Switzerland, Spain/ Portugal/ Latin America and Other Countries. The US activities of the business unit Passenger Boarding Bridges were also able to turn its business around. Despite the continued weak construction activity in primary markets, the unfavorable exchange rate development and the current development of raw material costs, the segment maintained its ground well and continued to develop its market position in important markets. A more intense market development and the continued strengthening and optimization of the service business were the primary factors for the increase in profits.

The Germany/ Austria/ Switzerland business unit achieved a substantial increase in profits in a difficult business environment. The France/ Benelux business unit yet again increased profits compared to the high results of the previous year, realizing the benefits of the reorganization of the Distribution and Services business for the first time. The Spain/ Portugal/ Latin America business unit significantly increased its profits primarily due to infrastructure projects on the Iberian Peninsula although results continued to be impacted by the difficult business conditions in Latin America. The North America/ Australia business unit again did not reach the previous years profits. In addition to the 12% devaluation of the US dollar, there was pricing pressures in the new installation business and higher raw material costs which led to a decrease in profits. These negative impacts could only be partially offset by an increase of the modernization and service business. The Other Countries business unit increased its profit with the activities in Eastern Europe and Asia obtaining significant increases. The businesses in Northern Europe had a decrease in income due to the cyclical nature of the market. The Passenger Boarding Bridges business unit clearly returned to profitability in the current fiscal year mainly due to a positive impact from the increased efforts to improve profitability in the USA. Despite the negative impact from the closure of a manufacturing location in Great Britain, the Accessibility business unit recognized an increase in profits. In addition to an increase in sales activities in both Europe and North America the manufacturing location in the Netherlands realized significant improvements in efficiencies.

Technologies

The Technologies segment recognized income of €67 million, which is €25 million more than in the previous year.

Production Systems significantly reduced the prior year loss. In the metal-cutting machine tool unit, the improved workload and cost reductions as well as the absence of restructuring costs resulted in a significant reduction in losses. The body-factory-stuff-construction suffered a reduction in profits due to higher project costs. The assembly automation unit was affected by charges from an old contract, restructuring expenses and higher project costs in the USA.

Plant Technology, which consists of activities in special and plant construction, again showed a double digit profit. Profits clearly increased again as a result of positive order and workload development as well as the absence of charges from old contracts.

Marine recognized a slight profit and did not reach previous year's high level. The negative results were impacted by a loss on the financing of two cruise ship sales as well as restructuring costs and the cost of holding capacity in Hamburg.

Mechanical Engineering generated a remarkable increase in profits. Positive performance from the construction equipment components business, cost reductions and the absence of restructuring costs in the turbine components business, compared to the previous year, mainly contributed to this improvement. The large-diameter bearings unit again made the largest contribution to profits.

The loss at Transrapid was significantly reduced from the previous year, which was impacted by higher project costs from the Shanghai contract.

Services

The new Services segment income from continuing operations excelled to €271 million with an increase of €235 million over the previous year. Income from the sold business unit Information Services and the operating group Facilities Services, which was sold in October 2004, were accounted for as discontinued operations. The income from continuing operations does not include the results of both entities in the current or previous year. Like the entire ThyssenKrupp group the Services segment no longer values inventories according to the LIFO method effective in 2003/2004. The prior year has been adjusted accordingly. Without this switch the recognized income from continuing operations would have amounted to €256 million in the current year and to €35 million in the prior year; the difference would have been recognized as drop in inventories, which would have had a positive impact on income over time.

The largest earnings contribution came from the Material Services Europe business unit which almost quadrupled its income. In addition to the strong economic situation initiated, efficiency and cost reduction programs and new marketing activities had a positive impact on earnings. The Eastern European entities also performed favourable with business growth and increase in profits. Due to improved market conditions and several efficiency programs, the Materials Services North America business unit was able to more than triple its profit, despite the weaker US dollar. On a US dollars basis, profits almost quadrupled. The Industrial Services business unit recorded a profit at the level of the previous year. The weak domestic German economic situation negatively impacted orders for maintenance and modernization services and led to an increase in competitive pressures. In Germany this impact could be more than compensated through new services accompanying production and the expansion of the business into other industrial sectors. Outside of Germany, the weak US dollar as well as significant impairment charges, primarily in England, had a negative impact on earnings. The Special Products business unit once again exceeded its good prior year earnings and made the second highest contribution to the segment profit. The sectors raw materials, engineering and materials contributed equally to this profit.

Real Estate

Real Estate reported income before taxes in the amount of €72 million compared to €60 million in the previous year. The main contributor to income again was the Residential Real Estate business unit which, compared to the previous year, increased both the income from management as well as proceeds from the disposal of housing units. As in the previous year, the Real Estate Management business unit closed with a small profit, which included a loss on the sale of the Swiss subsidiary tk3 AG, which conducted planning and consulting activities, and the shut-down of the building contracting business. In addition, the Real Estate Management business unit recognized higher impairments, compared to the prior year, on land that is no longer used in normal operations.

Corporate

Corporate includes the Group administration functions, inclusive of financing companies and national holding companies. Also within Corporate are the inactive companies, such as Thyssen Stahl GmbH and Krupp Hoesch Stahl GmbH. As operating companies Insurance Services and, in the previous year, equity investments were also included in Corporate. In fiscal 2003/2004, Corporate recorded expenditures of €380 million compared to €332 million in the previous year. This increase resulted primarily due to the elimination of the Ruhrkohle AG investment and those equity-income and from higher Corporate administration costs.

The majority of the expenditure, €193 million, was again attributable to pension costs, which primarily consist of payments to former employees of inactive subsidiaries. Corporate administration costs were €138, which compared to the previous year, increased by €50 million. Contributing to this increase were, besides other expenses, higher consultancy fees and personnel costs especially related to strategy development projects of the Group. The interest expense net, i.e. the balance of interest expense and interest income of the Corporate holding as well as the financing and national holding companies amounted to €(55) million compared to €(23) million in the previous year. This increase was primarily the result of higher costs for the conversion of the financing structure to longer term as well as the consideration of interest rate risks.

Income taxes

Income taxes in 2003/2004 amounted to €636 million compared to €161 million in the previous year. These amounts consist in the current as well as in the previous year of only tax expenses resulting from continuing operations. One reason for last year's comparatively low tax rate was a revised estimate of tax risks, e.g. following the positive outcome of a precedent setting case in the federal tax court that resulted in a partial reverse of accruals for income tax risks and a substantial reduction of the effective tax rate. Another reason for the significant increase in the tax rate is the considerably larger share of total profits attributable to Germany in fiscal 2003/2004. The effective tax burden in Germany is higher than the average tax burden on profits earned.

Discontinued Operations

Income from discontinued operations amounted to €20 million (net of tax) in the current fiscal year compared to €(10) million in the previous year. This includes the result from the Information Services business unit and the Facilities Service operation group in the Services segment as well as the operating groups Berkenhoff GmbH and Krupp Edelstahlprofile GmbH in the Steel segment. In the current and previous year, the results are no longer included in income from continuing operations. In fiscal year 2003/2004, income from discontinued operations (net of tax) consists of €(72) million which is associated with income from operations (net of tax) and €92 million which is associated with gains or losses on the disposal of discontinued operations (net of tax).

Net income/Earnings per share

After the deduction of minority interest in the amount of €60 million compared to €45 million in the previous year, net income amounted to €904 million compared to €552 in the previous year. Earnings per share (EPS) is calculated by dividing consolidated net income by the number of shares outstanding as of the end of the reporting period which amount to 498,028,925 in the current year and 507,673,543 in the previous year. The decrease in shares outstanding is due to the acquisition of treasury stock in Spring 2003. Based on these figures, EPS amounted to €1.81 per share in 2003/2004 compared to €1.09 per share in the previous year. In the fiscal year 2003/2004, EPS from continuing operations amounted to €1.77 per share compared to €1.12 per share in the previous year.

Dividende

The dividend in the amount of €0.60 per share will be put forward to the Annual Stockholders' Meeting for approval. This is an increase of €0.10 from the previous year. The legal basis for the dividend payment is unappropriated net income. Unappropriated net income is determined by taking the net income of ThyssenKrupp AG under German GAAP in the amount of €301 million, compared to €406 in the previous year, reduced by €1 million which has been transferred to retained earnings, plus the €9 million surplus carryforward from the previous year. Unappropriated net income amounted to €309 million of which €299 million will be proposed for dividend distribution on the 498,358,299 shares eligible for dividend payment as of September 30, 2004. The remaining €10 million shall be carried forward to the next year. Should the number of shares eligible for dividend distribution change due to a change in the number of shares held as treasury stock, the proposed dividend distribution shall be adjusted accordingly. The payout ratio of consolidated net income will be 33%, compared to 45% in the previous year, subject to the approval by the Annual Stockholders' Meeting. In relation to ThyssenKrupp AG's net income, the payout ratio is 99% compared to 61% in the previous year.

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 discountinued 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, 2002*	Sept. 30, 2003*	Oct. 01, 2003	Sept. 30, 2004
Total Stockholders' Equity	8,287	7,671	7,671	8,327
+ Minority interest	298	320	320	410
+ Pension and similar obligations	7,065	7,401	7,401	7,221
+ Financial payables	5,683	4,948	4,948	4,270
./. Marketable securities/cash and cash equivalents	941	713	713	1,437
+ Deferred tax liabilities	551	771	771	984
./. Deferred tax assets	998	1,283	1,283	1,150
Total as of measurement date	19,945	19,115	19,115	18,625
Average	**19,530**		**18,870**	

* adjusted due to the change of inventory method (see Note 4)

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%, Elevator 9.0%, Technologies 10.0%, Services 9.0% and Real Estate 7.5% .

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. 2003*/**

	Income before interest *** (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (%-points)	EVA (million €)
Group	**1,407**	**19,530**	**7.2**	**9.0**	**(1.8)**	**(352)**
thereof:						
Steel	627	8,777	7.1	10.0	(2.9)	(255)
Automotive	282	2,940	9.6	9.5	0.1	3
Elevator	389	1,647	23.6	9.0	14.6	241
Technologies	49	1,166	4.2	10.0	(5.8)	(68)
Services	120	3,191	3.8	9.0	(5.2)	(166)
Real Estate	70	1,782	4.0	7.5	(3.5)	(63)

* unaudited
** adjusted due to the change of inventory method (see Note 4)
*** 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. 2004*

	Income before interest ** (million €)	Capital Employed (million €)	ROCE (%)	WACC (%)	Spread (%-points)	EVA (million €)	Change in EVA (million €)
Group	**2,271**	**18,870**	**12.0**	**9.0**	**3.0**	**572**	**924**
thereof:							
Steel	1,076	8,633	12.5	10.0	2.5	212	467
Automotive	397	3,043	13.1	9.5	3.6	108	105
Elevator	404	1,709	23.7	9.0	14.7	250	9
Technologies	90	687	13.0	10.0	3.0	21	89
Services	369	2,769	13.3	9.0	4.3	120	286
Real Estate	86	1,752	4.9	7.5	(2.6)	(46)	17

* 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 2003/2004 increases by €864 million to €2,271 million. This improvement was slightly increased by the reduction of capital employed within the measurement of return on capital. Capital employed fell by €660 million to €18,870 million. The ROCE in 2003/2004 was 12.0%, compared to 7.2% in the previous year. Hence, the cost of capital relevant to the Group of 9.0% was exceeded, the Economic Value Added increased by €924 million to €572 million.

In the Steel segment, income before interest increased by €449 million to €1,076 million. With a slight decrease in Capital Employed, the 2003/2004 ROCE increased from 7.1% to 12.5% which exceeded the cost of capital of 10.0%. After achieving a negative EVA in the prior year, a positive EVA of €212 million, an improvement of €467 million, was achieved in 2003/2004.

In the Automotive segment, the 2003/2004 income before interest increased to €397 million which is €115 million more than the prior year. With a slight increase in Capital Employed, the ROCE increased from 9.6% to 13.1% which is significantly higher than the cost of capital of 9.5%. After recognizing a very low EVA in the prior year, the EVA increased by €105 million to €108 million in 2003/2004.

In the Elevator segment the ROCE remained at the high prior year level of 23.7%. With a slight increase in Capital Employed, the EVA rose by €9 million to €250 million.

Technologies' income before interest increased by €41 million to €90 million in 2003/2004 as a result of the current favorable order and workload situation as well as the absense of restructuring charges. Capital Employed decreased significantly by €479 million to €687 million due to disposals. As a result of these items, ROCE increased significantly from 4.2% in the prior year to 13.0% in 2003/2004. With a cost of capital of 10.0%, a positive EVA in the amount of €21 million was achieved. This corresponds to an increase of €89 million compared to the previous year.

In the Services segment, income before interest increased by €249 million to €369 million in 2003/2004. This increase was due to the better economic situation in the international materials and raw materials markets, the implementation of efficiency and cost reduction programs and new marketing activities. Due to disposals, Capital Employed decreased by €422 million to €2,769 million. The effect of both items resulted in a significant increase of the ROCE from 3.8% in the prior year to 13.3% in 2003/2004, which exceeded the cost of capital by 4.3%-points. After recognizing a negative EVA in the previous year, a positive EVA of €120 million was computed in 2003/2004. This is an improvement of €286 million.

Within Real Estate, income before interest increased from €70 million to €86 million. With an almost constant Capital Employed, the ROCE increased from 4.0% in the prior year to 4.9% in 2003/2004. The EVA improved by €17 million and was calculated at €(46) 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 2001/2002 through 2003/2004. 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 €2.5 billion during the fiscal year 2003/2004 compared to €2.0 billion during the previous year. Compared to the previous year additional cash outflows due to an increase of net working capital were reduced from €(0.2) billion to €(0.1) billion. In 2002/2003 this is due to a significant decrease of asset backed transactions in the amount of €0.3 billion, whereas in fiscal year 2003/2004 asset backed transactions increased by approximately €0.1 billion.

The discontinued operations used cash flows from operating activities in the amount of €(32) million (2002/2003: cash flow provided €25 million).

The cash flows used in investing activities decreased by €0.2 billion to €(1.0) billion in the current reporting period. The decrease is the result of an increase in proceeds from disposals by €0.3 billion to approximately €0.7 billion offset by an increase in investment activities by €0.1 billion to €1.7 billion. The proceeds from disposals in the previous year were influenced especially by the sale of the Polymer activities in the Technologies segment and by the sale of the formwork and scaffolding activities in the Serv segment. During the current reporting period cash inflows result from the disposals of Triaton Group in the Services segment (€0.2 billion), of Novoferm Group in the Technologies segment (€0.2 billion) and of Berkenhoff GmbH in the Steel segment (€40 million). Like during the previous year disposals of property, plant and equipment and intangible assets led to an additional cash inflow totaling €0.2 billion.

The discontinued operations provided cash flows from investing activities in the amount of €208 million (2002/2003: cash flow used €(14) million) due to the cash inflows resulting from the disposal of the Triaton Group.

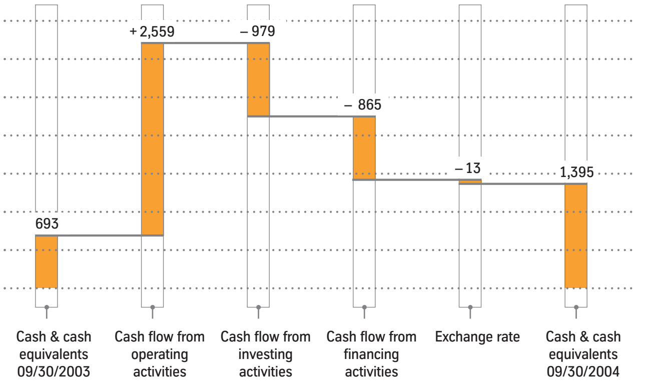
Again the cash flows from operating activities in 2003/2004 were sufficient to completely cover net capital expenditures of €0.9 billion. However, the excess amount i.e. the free cash flow of €1.6 billion was increased significantly by €0.7 billion. The free cash flow was used (after taking into account a decrease of net financial debt of €1.4 billion) for dividend payments of €0.3 billion.

Other cash flows presented within financing activities for fiscal year 2002/2003 include cash inflows of €8 million (2002/2003: €(2) million payments), resulting from Group overnight money transactions with non-consolidated subsidiaries, and cash receipts of €52 million (2002/2003: €26 million) from short-term financial accounts receivable.

The discontinued operations used cash flows from financing activities in the amount of €(206) million (2002/2003: €(16) million) due to the cash inflows resulting from the diposal of the Triaton Group.

Changes in foreign exchange rates reduced cash and cash equivalents by €(13) million (2002/2003: €(22) million), which primarily is due to the further weakening of the US dollar during fiscal 2003/2004.

Change in cash and cash equivalents million €



The internal financing capability, defined as the ratio of cash flow from operating activities and cash flow from investing activities, has improved to 2.6 (2002/2003: 1.7), primarily due to the clear increase in cash flows provided by operating activities. 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, is 1.1 years (2002/2003: 2.1 years).

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 payables and stockholders' equity increased considerably compared to September 30, 2003. This mainly resulted from the improving economic situation of the steel business and the dramatic price increase for raw materials especially nonferrous metals. Fixed assets and net 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 increased from 1.17 €/USD as of September 30, 2003 to 1.23 €/USD as of September 30, 2004, led to a reduction of the balance sheet total by €204 million. Income tax liabilities remained nearly constant whereas deferred income tax liabilities increased. The balance sheet total increased by €940 million.

Fixed assets decreased by €363 million or 2.3%, to €15,181 million. Taking into account the negative currency effects of €174 million, fixed assets adjusted by these effects declined by only €189 million, thus remaining nearly constant. Additions of €1,609 million exceeded depreciation of €1,516 million by €93 million. Disposals amounted to €345 million. Changes in the scope of consolidation, i.e. acquisition and divestitures of companies, increased the fixed assets by €63 million. Major individual transactions consisted of the acquisition of the Korean elevator companies Dongyang Group and a 60 % interest in the automotive sub-supplier Mercedes Benz Lenkungen (MB Lenk), resulting in a total increase of €245 million. The divestitures of major individual transactions led to a decline of €237 million.

Inventories climbed by €505 million to €6,340 million.

million €

	Sept. 30, 2003	Sept. 30, 2004	Change
Steel	2,750	3,037	287
Automotive	609	667	58
Elevator	249	287	38
Technologies	1,036	995	(41)
Services	1,114	1,277	163
Real Estate	77	77	0
Total	**5,835**	**6,340**	**505**

The increase in the Steel segment resulted primarily from the rise of raw material prices. Technologies was impacted by the disposal of activities by €48 million. Services posted an increase in inventories due to business expansion and rising raw materials prices, which was partially offset by the disposal of the business unit Information Services.

The trade accounts receivable as of September 30, 2004 were up by €467 million compared to September 30, 2003. It should be noted that the amount of sold receivables as of September 30, 2004 increased compared to the previous year by €136 million. The increase in the Steel segment was largely attributable to the improving economic situation as well as to the increase of raw material prices. The Automotive segment business expansion also led to an increase of trade accounts receivable. The acquisition of Dongyang led to an increase in the Elevator segment of €89 million. Contrary effects resulted from currency differences and the disposal of various activities in the Technologies and Services segments.

million €

	Sept. 30, 2003	Sept. 30, 2004	Change
Steel	1,226	1,531	305
Automotive	905	1,076	171
Elevator	697	725	28
Technologies	902	845	(57)
Services	1,570	1,604	34
Real Estate	25	18	(7)
Corporate/Consolidation	37	30	(7)
Total	**5,362**	**5,829**	**467**

Deferred income tax assets declined by €133 million, whereas deferred income tax liabilities increased by €213 million. The increase resulted primarily from the change in inventory valuation method to the weighted average method.

Stockholders' equity climbed by €656 million, to €8,327 million. The primary reason for this rise was the positive operating result of the fiscal year 2003/2004. Additionally the increase in accumulated other comprehensive income, resulting from the decrease in additional minimum liabilities associated with accrued pensions and similar obligations, increased equity by €52 million. Dividend payment for fiscal 2002/2003 and currency differences reduced equity by €249 million and €78 million.

Accrued pensions and similar obligations in the reporting period declined by €180 million to €7,221 million. Taking into account a currency effect of €(45) million, accrued pensions and similar obligations dropped by €135 million. This decrease resulted from the slight increase of the discount rate in all relevant currency zones (Euro, US dollar and GBP) as well as largely from 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. Both factors led to reduced minimum liabilities, adjusted by currency effects, of €(83) million.

Trade accounts payable increased significantly by €603 million. This line item was also impacted by the previously described business expansion and price increases. In the Services and Technolgies segments this effect has been reduced by the disposal of activities. The first-time consolidation of Dongyang mainly led to an increase in the Elevator segment.

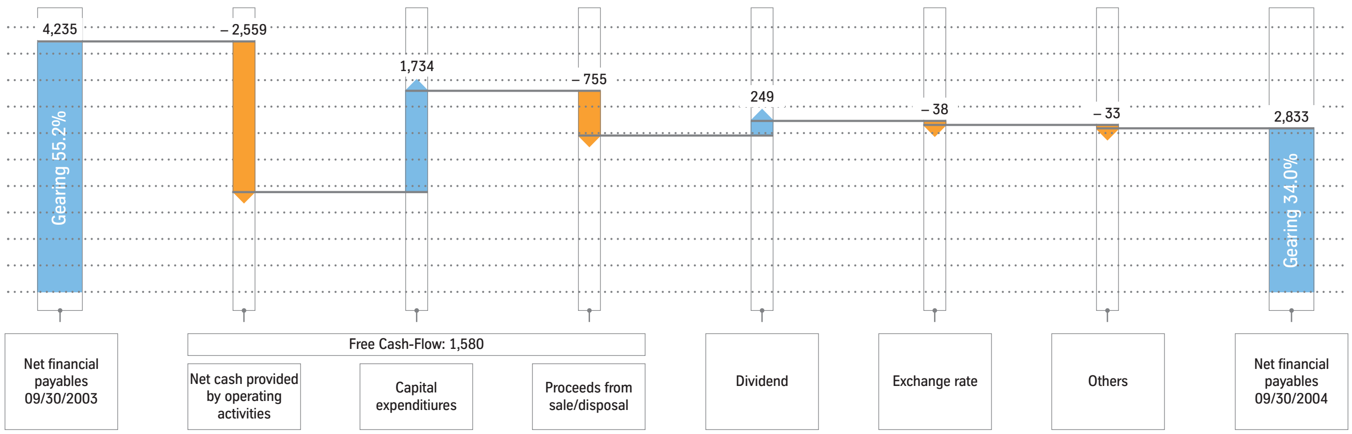
million €

	Sept. 30, 2003	Sept. 30, 2004	Change
Steel	969	1,293	324
Automotive	666	825	159
Elevator	203	234	31
Technologies	543	600	57
Services	654	695	41
Real Estate	24	15	(9)
Corporate/Consolidation	16	16	0
Total	**3,075**	**3,678**	**603**

Other accrued liabilities were €87 million lower than at the end of the previous year, whereof €22 million are caused by fluctuations in currency rates.

Gross financial payables decreased by €678 million from €4,948 million as of September 30, 2003 to €4,270 million as of September 30, 2004. Net financial payables, i.e. gross financial payables less cash and cash equivalents and marketable securities, declined by €1,402 million from €4,235 million to €2,833 million. Currency differences contributed to this result in the amount of €(38) million. Cash flow from current operations led to a decrease of €2,559 million, whereas capital expenditure and disposals increased the balance by €979. The dividend payment for fiscal 2002/2003 resulted in an increase of €249 million. Gearing, i.e. the ratio of net financial payables to stockholders' equity, improved to 34.0% against 55.2% the previous year.

Net financial payables million €



5. CENTRAL FINANCING OF THE THYSSENKRUPP GROUP

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.

Maintainance 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. In fiscal year 2003/2004, the Group's ratings remained unchanged. The issuer ratings and their development are pictured as follows:

	Long-term rating	Short-term rating	Outlook
Standard & Poor's			
until 02/20/2003	BBB	A-2	stable
from 02/21/2003	BB+	B	stable
Moody's			
until 07/30/2003	Baa1	Prime-2	negative
from 07/31/2003	Baa3	Prime-3	stable
Fitch			
from 05/16/2003	BBB-	F3	stable

The downgrade of the ThyssenKrupp Investment-Grade rating to a Non-Investment-Grade status by Standard & Poor's in February 2003 was due to a change in methodology with regard to pension obligations. Different from the previous methodology, Standard & Poor's now considers pension obligations as financial payables when calculating the balance sheet ratios. Regarding this methodology, ThyssenKrupp has asked academic experts to provide their opinion.

The rating downgrade had only temporary effects on the capital markets. Measured by risk spread ThyssenKrupp bonds are clearly better evaluated than a year before. ThyssenKrupp is still working on a further reduction of its net financial payables in order to achieve the Investment Grade status from Standard & Poor's again. We are still holding on to our gearing target of 60%.

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 of the Group's domestic subsidiaries 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 foreign subsidiaries 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. We knowingly accept reasonable and manageable risks, in particular when 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. If this is not the case, the risks are assessed to see whether they may be transferred to third parties. 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. Overall, our measures are aimed at avoiding damage to the ThyssenKrupp brand.

Risk management system

On the basis of its bearing full responsibility for risk management 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 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.

The external auditors and Internal Auditing have examined in Germany and abroad the adherence of the group companies to the risk management system and their risk control measures. 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. Damage analyses are regularly created and evaluated, with the Group thus countering the risk of increased deductibles.

Financial risks

Central responsibilities of ThyssenKrupp AG include optimizing Group financing and containing financial risks. Thus also this year we succeeded to reduce financial payables.

In order to counteract risks arising from foreign currency transactions, commodity price volatility and interest rate changes, ThyssenKrupp uses derivative financial instruments. Generally, hedging of translation risks arising from currency conversion for subsidiaries with non-euro accounting does not take place. Interest rate risk management is disclosed in detail on page 119 and interest rate sensitivity and hedging against commodity price risk in Note (28) to the consolidated financial statements.

Sale of real estate, companies, etc.

The disposal of real estate, companies or other business activities may entail certain processing risks. We have appropriately accounted for such risks that are likely to arise.

Information security

Assuring the safe processing of business transactions requires continuous evaluation and adjustment of the information technologies in use. The threat potential is also growing, e.g. due to the extensive integration of IT-supported business processes among subsidiaries and with customers, suppliers and business partners. To eliminate or at least minimize the risks related thereto, measures used to improve information security are being developed continuously.

Pension and health care measures

Our North American subsidiaries in particular have been unfavorably impacted by the weak international stock markets due to the system of fully funded pension plans; this has led to a significant rise in expenses. In addition, expenses for health care measures have increased considerably. With unchanged prevailing conditions, these burdens on income are expected to continue in subsequent years.

Pending lawsuits and claims for damages

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

Real estate and environmental protection

ThyssenKrupp counteracts risks arising from the ownership of real estate, particularly risks from contaminated sites and mining subsidence, with appropriate preventive measures and the accrual of liabilities. 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 may have a significant influence on the economic development of the Group. However, the widespread business portfolio, both productwise 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.

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. We shall continue to position ThyssenKrupp as an attractive employer and strive for long-term retention of senior executives in the Group to assure 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 2005 we expect real global growth of around 4%. The global economy therefore continues to perform robustly, albeit no longer as dynamically as in 2004. The forecast is based principally on the assumption that the oil price will gradually fall again, that there will only be a moderate increase in interest rates and that there will be no distortions on the currency markets.

Should raw material prices, and in particular oil, continue to rise e.g. due to geopolitical developments, this would lead to an appreciable slowdown in the momentum of the world economy. An appreciable rise in procurement costs could be expected, while on the sales side negative effects on demand in the Group's important customer markets cannot be ruled out.

Risks may also arise from currency market developments. A sustained increase in the euro against the US dollar would lead to a reduction in sales opportunities. In addition to the rising trade imbalance and federal deficit, a stronger than expected weakening of the US economy could also be seen as the cause of a strengthening of the euro.

Risks may also arise from developments in China. A sharp additional surge in demand from China may lead to further significant increases in raw material and energy prices. On the other hand, a major slowdown in the momentum of Chinese growth would have adverse effects on world trade.

The strongly export-dependent German economy in particular would be adversely affected by a greater than expected slow-down in the world economy, all the more so as domestic demand in 2005 will only see moderate growth, meaning that there can still be no talk of a self-supporting upward trend. With regard to economic policy, there is a risk that the reform efforts to strengthen Germany's competitiveness will lose momentum.

Segment risks

The Steel segment 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. To counteract financial risks through increased insurer's premiums, the Steel segment has integrated property insurance-related economic and technical risk monitoring into the risk management process. To further optimize preventive fire safety, common minimum standards have been defined for the entire segment.

Quality and delivery deadline risks are minimized through the optimization of the value chains. The segment counteracts currency risks arising from procurement and sales transactions through hedging.

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

The business unit reduces the risk of limited core markets through globalization of manufacturing in downstream activities and enhanced internationalization of sales. The business unit counteracts 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 growth in demand on the Chinese market (particularly for 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 is confronted with risks arising on the one hand from market developments, particularly in Europe and China, and on the other hand due to expected overcapacity in stainless production, exacerbated by changes in worldwide supply flows through existing or new access barriers to major markets outside Europe. The companies of this business unit curtail such risks through measures of distribution, capacity and production control. 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. Beyond this, all subsidiaries of the business unit are strengthening their customer relationships through customer-centric service offerings, further quality improvements and better delivery performance.

The risks arising from the availability and the price development of raw materials, especially for nickel 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 North America are particularly important for the segment.

An ambitious segment-wide cost reduction program has been introduced to compensate for increasing price pressure from automotive manufacturers. The effects of these measures will be strengthened by improvements in earnings from restructuring measures introduced in the previous years.

Sales and earnings in the past fiscal year were affected by the strengthening of the euro against the US-Dollar and the Brazilian Real.

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

Automotive is countering possible risks arising from the discontinuation of existing manufactured automotive products through research and development, and, if necessary, cooperation with partners or acquisition of investments, as well as the strengthening of its position as a system vendor. 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.

The international steel market is currently strongly influenced by China's expanding steel and primary material needs. The major price rises for scrap resulting from this have had a significant impact on earnings for the segment's North American foundries as price increases can only be passed on to customers with a time delay. A continuation of the development in steel prices also carries significant risks for earnings at the steel-processing companies.

While the operating performance of the Elevator segment's new installation business is dependent on the situation in the construction sector, this is not the case with the modernization, service and repair business, which therefore has a stabilizing effect on earnings.

In this regard, regional weaknesses in the international construction sector are impacting further segment growth. However, the segment is profiting from the stable growth, particularly in construction activities, which can currently be observed in Asia. The further expansion of Elevator's service business is relatively independent of the regional variations in the development of new installation business as the expansion of the service portfolio is not based only on new installations.

The operating risks are seen as relatively low due to the strongly decentralized organization of the segment with over 800 branches worldwide and the associated high level of diversification.

Although approx. 45% of business volume is realized in US-Dollar, the currency risks are limited as sales and costs are largely accounted for in the same currency, due to the highly regional nature of activities. The remaining transaction risks are minimized through consistent hedging.

Part of Elevator's strategy for successful business expansion is to acquire new companies. The risks associated with the integration of new acquisitions are minimized through comprehensive business integration measures and close support of the acquired activities.

The Technologies segment has a differentiated risk structure due to the vast diversity of product ranges. Project controlling as a form of early identification system based on available instruments and systems is further optimized through monthly summary reporting on the status and changes of key major projects.

The risk at the Production Systems business unit of over-dependence on only a few large customers is being counteracted by a broadening of the customer base and a reorganization of sales. Risks from changes during project processing will be countered with greater flexibility and further development of product ranges.

Plant Technology curbs risks arising from the processing of long-term contracts through more efficient contract management and intensive project controlling as well as concentration on mastered technologies.

In the Marine business unit, risks in order processing shall be limited by greater project management and controlling. Merchant shipbuilding, concentrating on small and medium-sized container ships (up to 2,700 TEU (container storage spaces)), fast ships (ferries) and mega-yachts, contributes to the compensation of capacity fluctuations in naval shipbuilding.

At the Mechanical Engineering business unit, leading market positions will be consolidated and expanded through further restructuring and cost reduction measures, range extensions and by developing new sales markets.

Now that the Shanghai route has successfully commenced commercial operations, worldwide market penetration for the Transrapid will be supported by the government-financed development program. At the same time, the development program is improving the chances of realizing the Munich project.

The companies of the Services segment chiefly involved in materials trading are mainly exposed to price and inventory risks and those of uncollectible receivables, none of which, however, jeopardize their existence. Further expansion of the centralized warehousing concept as well as constant advancement of the logistics control systems reduce inventories, thus buffering the effects of short-term price volatility even further.

In order to further lower the dependency on cyclical price developments, the segment has been expanding its service business, which does not depend on the price development of materials. The risks from potentially uncollectible receivables are relatively insignificant. Apart from the use of hedging instruments, a broad customer portfolio and worldwide business activities ensure a wide spread in this area of risk. This also applies to the Industrial Services business unit to a great extent. In part, the considerable competition and price pressure has been countered by capacity adjustments at all levels on the one hand and targeted sales initiatives on the other. Business losses have been largely compensated through the acquisition of new customers.

No risks are discernible which could jeopardize the continued existence of the Real Estate segment; this applies in particular for risks which could arise from structural or legal changes or external influences. The risk of vacancy will be limited for residential property in particular through targeted modernization programs and optimized customer service. Improved project management is facilitating risk limitation for industrial property. Beyond this, an integrated sales and maintenance program, together with optimized inventory management, supports the segment’s ongoing portfolio optimization.

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.

Report of the Executive Board

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 2003/2004 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.

Prof. Dr.-Ing. Dr. h.c.
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, 2003 to September 30, 2004. 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, 2003 to September 30, 2004, 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, 2003 to September 30, 2004 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.

Düsseldorf, November 15, 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Reinke	Nunnenkamp
German public auditor	German public auditor

ThyssenKrupp AG
Consolidated Statements of Income

million €, earnings per share in €

	Note	Year ending Sept. 30, 2002*	Year ending Sept. 30, 2003*	Year ending Sept. 30, 2004
Net sales	30	35,928	35,327	39,342
Cost of sales		(29,599)	(29,016)	(32,265)
Gross margin		**6,329**	**6,311**	**7,077**
Selling expenses	5	(2,901)	(2,794)	(2,717)
General and administrative expenses		(2,420)	(2,324)	(2,447)
Other operating income	6	499	348	367
Other operating expenses	7	(795)	(564)	(492)
Gain/(loss) on the disposal of subsidiaries, net		41	(53)	1
Income from operations		**753**	**924**	**1,789**
Financial income/(expense), net	8	11	(150)	(209)
Income from continuing operations before income taxes and minority interest		**764**	**774**	**1,580**
Provisions for income taxes	9	(155)	(161)	(636)
Minority interest		(33)	(45)	(60)
Income from continuing operations		**576**	**568**	**884**
Discontinued operations (net of tax)	3	(23)	(10)	20
Cumulative effects of changes in accounting principles (net of tax)	1, 21	(338)	(6)	0
Net income		**215**	**552**	**904**
Basic earnings per share	33			
Income from continuing operations		1.12	1.12	1.77
Net income		**0.42**	**1.09**	**1.81**

* adjusted due to the presentation of discontinued operations (see Note 3) and the change of inventory method (see Note 4)

See accompanying notes to consolidated financial statements.

ThyssenKrupp AG
Consolidated Balance Sheets

Assets million €

	Note	Sept. 30, 2003*	Sept. 30, 2004
Intangible assets, net	10	3,473	3,554
Property, plant and equipment, net	10, 11	10,919	10,574
Financial assets, net	10, 16	1,002	1,020
Fixed assets	10	**15,394**	**15,148**
Inventories	4, 12	5,787	6,274
Trade accounts receivable, net	13, 15	5,301	5,764
Other receivables and other assets, net	14, 15	1,242	976
Marketable securities	16	20	42
Cash and cash equivalents		690	1,350
Operating assets		**13,040**	**14,406**
Deferred income taxes	9	**1,283**	**1,148**
Prepaid expenses and deferred charges	17	**204**	**220**
Assets held for sale	3	**280**	**219**
Total assets **(current amount is €13,335 and €14,854 million respectively)**		**30,201**	**31,141**

Stockholders' Equity and Liabilities million €

	Note	Sept. 30, 2003*	Sept. 30, 2004
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		2,830	3,478
Accumulated other comprehensive income		(754)	(765)
Treasury shares		(406)	(387)
Total Stockholders' Equity	18	**7,671**	**8,327**
Minority interest		**320**	**410**
Accrued pension and similar obligations	20	7,387	7,189
Other accrued liabilities	21	2,959	2,859
Accrued liabilities **(current amount is €2,999 and €2,945 million respectively)**		**10,346**	**10,048**
Financial payables	22	4,944	4,232
Trade accounts payable	23	3,051	3,644
Other payables	24	2,917	3,129
Payables **(current amount is €6,435 and €6,860 million respectively)**		**10,912**	**11,005**
Deferred income taxes **(current amount is €421 and €576 million respectively)**	9	**750**	**977**
Deferred income **(current amount is €106 and €176 million respectively)**	25	**108**	**183**
Liabilities associated with assets held for sale	3	**94**	**191**
Total Stockholders' Equity and Liabilities		**30,201**	**31,141**

* adjusted due to the change of inventory method, see Note (4)

See accompanying notes to consolidated financial statements.

ThyssenKrupp AG
Consolidated Statements of Cash Flows

million €

	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Operating:			
Net income	215	552	904
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes (net)	(18)	62	344
Minority interest	33	45	60
Depreciation and amortization of fixed assets	1,949	1,549	1,516
(Earnings)/losses from companies valued at equity, net of dividends received	8	(52)	(16)
(Gain)/loss from disposal of assets	(364)	59	(72)
(Gain)/loss on disposal of discontinued operations	0	0	(91)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
- inventories	521	100	(508)
- trade accounts receivable	365	(93)	(524)
- other assets not related to investing or financing activities	198	132	182
- accrued pensions and similar obligations	1	29	41
- other accrued liabilities	30	27	(16)
- trade accounts payable	(122)	(14)	630
- other liabilities not related to investing or financing activities	(362)	(369)	109
Net cash provided by operating activities	**2,454**	**2,027**	**2,559**
Investing:			
Purchase of financial assets and businesses (excluding securities)	(236)	(314)	(297)
Cash acquired from acquisitions	9	15	22
Purchase of securities presented as financial assets	(6)	(8)	(6)
Capital expenditures for property, plant and equipment	(1,453)	(1,186)	(1,325)
Capital expenditures for intangible assets	(82)	(96)	(106)
Proceeds from the sale of financial assets and businesses (excluding securities)	780	218	537
Cash of disposed businesses	0	(8)	(23)
Proceeds from the sale of securities presented as financial assets	159	9	9
Proceeds from disposals of property, plant and equipment	277	188	204
Proceeds from disposals of intangible assets	6	13	6
Net cash used in investing activities	**(546)**	**(1,169)**	**(979)**
Financing:			
Proceeds from issuance of bonds	500	0	750
Repayment of bonds	(7)	(207)	(5)
Proceeds from payables to financial institutions	334	1,228	752
Repayments of payables to financial institutions	(2,508)	(1,428)	(2,137)
(Repayments on)/proceeds from notes payable and other loans	(88)	(32)	17
Decrease in bills of exchange	(20)	(14)	(25)
Decrease/(increase) in securities classified as operating assets	4	0	(18)
(Payments to repurchase shares)/proceeds from treasury shares issued	0	(406)	12
Payment of ThyssenKrupp AG dividend from the preceding year	(309)	(206)	(249)
Profit distributions to entities outside the Group	(34)	(23)	(22)
Other financing activities	(49	24	60
Net cash used in financing activities	**(2,177)**	**(1,064)**	**(865)**
Effect of exchange rate changes on cash and cash equivalents	(44)	(22)	(13)
Net increase/(decrease) in cash and cash equivalents	**(313)**	**(228)**	**702**
Cash and cash equivalents at beginning of year	1,234	921	693
Cash and cash equivalents at end of year	**921**	**693**	**1,395**
[thereof cash and cash equivalents within the disposal group/discontinued operations]	–	[3]	[45]

* adjusted due to the change of inventory method, see Note (4)

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	
Balance as of Sept. 30, 2001 as originally reported	**514,463,884**	**1,317**	
Adjustment due to the change of inventory valuation*			
Balance as of Sept. 30, 2001, adjusted*	**514,463,884**	**1,317**	
Net income, adjusted*			
Other comprehensive income			
Total comprehensive income			
Dividend payment			
Treasury stock issued	4,140		
Balance as of Sept. 30, 2002, adjusted*	**514,468,024**	**1,317**	
Net income, adjusted*			
Other comprehensive income			
Total comprehensive income			
Dividend payment			
Treasury stock purchased	(16,921,243)		
Treasury stock issued	210		
Balance as of Sept. 30, 2003, adjusted*	**497,546,991**	**1,317**	
Net income			
Other comprehensive income			
Total comprehensive income			
Dividend payment			
Treasury stock issued	791,308		
Balance as of Sept. 30, 2004	**498,338,299**	**1,317**	

* adjusted due to the change of inventory method, see Note (4)

See accompanying notes to consolidated financial statements.

Additional paid in capital	Retained earnings	Accumulated other comprehensive income				Treasury stock	Total
		Cumulative translation adjustment	Available-for-sale securities	Minimum pension liability	Derivative financial instruments		
4,684	**2,577**	**255**	**31**	**(48)**	**(30)**	**0**	**8,786**
	1						
4,684	**2,578**	**255**	**31**	**(48)**	**(30)**	**0**	**8,787**
	215						215
		(223)	(30)	(132)	(21)		(406)
							(191)
	(309)						(309)
0							0
4,684	**2,484**	**32**	**1**	**(180)**	**(51)**	**0**	**8,287**
	552						552
		(229)	0	(345)	18		(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**

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 276 (2002/2003: 299) domestic and 424 (2002/2003: 441) foreign controlled entities that are consolidated. During fiscal year 2003/2004, 27 entities were consolidated for the first time. During the same period, the scope of consolidation was reduced by 91 entities, of which 58 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 145 (2002/2003: 201) 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 (0.8)% and their Stockholders' Equity amounts to 0.04% 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 55 (2002/2003: 57) Associated Companies that are accounted for under the equity method. Another 63 (2002/2003: 78) 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 0.7% and their Stockholders' Equity amounts to 1.5% of the Group's respective balances. These 63 (2002/2003: 78) 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, 2003	Sept. 30, 2004	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2004
US Dollar	1.17	1.23	0.92	1.08	1.22
Canadian Dollar	1.58	1.57	1.44	1.58	1.61
Pound Sterling	0.70	0.69	0.62	0.68	0.68
Brasilian Real	3.42	3.51	2.43	3.52	3.59

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 (10%) are derived from long-term contracts which are accounted for using the percentage-of-completion method. Such agreements are in the Automotive, Elevator, Technologies 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. The adoption of SFAS 142 resulted in a goodwill impairment of €347 million (€338 million net of tax) or €0.66 per share, which has been reported as a change in accounting principle in fiscal year 2001/2002. 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

Leases

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

In the 4th quarter of fiscal year 2003/2004, the Group changed its method of valuing similar inventories from the last-in, first-out method (LIFO) to the average cost method. This change has the greatest impact on the Steel segment and less impact on the other segments. The change to the new valuation method is preferable as it provides comparability with major competitors in the Steel industry as well as creates consistency of the valuation method used for similar inventories within the Group. In accordance with APB 20 "Accounting Changes", the change from the LIFO method has been applied retrospectively by adjusting all prior periods presented in the income statement (see Note 4).

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.

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

The Group accounts for its stock-based management incentive plans under FASB Interpretation No. 28 "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans – an interpretation of APB Opinions No. 15 and 25". Accordingly, a pro-rata liability is accrued for the stock appreciation rights/stock rights issued, reflecting the estimated intrinsic value of the stock appreciation rights/stock rights as of the measurement date. Pursuant to SFAS 123 "Accounting for Stock-Based Compensation" incentive plans with settlement in cash are accounted for using the intrinsic value method for calculating the compensation expense prior to the settlement of the award. Therefore the amounts recognized according to APB 25 / FIN 28 are the same as those amounts that would be recognized under SFAS 123. As a result, no pro forma information is provided.

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 December 2003, the FASB issued SFAS 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits". The standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information on an annual basis. In addition, companies are required to report the various elements of pension and other postretirement benefit costs on a quarterly basis. The guidance is effective for fiscal years ending after December 15, 2003, and for quarters beginning after December 15, 2003. The Group adopted the standard in the second quarter of 2003/2004 and has disclosed the required information.

In December 2003, the US government passed the Medicare Prescription Drug, Improvement and Modernization Act (the "Act") into law. The law provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the benefit established by the law. The economic effects of the Act have been recognized in accordance with FASB Staff Position (FSP FAS) 106-2 in the 4th quarter ending September 30, 2004 (see Note 20).

In December 2003, the SEC published Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition". This SAB updates portions of the SEC staff's interpretive guidance provided in SAB 101. SAB 104 deletes interpretive material no longer necessary, and conforms the interpretive material retained, because of pronouncements issued by the FASB's EITF on various revenue recognition topics. The adoption of SAB 104 did not have a material impact on the results of operation or the financial position of the Group.

In March 2004, the Emerging Issues Task Force (EITF) reached a consensus on EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". EITF 03-1 addresses the meaning of other-than-temporary impairment and its application to investments in debt and equity securities accounted for under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities", and to investments in equity securities accounted for using the cost method. The consensus reached in March 2004 requires certain disclosures regarding unrealized losses related to investments within the scope of EITF 03-1. EITF 03-1 also requires certain disclosures regarding cost method investments when the fair values of such investments are not currently estimable. The recognition and measurement provisions of EITF 03-1 have been deferred until additional guidance is issued which are not expected to have a material impact on the results of operation or the financial position of the Group.

2 Acquisitions and divestitures

During the fiscal years 2003/2004 and 2002/2003 the Group completed the following transactions:

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 nineth 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
Total assets acquired	**306**
Accrued liabilities	12
Financial payables	48
Trade accounts payable	16
Other payables	97
Total liabilities assumed	**173**
Minority interest	**8**
Net assets acquired	**125**

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
Total assets acquired	**166**
Accrued pension and similar obligations	39
Other accrued liabilities	22
Other payables	33
Deferred income	4
Total liabilities assumed	**98**
Minority interest	**25**
Net assets acquired	**43**

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.

Year ending September 30, 2003

On April 01, 2003, ThyssenKrupp acquired 100% of the shares of Tepper Aufzüge GmbH & Co. KG, located in Münster, Germany ("Tepper"), in the Elevator segment, for a purchase price of €42 million, paid in cash. Tepper is a manufacturer and service provider for elevators and with the acquisition ThyssenKrupp will strengthen its market position in Germany. The results of these operations have been included in the consolidated financial statements since April 01, 2003.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

million €

	April 01, 2003
Intangible assets	25
Goodwill arising on the purchase	21
Property, plant and equipment	4
Operating assets	7
Deferred income taxes	1
Total assets acquired	**58**
Accrued liabilities	8
Payables	4
Deferred income	4
Total liabilities assumed	**16**
Net assets acquired	**42**

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 25 years. The final purchase price allocation resulted in goodwill of €21 million (preliminary €16 million) which has been assigned entirely to the acquired company. No goodwill is deductible for tax purposes.

On April 01, 2003, ThyssenKrupp acquired the remaining 75.5% of the shares of Galmed in the Steel segment for €51 million. The acquisition of the hot dip galvanizer, located in Sagunto (Spain), brings the Group's ownership percentage to 100%. ThyssenKrupp believes that full ownership will give it direct access to the high-growth Spanish automobile market and the acquisition is a further step in the strategy of internationalizing the downstream activities. The results of Galmed have been included in the consolidated financial statements since April 01, 2003.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

million €

	April 01, 2003
Goodwill arising on the purchase	9
Property, plant and equipment	30
Operating assets	17
Total assets acquired	**56**
Payables	2
Deferred income	3
Total liabilities assumed	**5**
Net assets acquired	**51**

The final purchase price allocation resulted in goodwill of €9 million which has been assigned entirely to the acquired company. No goodwill is deductible for tax purposes.

On July 25, 2003, ThyssenKrupp acquired 100% of the shares of Sofedit S.A., located in Versailles, France ("Sofedit"), in the Automotive segment, for a purchase price of €66 million consisting of €14 million in cash and the assumption of debt of €52 million. Sofedit produces automotive stampings and assemblies as well as chassis, body and cockpit modules in France, Brazil, Poland and Spain. The acquisition will strengthen ThyssenKrupp Automotive's leading positions in the Body and Chassis businesses. The results of these operations have been included in the consolidated financial statements since July 01, 2003.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

million €

	July 01, 2003
Intangible assets	6
Goodwill arising on the purchase	7
Property, plant and equipment	120
Operating assets	112
Deferred income taxes	7
Total assets acquired	**252**
Accrued pension and similar obligations	5
Other accrued liabilities	6
Financial payables	52
Other payables	171
Deferred income taxes	4
Total liabilities assumed	**238**
Net assets acquired	**14**

Substantially all of the intangible assets were assigned to software which is subject to amortization and have a weighted average useful life of approximately 7 years. The final purchase price allocation resulted in goodwill of €7 million (preliminary €12 million) which has been assigned entirely to the acquired companies. No goodwill is deductible for tax purposes.

On August 31, 2003, the ThyssenKrupp finalized the sale of the formwork and scaffolding activities of the business unit Construction Services in the Services segment as part if its portfolio realignment. On the sale the Group realized cash in the amount of €47 million and vendor loans in the value of €28 million. The sale resulted in a loss of €61 million.

3 Discontinued operations and disposal groups

Year ending September 30, 2004

As part of the portfolio optimization program, the Group has sold or has initiated the disposal of several business units and operating groups during the period. In accordance with SFAS 144, these transactions have 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, 2004, the assets and liabilities have been disclosed separately in the consolidated balance sheet of the current reporting period as "assets held for sale" and "liabilities associated with assets held for sale".

On October 07, 2003, in the Technologies segment, Novoferm was sold. The Group has received €174 million in cash. The disposal did not result in a significant gain or loss. In the September 30, 2003 consolidated balance sheet Novoferm was classified as a disposal group; Novoferm did not qualify for discontinued operations reporting.

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 consumated 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 in the schedule of the Services segment.

The following table shows the assets and liabilities of the discontinued operating group Facilities Services:

million €

	Sept. 30, 2004
Intangible assets	4
Property, plant and equipment	3
Trade accounts receivable	30
Other receivables and other assets	3
Cash and cash equivalents	45
Deferred income taxes	2
Prepaid expenses and deferred charges	1
Assets held for sale	**88**
Accrued pension and similar obligations	13
Other accrued liabilities	44
Trade accounts payable	14
Other payables	10
Deferred income taxes	4
Liabilities associated with assets held for sale	**85**

Results of discontinued operations in the Services segment are as follows:

million €

	Information Services*			Facilities Services*		
	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Net sales	220	215	99	253	280	232
Cost of sales	(143)	(115)	(51)	(233)	(251)	(272)
Gross margin	*77*	*100*	*48*	*20*	*29*	*(40)*
Selling expenses	(28)	(29)	(19)	(11)	(13)	(14)
General and administrative expenses	(65)	(64)	(38)	(24)	(23)	(30)
Other operating income	31	7	7	8	1	1
Other operating expenses	(10)	(5)	0	(2)	(3)	(11)
Gain on the disposal of subsidiaries, net	0	0	127	0	0	0
Income from operations	*5*	*9*	*125*	*(9)*	*(9)*	*(94)*
Income from equity investments	0	0	(1)	0	0	0
Interest expense, net	*(1)*	*(1)*	*5*	*(3)*	*(2)*	*(2)*
Other financial income/(loss), net	(4)	0	0	0	0	0
Financial expense, net	*(5)*	*(1)*	*4*	*(3)*	*(2)*	*(2)*
Income/(loss) from discontinued operations before taxes	*0*	*8*	*129*	*(12)*	*(11)*	*(96)*
Provisions for income taxes	(18)	(3)	(6)	1	(9)	(7)
Income/(loss) from discontinued operations (net of tax)	**(18)**	**5**	**123**	**(11)**	**(20)**	**(103)**
thereof:						
Ordinary income/(loss) from discontinued operations before taxes	0	8	2	(12)	(11)	(62)
Provisions for income taxes	(18)	(3)	(4)	1	(9)	(7)
Ordinary income/(loss) from discontinued operations (net of tax)	*(18)*	*5*	*(2)*	*(11)*	*(20)*	*(69)*
Gain/(loss) on the disposal of discontinued operations before taxes	0	0	127	0	0	(34)
Provisions for income taxes	0	0	(2)	0	0	0
Gain/(loss) on the disposal of discontinued operations (net of tax)	*0*	*0*	*125*	*0*	*0*	*(34)*
Discontinued operations (net of tax)	**(18)**	**5**	**123**	**(11)**	**(20)**	**(103)**

* 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 in the schedule of the Steel segment.

The following table shows the assets and liabilities of the discontinued operating group Krupp Edelstahlprofile :

million €

	Sept. 30, 2004
Property, plant and equipment	26
Inventories	66
Trade accounts receivable	35
Other receivables and other assets	4
Assets held for sale	**131**
Accrued pension and similar obligations	19
Other accrued liabilities	17
Financial payables	38
Trade accounts payable	20
Other payables	9
Deferred income taxes	3
Liabilities associated with assets held for sale	**106**

Results of discontinued operations in the Steel segment are as follows:

million €

	Berkenhoff*			Krupp Edelstahlprofile*		
	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Net sales	77	80	86	220	235	297
Cost of sales	(55)	(56)	(62)	(193)	(210)	(291)
Gross margin	*22*	*24*	*24*	*27*	*25*	*6*
Selling expenses	(8)	(8)	(9)	(12)	(13)	(15)
General and administrative expenses	(4)	(4)	(6)	(13)	(13)	(14)
Other operating income	1	1	1	2	3	0
Other operating expenses	(1)	(1)	(2)	(1)	(1)	(2)
Gain on the disposal of subsidiaries, net	0	0	20	0	0	0
Income from operations	*10*	*12*	*28*	*3*	*1*	*(25)*
Income from equity investments	0	0	0	0	0	0
Interest expense, net	*(1)*	*(1)*	*(1)*	*(3)*	*(3)*	*(2)*
Other financial income/(loss), net	0	0	0	0	0	0
Financial expense, net	*(1)*	*(1)*	*(1)*	*(3)*	*(3)*	*(2)*
Income/(loss) from discontinued operations before taxes	*9*	*11*	*27*	*0*	*(2)*	*(27)*
Provisions for income taxes	(3)	(4)	(3)	0	0	3
Income/(loss) from discontinued operations (net of tax)	**6**	**7**	**24**	**0**	**(2)**	**(24)**
thereof:						
Ordinary income/(loss) from discontinued operations before taxes	9	11	7	0	(2)	(5)
Provisions for income taxes	(3)	(4)	(3)	0	0	0
Ordinary income/(loss) from discontinued operations (net of tax)	*6*	*7*	*4*	*0*	*(2)*	*(5)*
Gain/(loss) on the disposal of discontinued operations before taxes	0	0	20	0	0	(22)
Provisions for income taxes	0	0	0	0	0	3
Gain/(loss) on the disposal of discontinued operations (net of tax)	*0*	*0*	*20*	*0*	*0*	*(19)*
Discontinued operations (net of tax)	**6**	**7**	**24**	**0**	**(2)**	**(24)**

* 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.

Year ending September 30, 2003

Within Mechanical Engineering of the Technologies segment, Novoferm, had been offered for sale as part of the Group's realignment. Novoferm is a supplier of doors, frames and operators for domestic, commercial and industrial use. Novoferm was reported as a "disposal group" in accordance with SFAS 144. Accordingly, the assets and liabilities of the disposal group have been disclosed separately as of September 30, 2003 and have been presesented as "assets held for sale" and "liabilities associated with assets held for sale" in the balance sheet as separate line items. The income statement remains unaffected by the separate presentation. Revenues and expenses were shown as income from continuing operations until the date of the disposal. Novoferm did not qualify as a component of the Group and therefore had not been recorded as a discontinued operation.

The following table shows the main assets and liabilities of the disposal group:

million €

	Sept. 30, 2003
Intangible assets	61
Property, plant and equipment	79
Financial assets	10
Inventories	48
Trade accounts receivable, net	61
Cash and cash equivalents	3
Other operating assets	18
Assets held for sale	**280**
Accrued pension and similar obligations	14
Other accrued liabilities	19
Financial payables	4
Other payables	35
Deferred income taxes	21
Deferred income	1
Liabilities associated with assets held for sale	**94**

The above mentioned "assets held for sale" and "liabilities associated with assets held for sale" are included in the amounts disclosed in the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME

4 Change from the LIFO method to the average cost method

In the 4th quarter of fiscal year 2003/2004, as a result of internal and external benchmarkings, the Group changed its method of valuing similar inventories from the last-in, first-out method (LIFO) to the average cost method. This change in accounting resulted in income before taxes of €292 for fiscal year 2003/2004, which primarily impacted the Steel segment in the amount of €276 million and the Services segment in the amount of €15 million.

Management considers the average cost method to be preferable to the LIFO method as it provides comparability with major competitors in the Steel industry as well as creates a consistent method of valuation for similar inventories within the Group. The affects of the accounting change on income from continuing operations, net income and earnings per share for fiscal year 2003/2004 are as follows:

	Year ending Sept. 30, 2004
Total amount in million €:	
Income from continuing operations before income taxes and minority interest	292
Income from continuing operations (net of tax)	189
Net income	189
Earnings per share in €:	
Income from continuing operations	0.38
Net income	0.38

In accordance with APB 20 "Accounting Changes", the change from the LIFO method has been applied retrospectively by adjusting all prior periods presented in the income statement. The following table presents the impacts of the accounting change for 2001/2002 and 2002/2003:

	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Total amount in million €:		
Net income as originally reported	216	512
Adjustment due to the change of inventory valuation (net of tax)	(1)	40
Net income as adjusted	**215**	**552**
Earnings per share in €:		
Net income as originally reported	0.42	1.01
Adjustment due to the change of inventory valuation (net of tax)	0.00	0.08
Net income as adjusted	**0.42**	**1.09**

Due to the fact that the Group adopted the accounting change in the 4th quarter of 2003/2004, it is necessary to adjust the previously reported quarters as if the accounting change has already been effective as of October 01, 2003. The accounting change affects the quarters of fiscal year 2003/2004 as follows:

	1st quarter ending Dec. 31, 2003*	2nd quarter ending March 31, 2004*	3rd quarter ending June 30, 2004*
Total amount in million €:			
Income from continuing operations before income taxes and minority interest	20	116	85
Income from continuing operations	13	71	53
Net income	13	71	53
Earnings per share in €:			
Income from continuing operations	0.03	0.14	0.11
Net income	0.03	0.14	0.11

* unaudited

5 Selling expenses

Selling expenses include direct shipping and handling cost including related insurance premiums in the amount of €746 million (2002/2003: €724 million; 2001/2002: €675 million).

6 Other operating income

Other operating income includes gains on the disposal of property, plant and equipment and intangible assets in the amount of €71 million (2002/2003: €45 million; 2001/2002: €76 million) and insurance compensation in the amount of €46 million (2002/2003: €27 million; 2001/2002: €115 million).

7 Other operating expenses

Other operating expenses include losses on the disposal of property, plant and equipment and intangible assets in the amount of €67 million (2002/2003: €54 million; 2001/2002: €62 million), restructuring charges in the amount of €53 million (2002/2003: €104 million; 2001/2002: €186 million) and other accruals (excluding restructuring) in the amount of €17 million (2002/2003: €14 million; 2001/2002: €64 million). Additional expenses in connection with non-customer related research activities are shown here in the amount of €191 million (2002/2003: €183 million; 2001/2002: €191 million).

After discontinuing goodwill amortization as of October 01, 2001, no goodwill amortization expense is included in other operating expenses. While no goodwill impairment was identified in the current and in the previous fiscal year, impairment upon adoption of SFAS 142 in 2001/2002 in the amount of €347 million is reported net of tax as a cumulative effect of changes in accounting principles in the amount of €338 million.

8 Financial income/(expense), net

million €

	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Income from profit and loss sharing agreements	1	1	1
Losses from profit and loss sharing agreements	(1)	(2)	(2)
Income from companies accounted for at equity	18	57	20
Income from investments accounted for at cost	14	9	5
amount thereof from non-consolidated subsidiaries	*3*	*2*	*2*
Gains/(losses), net from disposals of investments in non-consolidated companies and other investments	233	(1)	10
Write-down of investments in non-consolidated companies and other investments	(2)	(6)	(1)
Income from equity investments	**263**	**58**	**33**
Income from other securities and loans classified as financial assets	7	8	9
Other interest and similar income	116	111	71
amount thereof from non-consolidated subsidiaries	*2*	*1*	*1*
Interest and similar costs	(407)	(310	(298)
amount thereof from non-consolidated subsidiaries	*(2)*	*(1)*	*0*
Interest expense, net	**(284)**	**(191)**	**(218)**
Gains from disposals of loans and securities, net	75	3	2
Write-down of loans and securities	(30)	(19)	(5)
Miscellaneous, net	(25)	(8)	(22)
Other financial income/(loss), net	**20**	**(24)**	**(25)**
Total	**(1)**	**(157)**	**(210)**

Income from equity investments decreased mainly due to the fact that the Group has discontinued the equity method of accounting to account for its investment in RAG Aktiengesellschaft (see Note 10).

9 Income taxes

In the fiscal year ending September 30, 2004, 44% (2003: 33%; 2002: 53%) of income from continuing operations before income taxes and minority interest was attributable to Germany and 56% (2003: 67%; 2002: 47%) to foreign countries.

Income tax expense (benefit) for the year ending September 30, 2004 and the two previous years consists of the following:

million €

	Year ending Sept. 30, 2002*	Year ending Sept. 30, 2003*	Year ending Sept. 30, 2004*
Current income taxes			
Germany	24	(29)	48
Foreign	166	138	252
Deferred income taxes			
Germany	(66)	(10)	265
Foreign	31	62	71
Total	**155**	**161**	**636**

* adjusted due to the presentation of discontinued operations and the change of inventory method (see Note 3 and 4)

The German corporate income tax law applicable for 2003/2004 sets a statutory income tax rate of 25% (2002/2003: 26.5%; 2001/2002: 25%) plus a solidarity surcharge of 5.5%. On average, the Group's German companies are subject to a trade tax rate of 13.04% (2002/2003: 12.75%; 2001/2002: 13.04%).

At year-end September 30, 2004, as well as in the previous year, deferred taxes of German companies were calculated with a combined income tax rate of 39.42% (including 13.04% trade tax rate). For 2003, the statutory corporate income tax rate was temporarily increased to 26.5% and therefore at year-end September 30, 2002, the deferred tax assets and liabilities of German companies which were expected to be realized or settled within the next year were calculated with a combined income tax rate of 40.71% (including 12.75% 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 2003/2004, the combined income tax rate of 39.42% (2002/2003: 40.71%; 2001/2002: 39.42%) was applied to income from continuing operations before taxes and minority interest.

million €

	Year ending Sept. 30, 2002*	in %	Year ending Sept. 30, 2003*	in %	Year ending Sept. 30, 2004	in %
Expected income tax	301	39.4	315	40.7	623	39.4
Changes in German tax law	9	1.2	(6)	(0.8)	1	0.1
Foreign tax rate differential	54	7.1	(10)	(1.3)	(28)	(1.8)
Tax consequences of disposal of businesses	(102)	(13.3)	13	1.7	(2)	(0.1)
Non-deductible expenses	13	1.7	6	0.8	19	1.2
Change in valuation allowance	70	9.1	27	3.5	25	1.6
Reversal and adjustment of tax positions	(172)	(22.5)	(146)	(18.9)	0	0.0
Income from companies accounted for at equity	(3)	(0.4)	(20)	(2.6)	(2)	(0.1)
Other, net	(15)	(2.0)	(18)	(2.3)	0	0.0
Actual income tax expense	**155**	**20.3**	**161**	**20.8**	**636**	**40.3**

* adjusted due to the presentation of discontinued operations and the change of inventory method (see Note 3 and 4)

As of September 30, 2004, tax loss carryforwards amount to €2,496 million (2003: €3,181 million). According to tax legislation as of September 30, 2004, tax losses in the amount of €2,030 million (2003: €2,787 million) may be carried forward indefinitely and in unlimited amounts. An amount of €466 million (2003: €394 million) of the tax loss carryforwards will expire over the period through 2024 if not utilized. The reduction of the tax loss carryforwards as compared to the previous year is mainly due to legal restructurings in the Steel and the Services segments. Beginning in 2003/2004, 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 €323 million (2003: €276 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, 2003*	Sept. 30, 2004
Intangible assets	35	56
Property, plant and equipment	445	423
Financial assets	14	6
Inventories	78	89
Other assets	141	104
Tax loss carryforwards	1,118	799
Accrued pension and similar obligations	770	758
Other accrued liabilities	337	263
Other liabilities	729	607
	3,667	**3,105**
Valuation allowance	(276)	(323)
Deferred tax assets	**3,391**	**2,782**
Intangible assets	153	177
Property, plant and equipment	1,332	1,123
Financial assets	43	43
Inventories	467	586
Other assets	485	359
Accrued pension and similar obligations	2	2
Other accrued liabilities	163	150
Other liabilities	234	176
Deferred tax liabilities	**2,879**	**2,616**
Net deferred tax assets	**512**	**166**

* adjusted due to the change of inventory method (see Note 4)

The classification of the deferred tax assets and liabilities is as follows:

million €

	Sept. 30, 2003*	Non current portion*	Sept. 30, 2004	Non current portion
Deferred tax assets	1,283	1,130	1,150	966
Deferred tax liabilities	771	350	984	408
Net deferred tax assets	**512**	**780**	**166**	**558**

* adjusted due to the change of inventory method (see Note 4)

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, 2002*	Year ending Sept. 30, 2003*	Year ending Sept. 30, 2004
Income tax expense as presented on the income statement	155	161	636
Income tax expense/(benefit) for "other comprehensive income"	(119)	(147)	31
Income tax expense on discontinued operations	20	16	13
Income tax benefit on the cumulative effects of changes in accounting principles	(9)	(8)	0
Total	**47**	**22**	**680**

* adjusted due to the presentation of discontinued operations and the change of inventory method (see Note 3 and 4)

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.

Intangible assets

Intangible assets of the Group by major classes are as follows:

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 (2003: €9 million).

The aggregate amortization expense related to the before mentioned intangible assets for the fiscal year ending September 30, 2004 was €94 million (2003: €90 million). Estimated amortization expense for the next five years is: €86 million in 2004/2005, €87 million in 2005/2006, €76 million in 2006/2007, €70 million in 2007/2008 and €70 million in 2008/2009.

million €

	Gross values		Accumulated amortization		Net values	
	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004
Customer base and relationship	23	23	17	19	6	4
Prohibition to compete	1	2	1	2	0	0
Licences and franchises	138	125	82	64	56	61
Patents, copyrights and similar	8	10	4	5	4	5
Service contracts	190	203	51	63	139	140
Other contractual positions	11	9	8	9	3	0
Acquired software and website	316	325	220	234	96	91
Internally developed software and website	64	85	31	48	33	37
Intangible assets subject to amortization	**751**	**782**	**414**	**444**	**337**	**338**

Goodwill

The change in the carrying amount of goodwill (excluding goodwill of equity method investments) is as follows:

Furthermore, the intangible asset position in the balance sheet includes advance payments on intangible assets and intangible pension assets in the amount of €72 million (2003: €69 million).

million €

	Steel	Automotive	Elevator	Technologies	Services	Real Estate	Corporate	Total*
Balance as of Sept. 30, 2002	**825**	**368**	**1,185**	**495**	**411**	**0**	**14**	**3,298**
Currency changes	(30)	(16)	(151)	(21)	(28)	0	0	(246)
Acquisitions/(divestitures)	12	12	31	(10)	20	0	2	67
Balance as of Sept. 30, 2003	**807**	**364**	**1,065**	**464**	**403**	**0**	**16**	**3,119**
Currency changes	(9)	(4)	(51)	(6)	(6)	0	0	(76)
Acquisitions/(divestitures)	21	1	144	(20)	(50)	0	0	96
Balance as of Sept. 30, 2004	**819**	**361**	**1,158**	**438**	**347**	**0**	**16**	**3,139**

* excluding goodwill of equity method investments

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, 2003	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004
Land, leasehold rights and buildings including buildings on third-party land	136	111	34	33	102	78
Technical machinery and equipment	69	59	23	24	46	35
Other equipment, factory and office equipment	124	60	74	40	50	20
Assets under capital lease	**329**	**230**	**131**	**97**	**198**	**133**

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 Real Estate (€16 million) and Corporate (€9 million). The reminder 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 and when available third party appraisals.

In fiscal 2002/2003, the Group recorded impairments in the amount of €20 million. The impairments primarily relate to the property, plant and equipment held and used in which the fair market value has been determined to be below the book value and to assets that will be abandoned because they are no longer used in operations. All assets for which an impairment charge has been recorded have been classified as "held and used" and were located in the the Steel (€2 million), Automotive (€3 million), Technologies (€8 million), Services (€4 million) and Real Estate (€3 million) segments.

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 €38 million (2003: €37 million) and is treated as embedded goodwill.

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".

The aggregate cost of the Group's cost method investments totaled €529 million as of September 30, 2004. 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, 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 Assets Schedule

million €

	Gross values				
	Sept. 30, 2003	Currencies differences	Acquisitions/ divestitures of businesses	Additions	Transfers
Intangible assets					
Franchises, trademarks and similar rights and values as well as licenses thereto	760	(9)	(19)	92	12
Goodwill	3,990	(95)	75	0	0
Advance payments on intangible assets	19	0	(5)	14	(9)
Intangible pension asset	50	(1)	(1)	33	0
	4,819	**(105)**	**50**	**139**	**3**
Property, plant and equipment					
Land, leasehold rights and buildings including buildings on third-party land	7,700	(35)	11	159	51
Technical machinery and equipment	14,361	(85)	(165)	525	251
Other equipment, factory and office equipment	2,288	(17)	(80)	217	25
Assets under capital lease	329	0	(42)	20	(15)
Advance payments on property, plant and equipment	491	(7)	1	424	(315)
	25,169	**(144)**	**(275)**	**1,345**	**(3)**
Financial assets					
Investments in non-consolidated subsidiaries	117	0	(7)	11	0
Loans to non-consolidated subsidiaries	6	0	0	0	0
Associated Companies valued at equity	309	(4)	(6)	73	0
Other investments	550	0	(4)	22	0
Loans to Associated Companies and other investees	9	0	1	0	0
Securities classified as financial assets	16	(1)	0	6	0
Other loans	184	(1)	(1)	13	0
	1,191	**(6)**	**(17)**	**125**	**0**
Total	**31,179**	**(255)**	**(242)**	**1,609**	**0**

Gross values		Amortization/Depreciation/Impairment							Net values	
Disposals	Sept. 30, 2004	Sept. 30, 2003	Currencies differences	Acquisitions/ divestitures of businesses	Additions	Transfers	Disposals	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004
45	791	414	(4)	(22)	94	0	38	444	346	347
0	3,970	871	(20)	(21)	0	1	0	831	3,119	3,139
0	19	0	0	0	0	0	0	0	19	19
28	53	0	0	0	0	0	0	0	50	53
73	**4,833**	**1,285**	**(24)**	**(43)**	**94**	**1**	**38**	**1,275**	**3,534**	**3,558**
175	7,711	2,955	(10)	(28)	254	0	91	3,080	4,745	4,631
355	14,532	9,461	(39)	(138)	913	1	310	9,888	4,900	4,644
244	2,189	1,622	(8)	(76)	219	4	208	1,553	666	636
62	230	131	0	(19)	33	(6)	42	97	198	133
34	560	2	0	(2)	1	0	0	1	489	559
870	**25,222**	**14,171**	**(57)**	**(263)**	**1,420**	**(1)**	**651**	**14,619**	**10,998**	**10,603**
73	48	89	0	1	1	0	72	19	28	29
1	5	0	0	0	0	0	0	0	6	5
31	341	0	0	0	0	0	0	0	309	341
59	509	64	0	0	1	0	56	9	486	500
4	6	4	0	0	0	0	1	3	5	3
7	14	0	0	0	0	0	0	0	16	14
49	146	22	0	0	0	0	4	18	162	128
224	**1,069**	**179**	**0**	**1**	**2**	**0**	**133**	**49**	**1,012**	**1,020**
1,167	**31,124**	**15,635**	**(81)**	**(305)**	**1,516**	**0**	**822**	**15,943**	**15,544**	**15,181**

11 Operating lease as lessor

The Group is the lessor of various residential and commercial real estate under operating lease agreements. The gross value of the assets under lease is €2,362 million (2003: €2,298 million) and accumulated depreciation is €704 million (2002/2003: €638 million).

As of September 30, 2004, the future minimum lease payments to be received on non-cancelable operating leases are as follows:

million €

(for fiscal year)	
2004/2005	73
2005/2006	19
2006/2007	17
2007/2008	12
2008/2009	11
thereafter	35
Total	**167**

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 2003/2004 (2002/2003: less than €100,000; 2001/2002: €1 million).

12 Inventories

million €

	Sept. 30, 2003*	Sept. 30, 2004
Raw materials	1,127	1,295
Supplies	380	369
Work in process	2,084	2,151
amount thereof relating to percentage-of-completion contracts	*407*	*370*
amount thereof relating to completed contracts	*0*	*43*
Finished products	1,868	1,961
Merchandise	827	1,101
Advance payments to suppliers	351	266
	6,637	**7,143**
Less customer advance payments received	(802)	(803)
Total	**5,835**	**6,340**

* adjusted due to the change of inventory method (see Note 4)

13 Trade accounts receivable

million €

	Sept. 30, 2003	Sept. 30, 2004
Receivables from sales of goods and services (excluding long-term contracts)	5,253	5,619
Unbilled receivables from long-term contracts, less customer deposits received	446	535
	5,699	**6,154**
Less allowance for doubtful accounts	(337)	(325)
Total	**5,362**	**5,829**

Receivables from the sales of goods and services in the amount of €49 million (2003: €40 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, 2004, was €1,077 million (2003: €941 million), resulting in net proceeds in the amount of €1,042 million (2002/2003: €913 million). The risk of loss associated with discounted notes receivable is €13 million (2003: €34 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 €126 million as of September 30, 2004 (2003: €79 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 €28 million (2002/2003: €31 million; 2001/2002: €36 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, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Net proceeds from accounts receivable sales	6,455	6,606	6,789
Servicing fees received	22	21	22

14 Other receivables and other assets

million €

	Sept. 30, 2003	Sept. 30, 2004
Receivables due from non-consolidated subsidiaries	84	45
Receivables due from Associated Companies and other investees	180	150
Other assets	1,217	931
	1,481	**1,126**
Less allowance for doubtful accounts	(222)	(143)
Total	**1,259**	**983**

Other assets include tax refund claims in the amount of €189 million (2003: €255 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 €169 million (2003: €207 million) (see also Note 28).

Other receivables and other assets in the amount of €79 million (2003: €135 million) have a remaining term of more than 1 year.

15 Allowance for doubtful accounts

million €

	Trade accounts receivable	Other receivables and other assets
Balance as of Sept. 30, 2002	**350**	**199**
Acquisitions/(divestitures)	(24)	14
Additional charges	104	27
Amounts utilized	(56)	(10)
Amounts reversed	(30)	(7)
Other changes	(7)	(1)
Balance as of Sept. 30, 2003	**337**	**222**
Acquisitions/(divestitures)	(3)	(3)
Additional charges	90	34
Amounts utilized	(64)	(93)
Amounts reversed	(33)	(17)
Other changes	(2)	0
Balance as of Sept. 30, 2004	**325**	**143**

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, 2003	Sept. 30, 2004	Current portion	Non current portion
Securities presented as financial assets	16	14	0	14
Securities presented as operating assets	20	42	42	0
Total	**36**	**56**	**42**	**14**

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
Balance as of Sept. 30, 2003			
Shares	1	1	2
Foreign government bond certificates	6	0	6
Corporation bond certificates	0	0	0
Debt based securities	6	0	6
Other marketable securities	22	0	22
Total	**35**	**1**	**36**

million €

	Cost, amortized cost	**Gross unrealized holding gain**	**Fair value**
Balance as of Sept. 30, 2004			
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
Total	**54**	**2**	**56**

The contractual maturities of debt securities available-for-sale as of September 30, 2004, regardless of their balance sheet classifications, are as follows:

Fair values in million €

	Sept. 30, 2004
Due within one year	35
Due between 1 and 5 years	7
Due between 5 and 10 years	1
Due after 10 years	0
Total	**43**

Proceeds from the sale of available-for-sale securities amounted to €5 million (2002/2003: €7 million; 2001/2002: €226 million). Gains of €1 million (2002/2003: €1 million; 2001/2002: €75 million) were realized. These amounts were determined using the specific identification method.

17 Prepaid expenses and deferred charges

million €

	Sept. 30, 2003	Sept. 30, 2004
Prepaid pension costs	58	74
Other prepaid expenses and deferred charges	147	147
Total	**205**	**221**

Prepaid expenses and deferred charges in the amount of €12 million (2003: €17 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 498,338,299, 497,546,991 and 514,468,024 outstanding as of September 30, 2004, 2003 and 2002, respectively. Each share of common stock has a stated value of €2.56.

Principal owner

The Alfried Krupp von Bohlen und Halbach Foundation holds 20.00% of the shares of ThyssenKrupp AG as of September 30, 2004. It is a "principal owner" according to SFAS 57 "Related Party Disclosures".

Treasury stock

In March 2004, in connection with an employee share purchase program, the Group issued 790,498 treasury stock to its employees (see Note 19).

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, ThyssenKrupp is authorized through July 22, 2005, 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, 2002			Year ending Sept. 30, 2003			Year ending Sept. 30, 2004		
	Pre tax	Tax effect	Net	Pre tax	Tax effect	Net	Pre tax	Tax effect	Net
Foreign currency translation adjustment:									
Change in unrealized gains/(losses), net	(241)	0	(241)	(231)	0	(231)	(78)	0	(78)
Net realized (gains)/losses	18	0	18	2	0	2	0	0	0
Net unrealized gains/(losses)	**(223)**	**0**	**(223)**	**(229)**	**0**	**(229)**	**(78)**	**0**	**(78)**
Unrealized gains/(losses) from market valuation of securities:									
Change in unreal.holding gains/(losses), net	0	0	0	0	0	0	1	(1)	0
Net realized (gains)/losses	(63)	33	(30)	0	0	0	0	0	0
Net unrealized holding gains/(losses)	**(63)**	**33**	**(30)**	**0**	**0**	**0**	**1**	**(1)**	**0**
Minimum pension liability adjustment	**(207)**	**75**	**(132)**	**(505)**	**160**	**(345)**	**82**	**(30)**	**52**
Unrealized gains/(losses) on derivative instruments:									
Change in unrealized gains/(losses), net	(28)	10	(18)	25	(10)	15	35	0	35
Net realized (gains)/losses	(4)	1	(3)	6	(3)	3	(20)	0	(20)
Net unrealized gains/(losses)	**(32)**	**11**	**(21)**	**31**	**(13)**	**18**	**15**	**0**	**15**
Other comprehensive income	**(525)**	**119**	**(406)**	**(703)**	**147**	**(556)**	**20**	**(31)**	**(11)**

Dividend proposal

The Executive Board and Supervisory Board have agreed to propose to the stockholders' meeting a dividend in the amount of €0.60 per share entitled to dividend to be distributed from unappropriated net income of the stand-alone entity ThyssenKrupp AG for fiscal 2003/2004 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, 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 fourth installment, at the start of the reference period, the average ThyssenKrupp stock price was €17.89 and the average value of the DJ STOXX was 393.03. 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 values as of September 30, 2004, are €16.55 for ThyssenKrupp's stock price applicable to the fourth installment (adjusted by the dividend payments for the 2001/2002 and 2002/2003 fiscal years) and €16.15 for the fifth installment (adjusted by the dividend payment for the 2002/2003 fiscal year). The comparable value of the DJ STOXX as of September 30, 2004, was 334.22.

As of September 30, 2004, 2.7 million appreciation rights were granted to 549 beneficiaries in the fourth installment and 2.7 million appreciation rights were granted to 554 beneficiaries in the fifth installment. The performance periods for the fourth and fifth installments are from March 04, 2002 through the regular stockholders' meeting in 2005 and 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. As of September 30, 2004, the performance hurdles for the fourth and fifth installments of the long-term management incentive plan were met. In total in 2003/2004, the Group recorded compensation expense for the long term management incentive plan in the amount of €27.7 million (2002/2003: €3.9 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. 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.

As of September 30, 2004, 123,381 stocks rights were issued in the first installment and 252,068 stock rights in the second installment including the expanded group of beneficiaries. ThyssenKrupp recorded compensation expense of €2.1 million during fiscal year 2003/2004 (2002/2003: €0.5 million) for obligations under the mid-term incentive plan.

Employee share purchase program

In March 2004, the Group offered eligible members of its domestic workforce the right to purchase up to €270 in ThyssenKrupp shares at a 50% discount as part of an employee share purchase program. The issuance of 790,498 treasury shares for this program resulted in the Group recording compensation expense of €7 million.

20 Accrued pension and similar obligations

million €

	Sept. 30, 2003	Sept. 30, 2004
Accrued pension liability	6,597	6,380
Accrued postretirement obligations other than pensions	517	533
Other accrued pension-related obligations	287	308
Total	**7,401**	**7,221**

Pensions and similar obligations in the amount of €6,706 million (2003: €6,922 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, 2003		Sept. 30, 2004	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Change in projected benefit obligations (PBO):				
PBO at beginning of fiscal year	1,924	5,900	1,939	6,024
Service cost	44	63	60	56
Interest cost	119	336	113	297
Participant contributions	5	0	4	0
Plan amendments	3	0	3	32
Actuarial loss	236	174	11	59
Acquisitions/(divestitures)	(5)	(14)	109	(115)
Curtailments	(24)	0	(2)	0
Currency changes	(251)	0	(53)	0
Benefit payments	(112)	(435)	(132)	(434)
PBO at end of fiscal year	**1,939**	**6,024**	**2,052**	**5,919**
Change in plan assets:				
Fair value of plan assets at beginning of fiscal year	1,616		1,336	
Actual return on plan assets	(12)		212	
Acquisitions/(divestitures)	(5)		11	
Employer contributions	38		141	
Participant contributions	5		4	
Currency changes	(194)		(35)	
Benefit payments	(112)		(132)	
Fair value of plan assets at end of fiscal year	**1,336**		**1,537**	

The following represents the funded status of these plans:

million €

	Sept. 30, 2003		Sept. 30, 2004	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Funded status at end of fiscal year	(603)	(6,024)	(515)	(5,919)
Unrecognized net obligation at initial date of application of SFAS 87	(1)	50	0	14
Unrecognized prior service cost	24	1	19	33
Unrecognized actuarial loss	634	42	526	86
4th quarter employer contributions and benefit payments	20	103	29	103
Net amount recognized	**74**	**(5,828)**	**59**	**(5,683)**
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid benefit cost	58	0	74	0
Accrued pension liability	(563)	(6,034)	(498)	(5,882)
Intangible asset	25	25	18	35
Accumulated other comprehensive income*	554	181	465	164
Net amount recognized	**74**	**(5,828)**	**59**	**(5,683)**

* including minorities

Accumulated benefit obligations

The accumulated benefit obligation for all defined benefit pension plans was €7,828 million (2003: €7,800 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 €2,009 million (2003: €1,929 million) versus plan assets in the amount of €1,519 million (2003: €1,326 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 €1,924 million (2003: €1,841 million) versus plan assets in the amount of €1,506 million (2003: €1,320 million).

Net periodic pension cost

The net periodic pension cost for the defined benefit plans were as follows:

million €

	Year ending Sept. 30, 2002		Year ending Sept. 30, 2003		**Year ending Sept. 30, 2004**	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	**Funded plans**	**Unfunded plans**
Service cost	50	64	44	63	60	56
Interest cost	130	336	119	336	113	297
Expected return on plan assets	(185)	0	(145)	0	– 128	0
Amortization of transition obligations	(2)	37	(1)	38	– 1	36
Amortization of prior service cost	12	0	9	0	7	0
Amortization of actuarial (gain)/loss	(21)	0	1	0	18	4
Settlement and curtailment loss	39	0	4	0	0	0
Net periodic pension cost	**23**	**437**	**31**	**437**	**69**	**393**

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.

In fiscal years 2001/2002 and 2002/2003, the German retirement benefits were based on the Heubeck Table 1998. Since the issuance of the Heubeck Table 1998, the estimated life expectancy of participants receiving retirement benefits has increased. It is expected that the updated Heubeck Table will be issued subsequent to the issuance of the consolidated financial statements. In anticipation of this issuance, in fiscal year 2003/2004, the measurement of the retirement benefits has been based on the longer life expectancy resulting in an additional PBO of €180 million as well as an increase of the accrued pension liability of €66 million.

The Group applied the following weighted average assumptions to determine benefit obligations:

in %

	Sept. 30, 2003		**Sept. 30, 2004**	
	Funded plans	Unfunded plans	**Funded plans**	**Unfunded plans**
Weighted-average assumptions as of June 30:				
Discount rate	5.84	5.17*	6.07	5.42*
Rate of compensation increase	3.86	2.50	4.04	3.00

* Germany: 2002/2003: 5.25%; 2003/2004: 5.50%

The Group applied the following weighted average assumptions to determine net periodic pension cost:

in %

	Year ending Sept. 30, 2002		Year ending Sept. 30, 2003		Year ending Sept. 30, 2004	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Weighted-average assumptions as of June 30:						
Discount rate	7.15	5.88*	6.91	5.90*	5.84	5.17*
Expected return on plan assets	9.22	–	9.03	–	8.16	–
Rate of compensation increase	4.31	3.00	4.22	3.00	3.86	2.50

* Germany: 2001/2002: 6.00%, 2002/2003: 6.00%; 2003/2004: 5.25%

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 that attempt to maximize returns while minimizing volatility. The asset classes include national and international stocks, fixed income government and non-government securities and real estate. Plan assets do not include any direct investments in ThyssenKrupp debt 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, 2003	Sept. 30, 2004	Sept. 30, 2005
Equity securities	72	69	60 - 75
Debt securities	20	21	15 - 25
Real estate/other	8	10	10 - 15
Total	**100**	**100**	

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 2004/2005 is €85 million related to its funded plans, all of which is expected to be as cash contributions.

Pension benefit payments

In fiscal year 2003/2004, pension benefit payments to the Group's funded and unfunded plans were €132 million (2002/2003: €112 million) and €434 million (2002/2003: €435 million) respectively. The estimated future pension benefits to be paid by the Group's defined benefit pension plans are as follows:

million €

(for fiscal year)	Funded plans	Unfunded plans
2004/2005	128	437
2005/2006	124	446
2006/2007	127	448
2007/2008	129	448
2008/2009	132	444
2009/2010 - 2013/2014	691	2.166
Total	**1,331**	**4,389**

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 €30 million (2002/2003: €31 million; 2001/2002: €24 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.

In December 2003, the US government signed into law the Medicare Prescription Drug, Improvement and Modernization Act. This law provides for a federal subsidy to sponsors of retiree health care benefit plans that provide benefit that is a least actuarially equivalent to the benefit established by the law. As allowed by FASB Staff Position (FSP) No. 106-2, the Group elected to retroactively apply the effects of the Act, including impact of the prescription drug subsidy to be received. The outcome of applying the guidance in the FSP resulted in a reduction of €68 million of the Group's accumulated postretirement benefit obligation and a reduction of its net periodic post retirement benefit cost of approximately €6 million, both of which have been recognized in the 4th quarter ending September 30, 2004.

The changes in accumulated postretirement benefit obligations are as follows:

million €

	Sept. 30, 2003 US/Canadian plans	Sept. 30, 2004 US/Canadian plans
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of fiscal year	872	1,008
Service cost	13	19
Interest cost	57	53
Plan amendments	0	(48)
Actuarial loss/(gain)	266	(40)
Acquisitions/(divestitures)	0	(1)
Curtailments	0	(1)
Currency changes	(149)	(48)
Benefit payments	(51)	(51)
Accumulated postretirement benefit obligation at end of fiscal year	**1,008**	**891**

The following represents the unfunded status of these plans:

million €

	Sept. 30, 2003 US/Canadian plans	Sept. 30, 2004 US/Canadian plans
Unfunded status at end of fiscal year	(1,008)	(891)
Unrecognized prior service cost	(17)	(57)
Unrecognized actuarial loss	496	403
4th quarter employer contributions and benefit payments	12	12
Net amount recognized for postretirement obligations other than pensions	**(517)**	**(533)**

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 %

Weighted-average assumptions as of June 30:	Sept. 30, 2003 US/Canadian plans	Sept. 30, 2004 US/Canadian plans
Discount rate	6.00	6.25
Health care cost trend rate for the following year	10.88	10.01
Ultimate health care cost trend rate (expected in 2008)	5.46	5.45

The determination of the net periodic postretirement benefit cost is based on the following weighted average assumptions:

in %

Weighted-average assumptions as of June 30:	Year ending Sept. 30, 2002 US/Canadian plans	Year ending Sept. 30, 2003 US/Canadian plans	Year ending Sept. 30, 2004 US/Canadian plans
Discount rate	7.45	7.23	6.00
Health care cost trend rate for the following year	5.67	11.63	10.88
Ultimate health care cost trend rate (expected in 2008)	5.46	5.46	5.46

Net periodic postretirement benefit cost

The net periodic postretirement benefit cost for health care obligations is as follows:

million €

	Year ending Sept. 30, 2002 US/Canadian plans	Year ending Sept. 30, 2003 US/Canadian plans	Year ending Sept. 30, 2004 US/Canadian plans
Service cost	10	13	19
Interest cost	44	57	53
Amortization of prior service cost	(3)	(2)	(4)
Amortization of actuarial loss	3	18	28
Curtailment loss/(gain)	29	0	(3)
Net periodic postretirement benefit cost	**83**	**86**	**93**

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	(10)
Effect on postretirement benefit obligation	123	(99)

Postretirement benefit payments

Postretirement benefit payments of the Group amounted to €51 million in fiscal year 2003/2004 (€51 million in 2002/2003). 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 €

(for fiscal year)	Benefit payments	Subsidy receipts
2004/2005	50	0
2005/2006	53	0
2006/2007	51	3
2007/2008	52	3
2008/2009	54	3
2009/2010-2013/2014	283	17
Total	**543**	**26**

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 3.0% as of September 30, 2004 and 2003. A rate of compensation increase of 2.6% has been assumed.

The accured liability of the plans has developed as follows:

million €

	Sept. 30, 2003	Sept. 30, 2004
Accrued liability at beginning of fiscal year	90	53
Service cost	8	7
Interest cost	2	1
Actuarial loss	4	5
Benefit payments	(49)	(37)
Reversals	(2)	0
Accrued liability at end of fiscal year	**53**	**29**

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 €169 million (2003: €119 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 €23 million (2003: €27 million).

21 Other accrued liabilities

million €

	Sept. 30, 2003	Sept. 30, 2004
Accrued income taxes and other taxes (for current taxes)	**511**	**540**
Other provisions		
Product warranties and product defects	304	284
Other accrued contractual costs	425	422
Derivative financial instruments	171	138
Accrued compensation and benefit costs	766	823
Restructuring activities	129	106
Asset retirement obligations	243	215
Environmental obligations	32	23
Other miscellaneous accruals	397	369
	2,467	**2,380**
Other accrued liabilities	**2,978**	**2,920**

Accrued income taxes and other taxes in the amount of €15 million (2003: €13 million) and other provisions in the amount of €475 million (2003: €445 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 €

Balance as of Sept. 30, 2002	**321**
Currency changes	(21)
Acquisitions/(divestitures)	(9)
Amounts utilized	(89)
Changes from product warranties issued in 12 months of 2002/2003	136
Changes from prior periods product warranties and product defects issued	(34)
Balance as of Sept. 30, 2003	**304**
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)
Balance as of Sept. 30, 2004	**284**

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, 2004, consists mainly of €32 million within the Steel segment, €19 million within the Automotive segment and €34 million within the Services segment. The total expense (net of additional charges and reversals) in the amount of €53 million, consists mainly of €26 million within the Steel segment, (€11) million within the Automotive segment and €29 million within the Services segment. The change in the accrual balance is as follows:

million €

	Involuntary employee termination benefits and relocation costs	Exit costs	Total
Balance as of Sept. 30, 2002	**72**	**45**	**117**
Acquisitions/(divestitures)	(2)	1	**(1)**
Additional charges	96	16	**112**
Amounts utilized	(63)	(18)	**(81)**
Reversals	(7)	(1)	**(8)**
Currency changes	(4)	(6)	**(10)**
Balance as of Sept. 30, 2003	**92**	**37**	**129**
Acquisitions/(divestitures)	2	0	**2**
Additional charges	68	8	**76**
Amounts utilized	(61)	(15)	**(76)**
Reversals	(14)	(9)	**(23)**
Currency changes	(1)	(1)	**(2)**
Balance as of Sept. 30, 2004	**86**	**20**	**106**

Of the total amount of restructuring accruals as of September 30, 2004, €3 million (2003: €6 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. Had SFAS 143 been applied as of September 30, 2002, September 30, 2001 and October 01, 2000, the impact on the liability recorded, net income and earnings per share would not have been material.

The change in the accrued liability for asset retirement obligations is as follows:

million €

Balance as of Sept. 30, 2003	**243**
Additions	3
Accretion	2
Amounts utilized	(4)
Revisions in estimates and reversals	(29)
Balance as of Sept. 30, 2004	**215**

Provisions for environmental obligations refer primarily to rehabilitating contaminated sites, redevelopment and water protection measures.

22 Financial payables

Book values in million €

	Sept. 30, 2003	amount thereof with remaining term	Sept. 30, 2004	amount thereof with remaining term of		
		more than 1 year		up to 1 year	more than 1 year	amount thereof more than 5 years
Bonds	1,306	1,306	2,051	0	2,051	746
Notes payable	285	275	324	10	314	0
Payables to financial institutions	3,041	2,129	1,612	521	1,091	175
Acceptance payables	15	0	45	45	0	0
Capital lease obligations	231	163	174	31	143	67
Other loans	70	39	64	40	24	3
Financial payables	**4,948**	**3,912**	**4,270**	**647**	**3,623**	**991**

Financial payables in the amount of €460 million (2003: €527 million) are collateralized by real estate. Of these collateralized payables, €146 million (2003: €198 million) are related to mortgage loans of Real Estate.

As of September 30, 2004, the financial payables reflect a total discount in the amount of €9 million (2003: €7 million), which is offset by a total premium in the amount of €1 million (2003: €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, 2003	Book value in million € Sept. 30, 2004	Nominal value in million € Sept. 30, 2004	Interest rate in %	Fair value in million € Sept. 30, 2004	Maturity Date
ThyssenKrupp Finance Nederland B.V. bond (DM 600 million) 98/06	309	307	307	5.25	317	07/14/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 01/06	500	500	500	5.75	521	04/05/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 02/09	497	498	500	7.00	558	03/19/2009
ThyssenKrupp AG bond (€750 million) 04/11	–	746	750	5.00	774	03/29/2011
Giddings & Lewis note loan (USD 100 million) 95/05	5	5	5	7.50	5	10/01/2005
ThyssenKrupp Stahl AG note loan (DM 200 million) 98/05	31	20	20	7.05	22	10/15/2005
ThyssenKrupp AG note loan (€100 million) 00/07	99	100	100	6.00	109	02/21/2007
ThyssenKrupp AG note loan (€50 million) 00/07	50	50	50	5.80	54	03/16/2007
ThyssenKrupp AG note loan (€100 million) 01/07	100	100	100	5.45	110	10/25/2007
ThyssenKrupp AG note loan (€50 million) 04/09	–	49	50	4.50	52	01/19/2009
Total	**1,591**	**2,375**	**2,382**		**2,522**	

ThyssenKrupp AG has assumed the unconditional and irrevocable guarantee for the payments pursuant to the terms and conditions of these and all other bonds of ThyssenKrupp Finance Nederland B.V.

On January 19, 2004, ThyssenKrupp AG placed a €50 million note loan with a 5-year maturity.

On March 29, 2004, ThyssenKrupp AG issued €750 million 5% bearer bonds which will be due on March 29, 2011. Proceeds from the bonds are primarily used to refinance existing financial payables.

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, 2004, 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, 2003	Book value in million € Sept. 30, 2004	Amount thereof in €	Weighted average interest rate % Sept. 30, 2004	Amount thereof in USD	Weighted average interest rate % Sept. 30, 2004	Amount thereof in other currencies	Fair value in million € Sept. 30, 2004
Revolving bilateral bank loans (at variable interest rates)	879	61	61	2.53	–	–	–	61
Other loans at variable interest rates	1,700	1,142	171	2.41	701	2.56	270	1,142
At fixed interest rates (exclud. real estate credits)	332	320	308	5.35	–	–	12	338
Real estate credits at fixed interest rates	200	153	153	3.39	–	–	–	168
Total	**3,111**	**1,676**	**693**	**3.94**	**701**	**2.56**	**282**	**1,709**

As of September 30, 2004, ThyssenKrupp has available two USD 1.5 billion (approximately €1.2 billion) syndicated joint credit multi-currency-facility agreements. The agreement fixed in November 2000 expires on November 29, 2005. The agreement fixed in August, 2002 is divided into tranche A in the amount of USD 0.5 billion expiring August 16, 2005, and tranche B in the amount of USD 1.0 billion expiring August 20, 2007. Neither facility agreement was utilized as of the balance sheet date.

Another component of financial payables at variable interest rates are revolving credit agreements with banking institutions whereby ThyssenKrupp AG, ThyssenKrupp USA, Inc. or ThyssenKrupp Finance Nederland B.V. can borrow in Euros, US dollar or in British pounds Sterling up to approximately €1,922 million. Of the €1,922 million facilities, 66% have a remaining term of more than 5 years and 34% a remaining term of up to 5 years. As of September 30, 2004, €61 million were outstanding at a weighted average interest rate of 2.53%.

The Group's Commercial Paper Program also provides up to €1.5 billion in additional financing. As of September 30, 2004, the program was not used.

The components of the fixed-interest real estate credits which are either interest free or below market rate amount to €105 million (2003: €112 million). Such subsidized loans were obtained by Real Estate to finance projects in social welfare housing. In turn, the company is subject to rental price control limitations.

The future minimum lease payments for capital lease obligations as of September 30, 2004 amount to:

million €

(for fiscal year)	
2004/2005	48
2005/2006	39
2006/2007	34
2007/2008	27
2008/2009	25
thereafter	98
Total future minimum payments	**271**
less executory costs	(53)
less interest	(44)
Present value of future minimum lease payments (= payables from capital lease)	**174**

Maturities of financial payables are as follows:

million €

(for fiscal year)	Total financial payables	thereof: Payables to financial institutions
2004/2005	647	521
2005/2006	1,206	357
2006/2007	288	112
2007/2008	334	216
2008/2009	804	231
thereafter	991	175
Total	**4,270**	**1,612**

23 Trade accounts payable

million €

	Sept. 30, 2003	amount thereof with remaining term	Sept. 30, 2004	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	3,075	29	3,678	3,657	21	0

24 Other payables

million €

	Sept. 30, 2003	amount thereof with remaining term	Sept. 30, 2004	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	35	0	20	20	0	0
Payables to Associated Companies and other investees	120	3	164	161	3	0
Payables from orders in progress (POC)	1,350	493	1,485	972	513	69
Miscellaneous payables	1,423	79	1,479	1,403	76	15
amount thereof for taxes	*300*	*13*	*341*	*328*	*13*	*11*
amount thereof for social security	*220*	*0*	*209*	*209*	*0*	*0*
Other payables	**2,928**	**575**	**3,148**	**2,556**	**592**	**84**

Other payables in the amount of €7 million (2003: €5 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 €410 million (2003: €389 million).

25 Deferred income

Deferred income in the amount of €7 million (2003: €3 million) has a remaining term of more than 1 year.

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.

million €

	Maximum potential amount of future payments as of		Accrued liability as of	
	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004
Advance payment bonds	12	3	0	0
Performance bonds	176	98	0	0
Third party credit guarantee	140	27	0	0
Letters of comfort	132	0	0	0
Residual value guarantees	56	58	1	1
Other guarantees	129	229	5	2
Total	**645**	**415**	**6**	**3**

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 received cash under a collateralization agreement to partially 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 entities which have characteristics of variable interest entities as described in the FASB Interpretation No. 46, “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 companies of the leased facilities, that are also variable interest entities under the scope of the Interpretation, it was determined that the Group is not the primary beneficiary of those companies and consequently will not be included 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 €58 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 €239 million (2002/2003: €177 million; 2001/2002: €173 million) resulting from rental contracts, long-term leases and leasing contracts classified as operating leases was incurred in fiscal 2003/2004. It comprises as follows:

million €

	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Minimum rental payments	174	178	239
Contingent rental payments	0	0	1
less income from sublease agreements	(1)	(1)	(1)
Total	**173**	**177**	**239**

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, 2004, are (at face amounts):

million €

(for fiscal year)	
2004/2005	178
2005/2006	153
2006/2007	132
2007/2008	117
2008/2009	105
thereafter	758
Total	**1,443**

The future minimum rental income from non-cancelable sublease contracts in the amount of €28 million (2002/2003: €16 million; 2001/2002: €16 million) is not included in the total of future minimum rental payments.

The commitment to enter into investment projects amounts to €266 million (2003: €221 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 €3 million (2003: €3 million). In addition, other financial commitments exist in the amount of €830 million (2003: €302 million), primarily from the commitments to purchase iron ore and coking coal under long term supply contracts as well as obligations under ship-charter contracts in the Steel segment.

The Group (Steel segment) has entered into an agreement for the availability of raw material (energy) for use in their production process. In connection with this agreement, ThyssenKrupp Stahl AG has entered into a long-term land lease (an "inheritable building right") with the energy company, who has committed to construct a power plant thereon. In addition to the land lease, ThyssenKrupp Stahl AG will provide certain media and common infrastructure facilities to the energy company. ThyssenKrupp Stahl AG is obligated under a 25-year "take-or-pay" power purchase contract.

The European Commission is currently conducting pre-investigations in several European countries involving European companies which manufacture, sell and service elevators. ThyssenKrupp Group companies are part of the pre-investigation in these countries. The investigation shall determine whether effective antitrust law has been violated. The Group is cooperating with the Commission's investigation. However, as of today these investigations have not developed to the point that a reasonable estimate of any financial consequences is possible.

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 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 has filed a complaint with the European Court against the issuance of a fine by the EU Commission relating to alleged cartel agreements with entities of the Stainless Business Unit. The result of this complaint was a reduction in the amount of the fine. The Group appealed this decision and expects an additional reduction of the imposed fine.

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, interest rate caps 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 Euro/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 up to five years. 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, 2004 affect the accumulated other comprehensive income in the amount of €5 million (2003: €10 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 €19 million (2003: €(7) million) was released from accumulated other comprehensive income into earnings due to the realization of the corresponding underlying transactions.

As of September 30, 2004, a net result in the amount of €(1) million (2003: €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 €2 million (2003: €1 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 2004/2005 in the amount of €4 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 €27 million (2003: €(23) million) (after tax and minority interest) as of September 30, 2004. 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 €2 million (2003: less than €1 million) as of September 30, 2004.

The Group pays an average fixed interest rate of 5.38% and 5.48% on Euro and US dollar interest rate payer swap contracts, respectively.

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, 2003	Balance at Sept. 30, 2003	Notional value Sept. 30, 2004	Balance at Sept. 30, 2004
Foreign currency forward contracts				
Buy	2,537	(114)	2,611	(60)
Sell	3,811	175	4,358	93
Foreign currency options				
Buy	838	34	295	2
Sell	589	(11)	318	(1)
Total foreign currency derivatives	**7,775**	**84**	**7,582**	**34**
Embedded derivatives				
Asset	473	26	721	17
Liability	321	(17)	739	(13)
Total embedded derivatives	**794**	**9**	**1,460**	**4**
Interest rate derivatives				
Interest rate swaps	885	(59)	496	(30)
Total interest rate derivatives	**885**	**(59)**	**496**	**(30)**
Commodity forward contracts				
Buy	97	9	228	31
Sell	60	(7)	145	(8)
Total commodity derivatives	**157**	**2**	**373**	**23**
Total	**9,611**	**36**	**9,911**	**31**

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 €17 million (2003: €26 million) and liabilities of €13 million (2003: €17 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, 2003	Fair value Sept. 30, 2003	Balance at Sept. 30, 2004	Fair value Sept. 30, 2004
Non-derivative financial instruments				
Assets				
Loans	173	173	136	136
Securities classified as financial and operating assets	36	36	56	56
Cash and cash equivalents	693	693	1,395	1,395
Liabilities				
Financial payables (excluding capital lease)	4,717	4,851	4,096	4,276
Derivative financial instruments				
Assets				
Foreign currency derivatives including embedded derivatives	198	198	125	125
Commodity derivatives	9	9	44	44
Liabilities				
Foreign currency derivatives including embedded derivatives	105	105	87	87
Interest rate derivatives	59	59	30	30
Commodity derivatives	7	7	21	21
Total	**5,997**	**6,131**	**5,990**	**6,170**

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.

Commodity forward contracts

The fair value of commodity forward contracts 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 20.00% in ThyssenKrupp AG. Outside the services and considerations provided for in the by-laws (Article 20 of the Articles of Association of ThyssenKrupp AG), there are no other significant delivery and service relations except for the sale 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.

Another related party of major importance is Hüttenwerke Krupp-Mannesmann (HKM), in which ThyssenKrupp holds a 50% interest as of September 30, 2003 and 2004. 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, 2003	Sept. 30, 2004
Sales	83	116
Supplies and services	827	900
Receivables	4	7
Payables	85	123

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. Effective October 01, 2003, the Group combined the former Serv and Materials segments to form the new Services segment. Amounts reported for the previous periods were adjusted accordingly. Based on the products and services provided, the Group’s segments are Steel, Automotive, Elevator, Technologies and Services segments as well as the Real Estate activitites.

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.

Elevator

This segment is involved in the construction, modernization, and servicing of elevators, escalators, stair lifts, and passenger boarding bridges.

Technologies

In this segment the machinery and systems activities are combined under a single management. These activities include Production Systems, Plant Technology, Marine, Mechanical Engineering and Transrapid. Production Systems handles the development, manufacture, and customer-specific servicing of metal-cutting machine tools and systems for automobile body technology and assembly of machinery systems. 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 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.

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 maintenance and facility management.

Real Estate

Real Estate operates the real properties of the Group through the leasing and sale of properties as well as real estate services in the area of real estate development and real estate consulting.

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 are those operating companies which have not been assigned to a segment such as insurance services and in previous periods significant equity investments.

Corporate loss before taxes and minority interest consists of:

million €

	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Corporate administration	(95)	(88)	(138)
Pension expenses	(206)	(218)	(193)
Compensation for expenses (Steel)	(14)	(13)	0
Interest income/(expense), net	(21)	(23)	(55)
Results of equity investments	13	28	0
Insurance services	12	14	16
Others	(34)	(27)	(10)
Loss before disposal of investments	**(345)**	**(327)**	**(380)**
Disposal of investments	255	(5)	0
Corporate loss before income taxes and minority interest	**(90)**	**(332)**	**(380)**

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 €16 million (2002/2003: €4 million; 2001/2002: €3 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 €

	Steel	Automotive	
For the fiscal year ending Sept. 30, 2002			
External sales	10,052	6,296	
Internal sales within the Group	1,634	41	
Total sales	11,686	6,337	
Sales of continuing operations	11,354	6,337	
Equity in the net income of investees accounted for by the equity method	(12)	7	
Interest revenue	119	26	
Interest expense	(229)	(65)	
Income from continuing operations before taxes and minority interest	164	63	
Discontinued operations (net of tax)	6	0	
Segment assets (=balance sheet total)	13,228	5,111	
Depreciation, amortization and impairment expense	755	327	
Other significant non-cash items (expense, net)	(185)	(234)	
Capital expenditures (including intangible assets)	729	408	
Equity investments	36	15	
Other investments	68	29	
For the fiscal year ending Sept. 30, 2003			
External sales	10,303	6,265	
Internal sales within the Group	1,713	30	
Total sales	12,016	6,295	
Sales of continuing operations	11,664	6,295	
Equity in the net income of investees accounted for by the equity method	18	4	
Interest revenue	86	26	
Interest expense	(186)	(53)	
Income from continuing operations before taxes and minority interest	439	189	
Discontinued operations (net of tax)	5	0	
Segment assets (=balance sheet total)	12,845	5,159	
Depreciation, amortization and impairment expense	765	317	
Other significant non-cash items (expense, net)	(512)	(100)	
Capital expenditures (including intangible assets)	590	305	
Equity investments	4	0	
Other investments	84	14	
For the fiscal year ending Sept. 30, 2004			
External sales	12,219	7,282	
Internal sales within the Group	1,907	30	
Total sales	14,126	7,312	
Sales of continuing operations	13,700	7,312	
Equity in the net income of investees accounted for by the equity method	15	2	
Interest revenue	61	23	
Interest expense	(146)	(60)	
Income from continuing operations before taxes and minority interest	911	288	
Discontinued operations (net of tax)	0	0	
Segment assets (=balance sheet total)	13,614	5,538	
Depreciation, amortization and impairment expense	788	319	
Other significant non-cash items (expense, net)	(450)	(71)	
Capital expenditures (including intangible assets)	685	380	
Equity investments	0	0	
Other investments	44	59	

Elevator	Technologies	Services	Real Estate	Corporate	Consolidation	Group
3,494	5,764	10,751	298	43	0	**36,698**
6	42	647	22	2	(2,394)	**0**
3,500	5,806	11,398	320	45	(2,394)	**36,698**
3,500	5,806	10,779	320	45	(2,213)	**35,928**
0	5	7	0	13	(2)	**18**
23	114	44	5	469	(677)	**123**
(72)	(99)	(108)	(20)	(491)	677	**(407)**
317	111	130	80	(90)	(11)	**764**
0	0	(29)	0	0	0	**(23)**
3,169	7,359	6,330	2,519	19,539	(26,095)	**31,160**
52	436	295	46	38	0	**1,949**
(60)	(179)	(140)	(7)	(34)	3	**(836)**
48	126	187	35	7	(5)	**1,535**
0	0	6	0	0	0	**57**
43	55	31	2	45	(88)	**185**
3,356	5,271	10,594	324	24	0	**36,137**
9	111	656	21	2	(2,542)	**0**
3,365	5,382	11,250	345	26	(2,542)	**36,137**
3,365	5,382	10,603	345	26	(2,353)	**35,327**
0	6	7	(2)	28	(4)	**57**
23	99	33	6	357	(511)	**119**
(49)	(52)	(89)	(12)	(380)	511	**(310)**
355	42	36	60	(332)	(15)	**774**
0	0	(15)	0	0	0	**(10)**
3,070	6,839	5,890	2,511	19,560	(25,733)	**30,141**
45	164	185	52	21	0	**1,549**
(89)	(220)	(168)	(15)	(193)	(1)	**(1,298)**
39	117	170	42	25	(6)	**1,282**
3	0	0	0	0	0	**7**
90	16	167	3	4	(63)	**315**
3,562	5,042	11,609	316	26	0	**40,056**
6	50	687	21	2	(2,703)	**0**
3,568	5,092	12,296	337	28	(2,703)	**40,056**
3,568	5,092	11,887	337	28	(2,582)	**39,342**
0	(1)	22	(2)	0	(16)	**20**
21	79	45	5	312	(466)	**80**
(46)	(48)	(82)	(15)	(367)	466	**(298)**
370	67	271	72	(380)	(19)	**1,580**
0	0	20	0	0	0	**20**
3,337	6,633	6,188	2,406	19,416	(25,991)	**31,141**
51	125	144	69	22	(2)	**1,516**
(97)	(216)	(213)	(6)	96	(1)	**(958)**
56	117	131	55	18	(11)	**1,431**
0	7	6	0	0	0	**13**
158	35	10	96	9	(121)	**290**

Segment information by geographical area million €

	Germany	Other EU*	USA	Other countries	Group
External sales (location of the customer)**					
Year ending Sept. 30, 2002	12,341	9,656	7,893	6,038	**35,928**
Year ending Sept. 30, 2003	12,505	9,730	6,997	6,095	**35,327**
Year ending Sept. 30, 2004	13,566	11,057	7,116	7,603	**39,342**
External sales (location of the company)**					
Year ending Sept. 30, 2002	19,139	6,605	7,213	2,971	**35,928**
Year ending Sept. 30, 2003	19,459	6,396	6,401	3,071	**35,327**
Year ending Sept. 30, 2004	22,081	7,298	6,572	3,391	**39,342**
Intangible assets; Property, plant and equipment					
Sept. 30, 2002	8,903	1,929	2,914	1,554	**15,300**
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**

* member states as expanded as of May 01, 2004
** continuing operations

31 Subsequent events

On October 07, 2004, ThyssenKrupp and One Equity Partners (OEP), owner of 100% interest in Howaldtswerke-Deutsche Werft (HDW), signed an agreement to form an alliance of shipyards by merging ThyssenKrupp Werften and HDW. The new group will be under the command of ThyssenKrupp Werften GmbH (in the future: ThyssenKrupp Marine Systems AG) and generate annual sales of €2.2 billion. The agreement states that in return for the 100% in HDW, OEP receives a 25% interest in ThyssenKrupp Werften GmbH (in the future: ThyssenKrupp Marine Systems AG) plus a payment of €220 million to be funded from the cash resources of the new shipyard group. The consummation of the transaction as well as the consolidation of the group is expected in the 2nd quarter of 2004/2005.

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, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Interest paid	393	316	285
Income taxes paid, net	(26)	148	158

Non-cash investing activities

In fiscal 2003/2004, the acquisition and first-time consolidation of companies created an increase in fixed assets of €0.3 billion (2002/2003: €0.3 billion; 2001/2002: €0.1 billion).

The non-cash addition of assets under capital leases in fiscal 2003/2004 amounts to €20 million (2002/2003: €27 million; 2001/2002: €46 million).

Non-cash financing activities

In fiscal 2003/2004, the acquisition and first-time consolidation of companies resulted in an increase in gross financial payables in the amount of €108 million (2002/2003: €82 million; 2001/2002: €2 million).

OTHER INFORMATION

33 Earnings per share

Basic earnings per share is computed as follows:

million €

	Year ending Sept. 30, 2002		Year ending Sept. 30, 2003		Year ending Sept. 30, 2004	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
Numerator:						
Income from continuing operations (net of tax)	576	1.12	568	1.12	884	1.77
Ordinary income from discontinued operations (net of tax)	(23)	(0.04)	(10)	(0.02)	(72)	(0.14)
Gain on disposal of discontinued operations (net of tax)	0	0.00	0	0.00	92	0.18
Cumulative effect of changes in accounting principles (net of tax)	(338)	(0.66)	(6)	(0.01)	0	0.00
Net income	**215**	**0.42**	**552**	**1.09**	**904**	**1.81**
Denominator:						
Weighted average shares	514,489,044		507,673,543		498,028,925	

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 6, 2003 and increased by the reissuance of a portion of those shares on March 01, 2004. The reacquisition of shares 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, does not effect the determination of the weighted-average number of shares. As of September 30, 2004, there are 20,000 (2003: 20,810; 2002: 21,020) shares held in treasury included in the weighted-average number.

Additional disclosures pursuant to Art. 292a German Commercial Code (HGB)

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 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, 2003	Year ending Sept. 30, 2004
Wages and salaries	7,113	7,121
Social security taxes	1,296	1,295
Net periodic pension costs – defined benefit	468	462
Net periodic pension costs – defined contribution	31	30
Net periodic postretirement benefit cost other than pensions	86	93
Other expenses for pensions and retirements	108	120
Related fringe benefits	335	344
Total	**9,437**	**9,465**

Employees

In the Group, the average numbers of employees over the past fiscal year were as follows:

	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Steel	49,291	48,857
Automotive	38,731	43,166
Elevator	29,114	31,014
Technologies	31,132	27,707
Services	38,862	35,589
Real Estate	737	622
Corporate	694	723
Total	**188,561**	**187,678**
This total breaks down to		
Wage earners	118,646	119,139
Salaried employees	65,110	63,823
Trainees	4,805	4,716

Executive and Supervisory Board Compensation

In fiscal year 2003/2004 total compensation including non-cash benefits made to the Executive Board amounted to €12.3 million. As of September, 2004, 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 €14.4 million. An amount of €129.9 million is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

For fiscal year 2003/2004, the members of the Supervisory Board will receive total compensation of €1.6 million based on the proposed dividend of €0.60 per share. Members of the ThyssenKrupp AG Supervisory Board received compensation of €0.2 million in fiscal 2003/2004 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.

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, 2004 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 May 21, 2003.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on September 16, 2004 and is now available to the shareholders.

3. OTHER DIRECTORSHIPS HELD BY EXECUTIVE BOARD MEMBERS

Prof. Dr.-Ing. Dr. h.c. Ekkehard D. Schulz
Chairman
- ○ AXA Konzern AG*
- ○ Commerzbank AG*
- ○ Deutsche Bahn AG
- ○ MAN AG*
- ○ RAG AG (Vice Chair)
- ○ TUI AG*

Within the Group:
- ○ ThyssenKrupp Automotive AG (Chair)
- ○ ThyssenKrupp Services AG (Chair)
- ○ ThyssenKrupp Steel AG (Chair)
- ○ ThyssenKrupp Budd Company (USA)

Prof. h.c. (CHN) Dr. Ulrich Middelmann
Vice Chairman
- ○ RAG AG
- ○ Hoberg & Driesch GmbH (Chair)

Within the Group:
- ○ Edelstahl Witten-Krefeld GmbH (Chair)
- ○ Eisen- und Hüttenwerke AG (Chair)
- ○ 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 Budd Company (USA)
- ○ ThyssenKrupp Stainless GmbH (Chair)

Dr. Olaf Berlien
- ○ Transrapid International Verwaltungs-gesellschaft mbH

Within the Group:
- ○ ThyssenKrupp Services AG
- ○ Berco S.p.A. (Italy, President)
- ○ Giddings & Lewis LLC (USA)
- ○ ThyssenKrupp Budd Company (USA)
- ○ ThyssenKrupp Immobilien GmbH (Chair)
- ○ ThyssenKrupp Werften GmbH (Chair)

Edwin Eichler
Within the Group:
- ○ ThyssenKrupp Elevator AG (Chair)
- ○ ThyssenKrupp Immobilien GmbH

Dr. A. Stefan Kirsten
Within the Group:
- ○ Eisen- und Hüttenwerke AG
- ○ ThyssenKrupp Automotive AG
- ○ ThyssenKrupp Steel AG
- ○ ThyssenKrupp Versicherungsdienst GmbH Industrieversicherungsvermittlung (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 Immobilien GmbH

Dr.-Ing. Wolfram Mörsdorf
(since April 15, 2004)
- ○ INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH

Within the Group:
- ○ ThyssenKrupp Bilstein GmbH
- ○ ThyssenKrupp Drauz GmbH
- ○ ThyssenKrupp Federn GmbH
- ○ ThyssenKrupp Gerlach GmbH
- ○ ThyssenKrupp Services AG
- ○ ThyssenKrupp Umformtechnik GmbH (Chair)
- ○ ThyssenKrupp Budd Canada Inc. (Canada)
- ○ ThyssenKrupp Budd Company (USA, Chairman)
- ○ ThyssenKrupp Fabco Corp. (Canada, Chairman)
- ○ ThyssenKrupp Presta AG (Liechtenstein)
- ○ ThyssenKrupp Sofedit S.A.S. (France, Chair)
- ○ ThyssenKrupp Waupaca, Inc. (USA)

○ Membership of statutory Supervisory Boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (As of September 30, 2004)

* 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, 2004)

Dr.-Ing. Jürgen Harnisch resigned from the Executive Board and retired at the close of April 14, 2004. On that date he held the following directorships:

- Gildemeister AG*
- Hülsbeck & Fürst GmbH & Co. KG (Chair)
- INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH
- KMC Klausmeier Marketing Consultants GmbH

Within the Group:

- ThyssenKrupp Bilstein GmbH
- ThyssenKrupp Drauz GmbH (Chair)
- ThyssenKrupp Federn GmbH
- ThyssenKrupp Gerlach GmbH (Chair)
- ThyssenKrupp Technologies AG
- ThyssenKrupp Umformtechnik GmbH (Chair)
- ThyssenKrupp Automotive Sales & Technical Center, Inc. (USA, Chair)
- ThyssenKrupp Budd Company (USA)
- ThyssenKrupp Presta AG (Liechtenstein)
- ThyssenKrupp Sofedit S.A.S. (France)

Prof. Dr.-Ing. Eckhard Rohkamm resigned from the Executive Board and retired at the close of February 21, 2004. On that date he held the following directorships:

- HDI Haftpflichtverband der Deutschen Industrie VvaG (Vice Chair)
- Transrapid International Verwaltungsgesellschaft mbH (Vice Chair)

Within the Group:

- ThyssenKrupp Elevator AG (Chair)
- ThyssenKrupp Engineering AG (Chair)
- Berco S.p.A. (Italy, President)
- Giddings & Lewis, LLC (USA)
- Grupo ThyssenKrupp S.A. (Spain)
- ThyssenKrupp Budd Company (USA)
- ThyssenKrupp Elevator Holding Corp. (USA)
- ThyssenKrupp Werften GmbH (Chair)

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
- ○ E.ON Ruhrgas AG
- ○ Hochtief AG
- ○ Siemens AG
- ○ Volkswagen AG
- ○ BNP Paribas S.A. (France)
- ○ Suez S.A. (France)

Bertin Eichler, Frankfurt/Main
Vice Chairman
(since January 23, 2004)
Member of the Executive Committee of the German Metal Workers Union (IG Metall)
- ○ BauBeCon Holding AG (Vice Chair)
- ○ BGAG Beteiligungsgesellschaft der Gewerkschaften AG (Chair)
- ○ BHW Holding AG
- ○ BMW AG
- ○ ING–DiBa Allgemeine Deutsche Direktbank AG

Dr. Karl-Hermann Baumann, Munich
Chairman of the Supervisory Board of Siemens AG
- ○ Deutsche Bank AG
- ○ E.ON AG
- ○ Linde AG
- ○ Schering AG
- ○ Siemens AG (Chair)

Wolfgang Boczek, Bochum
Materials tester
Chairman of the Works Council Union of ThyssenKrupp Automotive
Within the Group:
- ○ ThyssenKrupp Automotive AG

Carl-L. von Boehm-Bezing, Bad Soden
Former member of the Executive Board of Deutsche Bank AG
- ○ Rütgers AG
- ○ RWE AG

Heinrich Hentschel, Emden
(since January 23, 2004)
Technical clerk/hydrostatics
Member of the Works Council of Nordseewerke GmbH

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

Hüseyin Kavvesoglu, Maxdorf
(since January 23, 2004)
Foreman
Chairman of the Works Council Union of ThyssenKrupp Services
Within the Group:
- ○ ThyssenKrupp Industrieservice GmbH
- ○ ThyssenKrupp Services AG

○ Membership of other statutory Supervisory Boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (As of September 30, 2004)

○ 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, 2004)

Dr. Martin Kohlhaussen, Bad Homburg
Chairman of the Supervisory Board of Commerzbank AG
- Bayer AG
- Commerzbank AG (Chair)
- Heraeus Holding GmbH
- Hochtief AG (Chair)
- Infineon Technologies AG (Vice Chair)
- Schering AG
- Intermediate Capital Group PLC (United Kingdom)
- National Pensions Reserve Fund (Ireland)
- Verlagsgruppe Georg von Holtzbrinck GmbH

Dr. Heinz Kriwet, Düsseldorf
Former Chairman of the Executive Board of Thyssen AG
- Dresdner Bank AG

Reinhard Kuhlmann, Frankfurt/Main
Secretary General of the European Metalworkers' Trade Union Federation
- Adam Opel AG

Dr. Klaus T. Müller, Dortmund
(since January 23, 2004)
Head of the crude steel department ThyssenKrupp Stahl 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

Dr. Friedel Neuber, Duisburg
(died October 23, 2004)
Former Chairman of the Executive Board of Westdeutsche Landesbank Girozentrale
- Deutsche Bahn AG
- Hapag-Lloyd AG
- RAG AG
- RWE AG (Chair)
- TUI AG (Chair)

Dr. Kersten von Schenck, Bad Homburg
(since April 1, 2004)
Attorney and notary public

Peter Scherrer, Düsseldorf
Trade union secretary at the Düsseldorf branch office of IG Metall
- ThyssenKrupp Automotive AG

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 Stahl AG and Chairman of the Works Council Union of ThyssenKrupp Steel
Within the Group:
- ThyssenKrupp Steel AG

Bernhard Walter, Bad Homburg
Former Speaker 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)

At the close of the Annual General Meeting of ThyssenKrupp AG on January 23, 2004, Dieter Schulte, Udo Externbrink, Herbert Funk and Ernst-Otto Tetau left the Supervisory Board. Dr. Klaus Götte resigned from his seat at the close of March 31, 2004. Insofar as these gentlemen held other directorships at the time of their departure from the Supervisory Board, these are listed below:

Dieter Schulte
- Bayer AG

Ernst-Otto Tetau
Within the Group:
- Blohm + Voss GmbH
- ThyssenKrupp Technologies AG
- ThyssenKrupp Werften GmbH

5. WAIVE OF DISCLOSURE PURSUANT TO 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. 264a German Commercial Code have fulfilled the requirements of Art. 264 Par. 3 and Art. 264b German Commercial Code to be allowed to make use of the exemption and therefore do not publish their financial statements.

A

AGOZAL Oberflächenveredelung GmbH	Neuwied
Aloverzee Handelsgesellschaft mbH	Essen
Aluminiumfeinguss Soest GmbH & Co. KG	Soest
ATMOSFAIR-Bauhaus GmbH	Oberhausen

B

Becker & Co. GmbH	Neuwied
BERCO Deutschland GmbH	Ennepetal
BIS Blohm + Voss Inspection Service GmbH	Hambourg
Blass Rohr GmbH	Herford
Bleuel & Röhling GmbH	Burghaun
Blohm + Voss GmbH	Hambourg
Blohm + Voss Repair GmbH	Hambourg
BM Verwaltungsgesellschaft mbH	Pegnitz-Bronn

C

Cadillac Plastic GmbH	Viernheim
Christian Hein GmbH	Langenhagen
Cross Hüller GmbH	Ludwigsburg
Cryotrans Schiffahrts GmbH	Emden

D

Dolores Schiffahrts-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
Eckert GmbH	Ludwigshafen
Eckhardt Marine GmbH	Hambourg
Edelstahl Witten-Krefeld GmbH	Witten
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
Emunds & Staudinger GmbH	Hückelhoven
European Naval Systems Beteiligungen GmbH	Essen

F

Freiburger Stahlhandel GmbH & Co. KG	Freiburg i. Br.

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
Health Care Solutions GmbH	Bielefeld
Hellweg Liegenschaften GmbH	Bochum
Herzog Coilex GmbH	Stuttgart
Hessapp GmbH	Essen
Hoesch Contecna Systembau GmbH	Oberhausen
Hoesch Hohenlimburg GmbH	Hagen
Hommel CNC Technik GmbH	Cologne
Hommel CNC-Service GmbH	Cologne
Hommel Gebrauchtmaschinen GmbH	Cologne
Hommel GmbH	Cologne
Hommel Präzision GmbH	Cologne
Hommel Unverzagt GmbH	Weinstadt
Hövelmann & Co. Eisengroßhandlung GmbH	Gelsenkirchen
Hüller Hille GmbH	Essen

I

Immover Gesellschaft für Grundstücksverwaltung mbH	Essen
Innovative Meerestechnik GmbH	Emden
ISAN-METALL-GMBH	Krefeld

J

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 Edelstahlprofile GmbH	Siegen

Krupp Entwicklungszentrum GmbH	Essen
Krupp Hoesch Immobilien GmbH	Essen
Krupp Hoesch Stahl GmbH	Dortmund
Krupp Hoesch Tecna GmbH	Dortmund
Krupp Stahl AG & Co. Liegenschaftsverwaltung OHG	Bochum
Krupp Stahl Wohnungsbau GmbH	Essen
Krupp Stahlbau Berlin GmbH	Berlin

L

Leichsenring Aufzüge GmbH	Hambourg
Liegenschaftsgesellschaft Lintorf GmbH	Düsseldorf
LiftEquip GmbH Elevator Components	Neuhausen a.d.F.
Liftservice und Montage GmbH	Saarbrücken

M

Max Cochius GmbH	Berlin
Metall Service Partner GmbH	Haan/Rhld.
MONTAN GmbH Assekuranz-Makler	Düsseldorf

N

Nickel GmbH	Dillenburg
Nordseewerke GmbH	Emden
Nothelfer GmbH	Ravensburg
Nothelfer Planung GmbH	Wadern-Lockweiler

O

Otto Wolff Handelsgesellschaft mbH	Düsseldorf
Otto Wolff Kunststoffvertrieb GmbH	Düsseldorf

P

Polysius AG	Münster

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 GmbH	Neukirchen-Vluyn
Rothe Erde Beteiligungs GmbH	Essen
Rothe Erde GmbH	Dortmund

S

SBS Brenn- und Schneidbetrieb Rinteln GmbH	Rinteln
SIR Industrieservice GmbH	Leonberg
smbChromstahl GmbH	Hanover-Langenhagen
Stahlkontor Hahn GmbH	Düsseldorf
SVG Steinwerder Verwaltungsgesellschaft mbH	Hambourg
SWI Gebäudereinigung GmbH	Oberhausen

T

Tepper Aufzüge GmbH	Münster
Thyssen Altwert Umweltservice GmbH	Bottrop
Thyssen Draht GmbH	Hamm
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 Mannesmann Handel GmbH	Düsseldorf
Thyssen Rheinstahl Technik GmbH	Düsseldorf
Thyssen Röhm Kunststoffe GmbH	Düsseldorf
Thyssen Schulte Werkstoffhandel GmbH	Düsseldorf
Thyssen Sonnenberg GmbH	Düsseldorf
Thyssen Stahl GmbH	Düsseldorf
Thyssen Wohnbau GmbH	Essen
Thyssen Wohnungsgesellschaft Dümpten mbH	Essen
Thyssen Wohnungsgesellschaft Reisholz mbH	Essen
ThyssenKrupp AdMin GmbH	Düsseldorf
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	Duisburg
ThyssenKrupp Bilstein GmbH	Ennepetal
ThyssenKrupp Bilstein Suspension GmbH	Ennepetal
ThyssenKrupp Bilstein Wagenheber GmbH	Mandern
ThyssenKrupp DAVEX GmbH	Duisburg
ThyssenKrupp DeliCate GmbH	Düsseldorf
ThyssenKrupp Dienstleistungen GmbH	Düsseldorf
ThyssenKrupp DiPro GmbH	Frankfurt am Main
ThyssenKrupp Drauz GmbH	Heilbronn
ThyssenKrupp Elastomertechnik GmbH	Hambourg
ThyssenKrupp Electrical Steel GmbH	Gelsenkirchen
ThyssenKrupp Electrical Steel Verwaltungsgesellschaft mbH	Gelsenkirchen
ThyssenKrupp Elevator AG	Düsseldorf
ThyssenKrupp EnCoke GmbH	Dortmund
ThyssenKrupp EnServeon GmbH	Oberhausen
ThyssenKrupp ExperSite GmbH	Kassel
ThyssenKrupp Facilities Services GmbH	Düsseldorf
ThyssenKrupp Fahrtreppen GmbH	Hambourg
ThyssenKrupp Fahrzeugguss GmbH	Hildesheim
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 HiServ GmbH	Düsseldorf
ThyssenKrupp Hoesch Bausysteme GmbH	Oberhausen
ThyssenKrupp Immobilien GmbH	Essen
ThyssenKrupp Immobilien Management GmbH	Essen
ThyssenKrupp Immobilienentwicklungs Concordiahütte GmbH	Oberhausen
ThyssenKrupp Immobilienentwicklungs Krefeld GmbH	Oberhausen
ThyssenKrupp Industrieservice GmbH	Cologne
ThyssenKrupp Industrieservice Holding GmbH	Düsseldorf
ThyssenKrupp Information Services GmbH	Düsseldorf
ThyssenKrupp Liegenschaften Umformtechnik Verwaltungs GmbH	Oberhausen
ThyssenKrupp Materials & Services GmbH	Düsseldorf
ThyssenKrupp MetalCutting GmbH	Ludwigsburg
ThyssenKrupp Metallcenter GmbH	Karlsruhe
ThyssenKrupp Metallurgie GmbH	Essen
ThyssenKrupp MinEnergy GmbH	Essen
ThyssenKrupp Nirosta GmbH	Krefeld
ThyssenKrupp Nirosta Präzisionsband GmbH	Krefeld
ThyssenKrupp Nutzeisen GmbH	Düsseldorf
ThyssenKrupp Plant Services GmbH	Bottrop
ThyssenKrupp Präzisionsschmiede GmbH	Munich
ThyssenKrupp Presta Ilsenburg GmbH	Ilsenburg
ThyssenKrupp Printmedia GmbH	Duisburg
ThyssenKrupp RST Rohstoffe und Technik GmbH	Essen
ThyssenKrupp Sägenstahlcenter GmbH	Duisburg
ThyssenKrupp Schulte GmbH	Düsseldorf
ThyssenKrupp Services AG	Düsseldorf
ThyssenKrupp SiTeam GmbH	Frankfurt/Main
ThyssenKrupp Stahl AG	Duisburg
ThyssenKrupp Stahl Immobilien GmbH	Duisburg
ThyssenKrupp Stahlbau GmbH	Hanover
ThyssenKrupp Stahlkontor GmbH	Düsseldorf
ThyssenKrupp Stahl-Service-Center GmbH	Leverkusen
ThyssenKrupp Stahlunion GmbH	Düsseldorf
ThyssenKrupp Stainless GmbH	Duisburg
ThyssenKrupp Stainless International GmbH	Krefeld
ThyssenKrupp Steel AG	Duisburg
ThyssenKrupp Systems & Services GmbH	Ratingen
ThyssenKrupp Tailored Blanks GmbH	Dortmund
ThyssenKrupp Tailored Blanks Nord GmbH	Duisburg
ThyssenKrupp Technologies AG	Essen
ThyssenKrupp Transrapid GmbH	Kassel
ThyssenKrupp Treppenlifte GmbH	Neuss
ThyssenKrupp Turbinenkomponenten GmbH	Remscheid
ThyssenKrupp Umformtechnik GmbH	Ludwigsfelde
ThyssenKrupp VDM GmbH	Werdohl
ThyssenKrupp Verkehr GmbH	Duisburg
ThyssenKrupp Versicherungsdienst GmbH Industrieversicherungsvermittlung	Düsseldorf
ThyssenKrupp Weichenbau GmbH	Essen
ThyssenKrupp Werften GmbH	Hambourg
ThyssenKrupp Wiscore GmbH	Bochum
ThyssenKrupp Wohnimmobilien GmbH	Essen
Trattendorfer Projektverwaltungsgesellschaft mbH	Spremberg

U

Uhde GmbH	Dortmund
Uhde High Pressure Technologies GmbH	Hagen
Uhde Inventa-Fischer GmbH & Co. KG	Berlin
Uhde Services and Consulting GmbH	Dortmund
Uhde Services GmbH	Haltern am See

V

Verlag für Messepublikationen Thomas Neureuter GmbH	Munich

W

WIG Sicherheitsdienstleistungen GmbH	Leonberg
Witzig & Frank GmbH	Offenburg

X

Xtend Holding GmbH	Düsseldorf

Additional information

Additional information

Any information you may not have found in reading the annual report this far is most likely to be contained in the following section. Multi-year overviews of key performance indicators, a list of the major consolidated subsidiaries plus a glossary of terms complete the picture of the Group. The dates are to remind you of important events and publications in the new fiscal year. And if you need any further information, our press and investor relations teams are at your disposal: after all, responsibility also means open communications.

Multi-year overview

ThyssenKrupp Group

		Year ending Sept. 30, 2000*	Year ending Sept. 30, 2001*	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Earnings situation (based on continuing operations)						
Net sales	million €	37,209	38,008	35,928	35,327	39,342
Gross margin	million €	7,173	7,036	6,329	6,311	7,077
EBITDA	million €	3,383	3,267	2,576	2,455	3,258
EBIT	million €	1,509	1,349	1,040	958	1,798
Income from continuing operations before taxes and minority interest (EBT)	million €	1,314	1,117	764	774	1,580
Net income	million €	527	665	215	552	904
Earnings per share (income from continuing operations)	€	1.46	1.76	1.12	1.12	1.77
Earnings per share	€	1.46	1.76	0.42	1.09	1.81
Gross margin	%	19.3	18.5	17.6	17.9	18.0
EBITDA margin	%	9.1	8.6	7.2	6.9	8.3
EBIT margin	%	4.1	3.5	2.9	2.7	4.6
EBT margin	%	3.5	2.9	2.1	2.2	4.0
Return on equity (before taxes)	%	14.9	12.7	9.2	10.1	19.0
Personnel expense per employee	€	48,336	50,085	50,761	49,803	50,186
Sales per employee	€	197,556	196,354	194,391	193,566	214,656
Assets situation						
Fixed assets	million €	18,755	17,818	16,255	15,544	15,181
Operating assets**	million €	17,133	16,833	14,901	14,657	15,960
Inventories	million €	6,710	6,527	6,002	5,835	6,340
Trade accounts receivable	million €	6,223	5,721	5,353	5,362	5,829
Cash and cash equivalents incl. operating securities	million €	1,021	1,258	941	713	1,437
Total assets	million €	35,888	34,651	31,156	30,201	31,141
Stockholders' equity	million €	8,797	8,788	8,287	7,671	8,327
Liabilities	million €	27,091	25,863	22,869	22,530	22,814
Accrued pension and similar obligations	million €	6,970	6,908	7,065	7,401	7,221
Gross financial payables	million €	8,751	7,665	5,683	4,948	4,270
Trade accounts payable	million €	3,168	3,248	3,128	3,075	3,678
Stockholders' equity ratio	%	24.5	25.4	26.6	25.4	26.7
Gearing	%	87.9	72.9	57.2	55.2	34.0
Ratio of equity to fixed assets	%	46.9	49.3	51.0	49.4	54.9
Inventory turnover	days	64.9	61.8	60.1	59.5	58.0
Average collection period	days	60.2	54.2	53.6	54.6	53.3

* no adjustments for discontinued operations and the change of inventory method
** including deferred income taxes as well as prepaid expenses and deferred charges

ThyssenKrupp Group

		Year ending Sept. 30, 2000*	Year ending Sept. 30, 2001*	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003	Year ending Sept. 30, 2004
Ecomomic value added management						
Capital employed (average)	million €	22,062	22,792	21,002	19,530	18,870
ROCE	%	9.8	8.8	7.0	7.2	12.0
Weighted average cost of capital (WACC)	%	9.0	9.0	9.0	9.0	9.0
Economic value added (EVA)	million €	162	(46)	(414)	(352)	572
Steel	million €	(37)	(16)	(533)	(255)	212
Automotive	million €	152	(16)	(137)	3	108
Elevator	million €	181	186	208	241	250
Technologies	million €	17	73	22	(68	21
Services	million €	75	(186)	(107)	(166)	120
Real Estate	million €	(58)	(37)	(39)	(63)	(46)
Cash flow/capital expenditures						
Net cash provided by operating activities	million €	1,329	2,245	2,454	2,027	2,559
Net cash used in investing activities	million €	(1,788)	(1,299)	(546)	(1,169)	(979)
Free cash flow (before dividend)	million €	(459)	946	1,908	858	1,580
Net cash provided by/(used in) financing activities	million €	609	(634)	(2,177)	(1,064)	(865)
Capital expenditures	million €	2,495	2,327	1,777	1,604	1,734
Net financial payables	million €	7,730	6,407	4,742	4,235	2,833
Internal financing capability		0.7	1.7	4.5	1.7	2.6
Debt to cash flow ratio		5.8	2.9	1.9	2.1	1.1
ThyssenKrupp AG						
Net income	million €	425	355	258	406	301
Dividend payout	million €	386	309	206	249	299**
Dividend per share	€	0.75	0.60	0.40	0.50	0.60**

* no adjustments for discontinued operations and the change of inventory method
** proposal to the Annual General Meeting

Major consolidated subsidiaries and equity interests

Company (as of September 30, 2004)

Company	Share-holding in % [1]	Equity in million € [2]	Employees
STEEL			
ThyssenKrupp Steel AG, Duisburg	100.00	3,381.8	115
Carbon Steel			
Eisen- und Hüttenwerke AG, Andernach	87.98	109.4	0
Eisenbahn und Häfen GmbH, Duisburg	90.00	2.0	1,292
ems Isoliersysteme GmbH, Pansdorf	90.00	4.4	150
Ertsoverslagbedrijf Europoort C.V., Rotterdam, Netherlands	75.00	7.5	277
Herzog Coilex GmbH, Stuttgart	74.90	6.9	116
Hoesch Bausysteme Gesellschaft m.b.H., Vienna, Austria	100.00	9.1	63
Hoesch Hohenlimburg GmbH, Hagen	99.50	48.1	1,627
Isocab France S.A., Dunkerque, France	90.00	9.6	72
Isocab N.V., Harelbeke-Bavikhove, Belgium	90.00	10.7	208
LAGERMEX S.A. de C.V., Puebla, Mexico	100.00	16.7	207
Rasselstein GmbH, Andernach	99.50	159.8	2,433
Rasselstein Verwaltungs GmbH, Neuwied	100.00	130.7	464
ThyssenKrupp Electrical Steel India Private Ltd., Mumbai/Nashik, India	100.00	43.5	745
ThyssenKrupp Galmed, S.A., Sagunto, Spain	100.00	50.3	89
ThyssenKrupp Hoesch Bausysteme GmbH, Oberhausen	100.00	13.0	300
ThyssenKrupp Stahl AG, Duisburg	99.53	1,173.7	19,880
ThyssenKrupp Stahl-Service-Center GmbH, Leverkusen	99.55	37.2	555
ThyssenKrupp Steel North America, Inc., Dover/Delaware, USA	100.00	35.7	175
ThyssenKrupp Tailored Blanks GmbH, Dortmund	100.00	26.9	385
ThyssenKrupp Tailored Blanks Nord GmbH, Duisburg	100.00	8.7	104
ThyssenKrupp Tailored Blanks S.A. de C.V., Puebla, Mexico	100.00	6.9	1
ThyssenKrupp Veerhaven B.V., Rotterdam, Netherlands	100.00	15.7	164
ThyssenKrupp Zhong-Ren Tailored Blanks Ltd., Wuhan, PR China	51.00	3.4	29
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	50.00	122.7[3]	3,501[3]
Thyssen Ros Casares S.A., Valencia, Spain	50.00	19.6	148
TWB Company, LLC, Detroit, USA	50.00	32.2[4]	385[4]
Wickeder Westfalenstahl GmbH, Wickede/Ruhr	25.14	33.7	465
Stainless Steel			
Acciai Speciali Terni España D.V.P. S.A., Barcelona, Spain	100.00	6.4	84
AST France S.A., Paris, France	100.00	6.2	53
C.S. Inox - Centro Servizi per l'Inossidabile S.p.A., Terni, Italy	70.00	8.5	84
Mexinox Trading S.A. de C.V., Mexico D.F., Mexico	100.00	7.7	0
Mexinox USA Inc., Brownsville/Texas, USA	100.00	30.9	37
Precision Rolled Products Inc., Reno/Nevada, USA	100.00	11.9	157
Shanghai Krupp Stainless Co., Ltd., Pudong New Area/Shanghai, PR China	60.00	233.0	497
Terni Steel B.V., Rotterdam, Netherlands	100.00	32.8	5
Terninox S.p.A., Terni, Italy	100.00	19.8	244
ThyssenKrupp Acciai Speciali Terni S.p.A., Terni, Italy	100.00	303.3	3,017
ThyssenKrupp AST USA, Inc., New York, USA	100.00	7.5	4
ThyssenKrupp Mexinox S.A. de C.V., San Luis Potosi, Mexico	95.50	76.4	1,120
ThyssenKrupp Nirosta GmbH, Krefeld	100.00	693.1	4,355
ThyssenKrupp Nirosta Präzisionsband GmbH, Krefeld	100.00	6.2	252
ThyssenKrupp Stainless GmbH, Duisburg	99.61	743.1	53
ThyssenKrupp Stainless International GmbH, Krefeld	100.00	0.0	32
ThyssenKrupp VDM GmbH, Werdohl	98.04	66.5	1,431
Titania S.p.A., Terni, Italy	100.00	16.4	99
Tubificio di Terni S.r.l., Terni, Italy	97.00	17.5	151
Special Materials			
Edelstahl Witten-Krefeld GmbH, Witten	99.66	92.6	2,103
German-Steels Co.,Ltd., Hongkong, PR China[5]	80.00	12.5	21
ThyssenKrupp Electrical Steel GmbH, Gelsenkirchen	99.54	24.0	600
ThyssenKrupp Electrical Steel UGO S.A., Isbergues, France	100.00	11.6	489
ThyssenKrupp Specialty Steels, Inc., Carol Stream/Illinois, USA	100.00	11.7	164
Corporate Steel			
ThyssenKrupp Steel USA Inc., Wilmington/Delaware, USA	100.00	28.9	0
AUTOMOTIVE			
ThyssenKrupp Automotive AG, Bochum	100.00	269.2	163
ThyssenKrupp Budd Company, Troy/Michigan, USA	100.00	77.4	2,571
Chassis			
Krupp Módulos Automotivos do Brasil Ltda., Sao Jose dos Pinhais Parana, Brazil	51.00	5.7	233
ThyssenKrupp Automotive Chassis Products UK PLC, Durham, United Kingdom	100.00	106.2	0
ThyssenKrupp Automotive Systems do Brasil Ltda., São Bernardo do Campo, Brazil	100.00	11.7	167
ThyssenKrupp Automotive Systems GmbH, Bochum	100.00	15.3	149
ThyssenKrupp Automotive Tallent Chassis Ltd., County Durham, United Kingdom	100.00	36.5	1,370
ThyssenKrupp Bilstein GmbH, Ennepetal	99.50	12.1	1,026
ThyssenKrupp Bilstein of America Inc., San Diego/California, USA	100.00	1.7	207
ThyssenKrupp Budd Canada Inc., Kitchener/Ontario, Canada	77.25	(131.8)	1,642
ThyssenKrupp Federn GmbH, Hagen	100.00	57.1	896
ThyssenKrupp Hopkinsville, LLC, Hopkinsville/Kentucky, USA	100.00	25.7	430

[1] related to the parent company in the ThyssenKrupp Group [2] local [3] financial statement date December 31, 2003 [4] financial statement date May 31, 2004 [5] preconsolidated group
[6] short fiscal year Dec. 01, 2003 - Sept. 30, 2004 [7] thereof 10.08% held by ThyssenKrupp Stahl AG

Company (as of September 30, 2004)

	Share-holding in %[1]	Equity in million €[2]	Employees
ThyssenKrupp Indusa Mure S.L., Alonsotegui, Spain	100.00	24.1	406
ThyssenKrupp JBM Private Ltd., Chennai, India	73.89	7.1	230
ThyssenKrupp Sasa S.A. de C.V., San Luis Potosi, Mexico	100.00	(6.5)	486
ThyssenKrupp Stahl Company, Kingsville/Missouri, USA	100.00	(19.8)	1,026
ThyssenKrupp Waupaca, Inc., Waupaca/Wisconsin, USA	100.00	268.2	3,622
ThyssenKrupp Woodhead Ltd., Leeds, United Kingdom	100.00	22.4	89
Body			
Krupp Camford Pressings Ltd., Llanelli, United Kingdom	100.00	14.7	448
Milford Fabricating Company, Detroit/Michigan, USA	100.00	22.7	52
ThyssenKrupp Body Stampings Ltd., Cannock, United Kingdom	100.00	15.4	977
ThyssenKrupp Drauz GmbH, Heilbronn	100.00	1.3	1,047
ThyssenKrupp Fabco Corp., Halifax/Nova Scotia, Canada	100.00	83.3	797
ThyssenKrupp Sofedit España, S.A., Valladolid, Spain	100.00	8.9	82
ThyssenKrupp Sofedit S.A.S., Versailles, France	100.00	9.0	3,101
Powertrain			
ThyssenKrupp Aluminium Technik s.r.o., Hradek nad Nisou, Tschechische Republik	100.00	11.1	171
ThyssenKrupp Atlas, Inc., Fostoria/Ohio, USA	100.00	13.1	368
ThyssenKrupp Automotive Sales & Technical Center, Inc., Troy/Michigan, USA	100.00	35.5	48
ThyssenKrupp Fahrzeugguss GmbH, Hildesheim	100.00	47.4	1,387
ThyssenKrupp Fundicoes Ltda., Barra do Pirai, Brazil	100.00	23.8	2,093
ThyssenKrupp Gerlach Company, Danville/Illinois, USA	100.00	32.8	302
ThyssenKrupp Gerlach GmbH, Homburg/Saar	100.00	53.9	1,337
ThyssenKrupp Mavilor S.A., L'Horme, France	99.99	5.4	433
ThyssenKrupp Metalúrgica Campo Limpo Ltda., Campo Limpo Paulista, Brazil	59.75	138.9	3,176
ThyssenKrupp Metalúrgica de México S.A. de C.V., Puebla, Mexico	100.00	17.5	431
ThyssenKrupp Präzisionsschmiede GmbH, Munic	100.00	22.8	1,643
ThyssenKrupp Presta AG, Eschen, Liechtenstein	100.00	248.7	1,242
ThyssenKrupp Presta de México S.A. de C.V., Puebla, Mexico	100.00	21.7	124
ThyssenKrupp Presta France S.A.S., Florange, France	100.00	28.5	657

	Share-holding in %[1]	Equity in million €[2]	Employees
ThyssenKrupp Presta HuiZhong Shanghai Co., Ltd., Shanghai, PR China	60.00	10.4	85
ThyssenKrupp Presta Ilsenburg GmbH, Ilsenburg	100.00	12.9	225
ThyssenKrupp Presta SteerTec GmbH, Duesseldorf[6]	60.00	26.1	1,142
ThyssenKrupp Rautenbach Castings GmbH, Wernigerode	74.90	21.9	190
BMB Steering Innovation GmbH, Schönebeck	50.00	10.2	129
Corporate Automotive			
Aventec S.A. de C.V., Silao/Guanajuato, Mexico	33.33	44.9[3]	0[3]
Bertrandt AG, Ehningen	25.19[7]	50.4[3]	3,012[3]
ELEVATOR			
ThyssenKrupp Elevator AG, Duesseldorf	100.00	378.6	89
Germany/Austria/Switzerland			
ThyssenKrupp Aufzüge AG, Rümlang, Switzerland	100.00	6.2	195
ThyssenKrupp Aufzüge Gesellschaft m.b.H., Vienna, Austria	100.00	36.3	583
ThyssenKrupp Aufzüge GmbH, Neuhausen a.d.F.	100.00	100.9	125
ThyssenKrupp Aufzüge Nordost GmbH, Berlin	100.00	2.7	643
ThyssenKrupp Aufzüge Süd GmbH, Neuhausen a.d.F.	100.00	1.5	583
ThyssenKrupp Aufzüge West GmbH, Frankfurt a.M.	100.00	0.8	606
ThyssenKrupp Aufzugswerke GmbH, Neuhausen a.d.F.	99.50	14.0	1,029
ThyssenKrupp Fahrtreppen GmbH, Hamburg	100.00	1.3	634
France/Benelux			
ThyssenKrupp Ascenseurs Holding S.A.S., Puteaux, France	100.00	110.9	5
ThyssenKrupp Ascenseurs S.A.S., Angers, France	100.00	84.5	2,229
ThyssenKrupp Elevator B.V., Krimpen aan den Ijssel, Netherlands	100.00	34.3	
ThyssenKrupp Liften Ascenseurs S.A./N.V., Brussels, Belgium	100.00	16.0	286
ThyssenKrupp Liften B.V., Krimpen aan den Ijssel, Netherlands	100.00	5.4	246
Spain/Portugal/Latin America			
Ascensores Cenia S.A., Andoain, Spain	100.00	21.0	812
ThyssenKrupp Eletec Internacional S.A., Madrid, Spain	100.00	29.9	19
ThyssenKrupp Elevadores, S.A., Sâo Paulo, Brazil	99.81	56.8	1,807
ThyssenKrupp Elevadores, S.A., Madrid, Spain	99.92	66.2	2,394
ThyssenKrupp Elevadores, S.A., Lisbon, Portugal	100.00	14.5	617
ThyssenKrupp Norte S.A., Mieres/Oviedo, Spain.	100.00	18.0	371

[1] related to the parent company in the ThyssenKrupp Group [2] local [3] financial statement date December 31, 2003 [4] financial statement date May 31, 2004 [5] preconsolidated group
[6] short fiscal year Dec. 01, 2003 - Sept. 30, 2004 [7] thereof 10.08% held by ThyssenKrupp Stahl AG

Company (as of September 30, 2004)

Company	Share-holding in %[1]	Equity in million €[2]	Employees
North America/Australia			
New York Elevator & Electrical Corporation, New York, USA	100.00	18.2	297
Thyssen Elevator Capital Corp., Whittier/California, USA	100.00	341.6	0
Thyssen Lifts Pacific Pty. Ltd., Surry Hills, Australia	100.00	6.8	247
ThyssenKrupp Elevator Canada Ltd., Toronto, Canada	100.00	65.4	1,013
ThyssenKrupp Elevator Corp., Horn Lake/Mississippi, USA	100.00	166.7	6,423
ThyssenKrupp Elevator Holding Corp., Whittier/California, USA	100.00	251.2	0
ThyssenKrupp Elevator Manufacturing Inc., Collierville/Tennessee, USA	100.00	111.5	1,024
ThyssenKrupp Northern Elevator Ltd., Scarborough/Ontario, Canada	100.00	105.8	248
Other Countries			
Thyssen Elevators Co., Ltd., Zhongshan, PR China	100.00	21.2	1,023
ThyssenKrupp Aufzüge Ltd., Nottingham, United Kingdom	100.00	32.2	1,012
ThyssenKrupp Dongyang Elevator Co., Ltd., Seoul, South Corea	75.00	65.1	874
ThyssenKrupp Elevator (Shanghai) Co., Ltd., Shanghai, PR China	100.00	11.9	147
ThyssenKrupp Elevator Sp. z o.o., Warschau, Poland	100.00	0.9	38
ThyssenKrupp Elevator UK Ltd., Nottingham, United Kingdom	100.00	31.5	990
Won Co. Ltd., Chonan, South Corea	100.00	(23.7)	142
Passenger Boarding Bridges			
ThyssenKrupp Airport Systems, S.A., Mieres/Oviedo, Spain	55.17	11.6	276
ThyssenKrupp Airport Systems Inc., Fortworth/Texas, USA	100.00	(19.5)	129
Accessibility			
ThyssenKrupp Access Corp., Kansas City/Missouri, USA	00.00	7.2	230
ThyssenKrupp Accessibility B.V., Krimpen aan den Ijssel, Netherlands	100.00	12.6	109
TECHNOLOGIES			
ThyssenKrupp Technologies AG, Essen	100.00	1,024.5	153
Production Systems			
Cross Hueller, LLC, Sterling Heights/Michigan, USA	100.00	20.9	180
Cross Hüller GmbH, Ludwigsburg	100.00	24.6	716
Fadal Machining Center, LLC, Chatsworth/California, USA	100.00	110.1	230
G & L USA LLC, Fond du Lac/Wisconsin, USA	100.00	242.1	0
Gilman Engineering & Manufacturing Co. LLC, Janesville/Wisconsin, USA	100.00	52.9	72
Hüller Hille GmbH, Essen	100.00	4.0	592
Industrie Automation S.A.S., Ensisheim, France	100.00	5.5	186
Johann A. Krause Inc., Auburn Hills/Michigan, USA	100.00	18.2	236
Johann A. Krause Maschinenfabrik GmbH, Bremen	100.00	8.9	1,179
Nothelfer GmbH, Ravensburg	99.50	10.6	1,588
ThyssenKrupp MetalCutting GmbH, Ludwigsburg	100.00	62.0	0
Witzig & Frank GmbH, Offenburg	100.00	9.5	274
Plant Technology			
Polysius AG, Münster	100.00	13.9	956
Polysius Corp., Atlanta/Georgia, USA	100.00	7.3	49
Polysius S.A.S., Aix en Provence, France	100.00	30.5	157
ThyssenKrupp EnCoke GmbH, Dortmund	99.23	34.0	11
ThyssenKrupp Fördertechnik GmbH, Essen	100.00	61.3	710
ThyssenKrupp Industries India Pvt. Ltd., Pimpri, India	53.93	25.3	848
Uhde GmbH, Dortmund	100.00	90.1	1,551
Uhde India Ltd., Mumbai, India	80.43	8.4	623
Uhde Inventa-Fischer GmbH & Co. KG, Berlin	100.00	5.8	82
Marine			
Blohm + Voss GmbH, Hamburg	99.50	33.2	1,050
Blohm + Voss Repair GmbH, Hamburg	99.50	7.7	455
Nordseewerke GmbH, Emden	99.50	12.8	1,450
ThyssenKrupp Werften GmbH, Hamburg	100.00	56.0	0
Mechanical Engineering			
Advanced Turbine Components, Inc. (ATC), Winston-Salem/North Carolina, USA	80.00	6.3	139
B+V Industrietechnik GmbH, Hamburg	100.00	25.7	641
Berco S.p.A., Copparo, Italy	100.00	78.2	2,833
Noske-Kaeser GmbH, Hamburg	100.00	5.6	339
PSL a.s., Povazská Bystrica, Slovakia	100.00	25.1	614
Rotek Incorporated, Aurora/Ohio, USA	100.00	22.2	305
Rothe Erde GmbH, Dortmund	99.50	25.6	1,479
ThyssenKrupp Defontaine S.A., Saint Herblain, France	99.99	25.9	913
ThyssenKrupp Elastomertechnik GmbH, Hamburg	100.00	5.1	591
ThyssenKrupp Turbinenkomponenten GmbH, Remscheid	100.00	5.1	375
Xuzhou Rothe Erde Slewing Bearing Co., Ltd., Xuzhou, PR China	60.00	15.5	875
Transrapid			
ThyssenKrupp Transrapid GmbH, Kassel	100.00	2.8	215
SERVICES			
ThyssenKrupp Services AG, Duesseldorf	99.83	676.1	4,178
Materials Services Europe			
Cadillac Plastic GmbH, Viernheim	100.00	6.2	250
Dortmunder Eisenhandel Hansa GmbH, Dortmund	100.00	14.6	128

[1] related to the parent company in the ThyssenKrupp Group [2] local [3] financial statement date December 31, 2003 [4] financial statement date May 31, 2004 [5] preconsolidated group
[6] short fiscal year Dec. 01, 2003 - Sept. 30, 2004 [7] thereof 10.08% held by ThyssenKrupp Stahl AG

Company (as of September 30, 2004)

	Shareholding in %[1]	Equity in million €[2]	Employees
Freiburger Stahlhandel GmbH & Co. KG, Freiburg i.Br.	51.00	3.2	134
Hövelmann & Co. Eisengroßhandlung GmbH, Gelsenkirchen	100.00	0.3	19
Jacob Bek GmbH, Ulm	80.00	7.8	151
Metall Service Partner GmbH, Haan/Rhld.	100.00	5.6	215
Otto Wolff Handelsgesellschaft mbH, Duesseldorf	99.50	19.3	142
Otto Wolff Kunststoffvertrieb GmbH, Duesseldorf	100.00	7.1	369
Röhm Benelux B.V., Nijkerk, Netherlands	100.00	27.4	14
Thyssen Röhm Kunststoffe GmbH, Duesseldorf	65.45	60.2	0
ThyssenKrupp Energostal S.A., Torun, Poland	80.00	30.6	525
ThyssenKrupp Ferroglobus Kereskedelmi Rt., Budapest, Hungary	89.98	44.1	365
ThyssenKrupp Materials Belgium N.V./S.A., Lokeren, Belgium	100.00	0.8	35
ThyssenKrupp Materials France S.A.S., Maurepas, France	100.00	37.5	657
ThyssenKrupp Materials Ibérica S.A., Martorelles, Spain	100.00	15.3	141
ThyssenKrupp Materials Nederland B.V., Veghel, Netherlands	100.00	13.0	260
ThyssenKrupp Materials Schweiz AG, Bronschhofen, Switzerland	100.00	15.3	119
ThyssenKrupp Materials Sverige AB, Gothenburg, Sweden	100.00	2.2	50
ThyssenKrupp Materials (UK) Ltd. Smethwick, United Kingdom[5]	100.00	19.7	240
ThyssenKrupp Metallcenter GmbH, Karlsruhe	100.00	1.3	86
ThyssenKrupp Portugal - Aços e Serviços, Lda., Carregado, Portugal	100.00	10.8	73
ThyssenKrupp Schulte GmbH, Duesseldorf	100.00	0.0	4
ThyssenKrupp Stahlunion Austria GmbH, Vienna, Austria	100.00	3.5	104
Vetchberry Ltd., Birmingham, United Kingdom	100.00	12.1	70
Finox S.p.A., Milan, Italy	40.00	33.0[3]	52[3]
Materials Services North America			
ThyssenKrupp Materials CA Ltd., Rexdale/Ontario, Canada	100.00	7.4	46
ThyssenKrupp Materials Inc., Eastpointe/Michigan, USA	100.00	69.9	1,453
ThyssenKrupp Materials NA, Inc., Dover/Delaware, USA	100.00	160.1	236
Industrial Services			
Palmers Ltd., Hampshire, United Kingdom	100.00	5.0	778
PeinigerRöRo GmbH, Gelsenkirchen	100.00	40.1	2,016
Safway Services Inc., Wilmington/Delaware, USA	100.00	75.7	2,652
ThyssenKrupp GfT Gleistechnik GmbH, Essen	100.00	74.8	75
ThyssenKrupp Industrieservice GmbH, Cologne	100.00	8.3	6,737
ThyssenKrupp Plant Services GmbH, Bottrop	100.00	3.8	671
ThyssenKrupp Serv (UK) Ltd., Birmingham, United Kingdom	100.00	4.3	838

	Shareholding in %[1]	Equity in million €[2]	Employees
ThyssenKrupp Serv Austria Gesellschaft m.b.H., Vienna, Austria	100.00	15.0	150
Special Products			
B.V.`Nedeximpo` Nederlandse Exporten Importmaatschappij, Amsterdam, Netherlands	100.00	9.1	26
Hommel GmbH, Cologne	100.00	1.5	43
Krupp Druckereibetriebe GmbH, Essen	100.00	2.6	314
Thyssen Mannesmann Handel (SEA) Pte. Ltd., Singapore, Singapore	100.00	6.9	23
Thyssen Mannesmann Handel GmbH, Duesseldorf	100.00	76.2	116
Thyssen Mannesmann Trading Pty. Ltd., Sydney, Australia	100.00	10.6	23
Thyssen Rheinstahl Technik Projektgesellschaft mbH, Duesseldorf	100.00	19.0	23
ThyssenKrupp GfT Bautechnik GmbH, Essen	70.00	0.5	128
ThyssenKrupp Metallurgie GmbH, Essen	100.00	16.5	33
ThyssenKrupp MinEnergy GmbH, Essen	100.00	20.9	23
ThyssenKrupp RST Rohstoffe und Technik GmbH, Essen	100.00	10.9	35
ThyssenKrupp Stahlunion GmbH, Duesseldorf	100.00	44.8	74
REAL ESTATE			
ThyssenKrupp Immobilien GmbH, Essen	100.00	34.4	116
Residential Real Estate			
Krupp Hoesch Immobilien GmbH, Essen	100.00	91.1	0
ThyssenKrupp Wohnimmobilien GmbH, Essen	99.69	296.6	293
Real Estate Management			
ThyssenKrupp Immobilien Management GmbH, Essen	100.00	0.3	163
CORPORATE			
National Holding Companies			
Grupo ThyssenKrupp S.A., Madrid, Spain	100.00	213.7	0
ThyssenKrupp France S.A., Rueil-Malmaison, France	100.00	355.2	0
ThyssenKrupp GmbH & Co. KG, Vienna, Austria	100.00	0.0	0
ThyssenKrupp Italia S.p.A., Terni, Italy	100.00	463.0	2
ThyssenKrupp Nederland B.V., Roermond, Netherlands	100.00	131.1	0
ThyssenKrupp Participaciones, S.L., Andoain, Spain	100.00	13.8	0
ThyssenKrupp UK Plc., County Durham, United Kingdom	100.00	209.2	0
ThyssenKrupp USA, Inc., Troy/Michigan, USA	100.00	877.9	43

[1] related to the parent company in the ThyssenKrupp Group [2] local [3] financial statement date December 31, 2003 [4] financial statement date May 31, 2004 [5] preconsolidated group
[6] short fiscal year Dec. 01, 2003 - Sept. 30, 2004 [7] thereof 10.08% held by ThyssenKrupp Stahl AG

Index

Glossary

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

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

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 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

Mid Term Incentive Plan (MTI)
Mid-term variable compensation for executive board members 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

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

List of abbreviations

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

LTMI
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

For more information, please contact:

Corporate Communications, Strategy, and Executive Affairs
Telephone +49 211 824-36007
Fax +49 211 824-36041
E-mail press@thyssenkrupp.com

Investor Relations
E-mail ir@thyssenkrupp.com

Institutional investors and analysts
Telephone +49 211 824-36464
Fax +49 211 824-36467

Private investors
Infoline +49 211 824-38347
Fax +49 0211 824-38512

Company address
ThyssenKrupp AG
August-Thyssen-Str. 1, 40211 Düsseldorf, Germany
P.O. Box 10 10 10, 40001 Düsseldorf, Germany
Telephone +49 211 824-0
Fax +49 211 824-36000
E-mail info@tk.thyssenkrupp.com

2005_2006 dates

January 21, 2005
Annual General Meeting

January 24, 2005
Payment of dividend for the 2003/2004 fiscal year

February 14, 2005
Interim report
1st quarter 2004/2005 (October to December)
Conference call with analysts and investors

May 13, 2005
Interim report
2nd quarter 2004/2005 (January to March)

May 18, 2005
Analysts' and investors' meeting

August 12, 2005
Interim report
3rd quarter 2004/2005 (April to June)
Conference call with analysts and investors

December 01, 2005
Annual press conference
Analysts' and investors' meeting

January 27, 2006
Annual General Meeting

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.** An interactive online version of the report for the media is also available on our website.

On request, we would be pleased to send you further copies of this report and additional information on the ThyssenKrupp Group free of charge.
Telephone +49 211 824-38382 and +49 211 824-38371
Fax +49 211 824-38512
E-mail ir@tk.thyssenkrupp.com

TK 309 e 1.15.11.04 DP

What next?
→

What next?
Curiosity remains the most important prerequisite for progress. Last year it helped us develop and implement numerous new ideas and translate them into success. To enable us to exploit future opportunities we are continuously expanding our own strengths and widening our horizons through intelligent alliances – for successes on the world markets and in the 2004_2005 annual report.

Stay curious.

Ideas are soon forgotten if you don't jot them down.
These notes will help make them stick.

So you know which ideas the future belongs to.

ThyssenKrupp AG
August-Thyssen-Strasse 1
40211 Düsseldorf, Germany
www.thyssenkrupp.com