Annual Report 2005 – 2006

Making a difference together.

I WISH ALL PEOPLE COULD HAVE THE CHANCE TO LEARN MORE.

I WISH FOR A MATERIAL THAT NEVER BREAKS.

ThyssenKrupp

Cover motif: View of the cosmos of ideas at the Ideas Park 2006.

THYSSENKRUPP COMPACT

The Group in figures

		2004/2005	2005/2006	Change
Continuing operations of the Group				
Order intake	million €	43,509	50,782	7,273
Sales	million €	42,927	47,125	4,198
EBITDA	million €	3,809	4,700	891
EBIT	million €	2,250	3,044	794
Earnings from continuing operations before taxes (EBT)	million €	1,677	2,623	946
Employees (September 30)		185,932	187,586	1,654
Group incl. discontinued operations				
Net income	million €	1,079	1,704	625
Earnings per share	€	2.08	3.24	1.16
Distribution	million €	412**	489*	77
Dividend per share	€	0.80**	1.00*	0.20
Operating cash flows	million €	2,351	3,467	1,116
Capital expenditures	million €	1,903	2,077	174
ROCE	%	14.4	17.9	3.5
ThyssenKrupp Value Added (TKVA)	million €	997	1,510	513
Net financial liabilities/(receivables)	million €	177	(747)	(924)
Total equity	million €	7,944	8,927	983
Gearing	%	2.2	(8.4)	(10.6)

* Proposal to the Annual General Meeting
** incl. special dividend of €0.10

ThyssenKrupp in brief

ThyssenKrupp is a global concern with business activities focused on the areas of Steel, Capital Goods and Services. We have 188,000 employees developing innovative and forward-looking products and services for the world of today and tomorrow. In all five segments – Steel, Stainless, Technologies, Elevator and Services – they are committed to finding solutions to the needs of our demanding customers. We want to make a difference.

Steel		Capital Goods		Services
Steel	Stainless	Technologies*	Elevator	Services

* combined with Automotive since October 01, 2006

ThyssenKrupp worldwide

We are at home all over the world. Two thirds of the Group's sales are to customers outside Germany. One out of two employees works at one of our foreign companies, mainly in the neighboring EU states and the NAFTA region. But increasingly we are also involved in the emerging countries of Asia – such as China, India and South Korea – and the fast-growing economies of South America. Through our active presence there with representative offices and production facilities, we are helping shape this growth.

	Sales	Employees	Companies
Worldwide	€47 billion 100%	187,586 employees 100%	679 companies 100%
Europe	€31 billion 65%	128,113 employees 68%	441 companies 65%
Germany	€16 billion 34%	84,052 employees 45%	241 companies 35%

Financial dates

Important dates can also be found in our online financial calendar:
www.thyssenkrupp.com/en/investor/finanzkalender.html
If you'd like to be kept up-to-date with news about ThyssenKrupp, subscribe to our newsletter at www.thyssenkrupp.com/en/newsletter/index.html

January 19, 2007	Annual General Meeting
January 22, 2007	Payment of dividend for the 2005/2006 fiscal year
February 13, 2007	Interim report 1st quarter 2006/2007 (October to December) Conference call with analysts and investors
May 11, 2007	Interim report 2nd quarter 2006/2007 (January to March)
May 15, 2007	Analysts' and investors' meeting
August 10, 2007	Interim report 3rd quarter 2006/2007 (April to June) Conference call with analysts and investors
December 04, 2007	Annual press conference Analysts' and investors' meeting
January 18, 2008	Annual General Meeting

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Dear Stockholders,

One of the most important measures of a company's success is its pre-tax income. In the past fiscal year, your Company achieved pre-tax income of €2.6 billion, some €950 million more than in 2004/2005. This figure will come as no surprise to you, as we reported our improved earnings forecast during the year when signs of our excellent performance became evident. But what you will not know is the dividend we are proposing for 2005/2006. In January 2007, the Executive Board and Supervisory Board will propose to the Annual General Meeting the payment of a dividend of €1.00 per share. Excluding the special dividend paid in 2004/2005, that represents a 43% increase compared with last year.

This Annual Report provides details on the most successful year for your Company since the merger in 1999. It is designed not only to take you through the business world of ThyssenKrupp but also to take you back to the Ideas Park 2006. The Ideas Park is part of our "Discovering future technology" initiative which we launched to promote an innovation-friendly climate in Germany and generate greater enthusiasm for technology among the German public. If you were not one of the 200,000 visitors to Hanover, here's your chance to find out what you missed.

Some of the information in the 2005/2006 Annual Report may no longer be where you would expect to find it, as it is now based on the new rules governing management reporting. But everything is still there, and we have provided detailed contents and index pages to help you find your way around. In addition, our accounting in 2005/2006 was based for the first time on International Financial Reporting Standards (IFRS), and to improve comparability we have also presented the prior-year figures on an IFRS basis.

In this letter to you I would like to address three questions: the first concerns the factors behind our success, the second our growth strategy and the third our vision of the future.

What were the key success factors in 2005/2006?

There can be no doubt that the past fiscal year was an outstanding success. In addition to our pre-tax earnings, other indicators also reached record highs. Sales were up 10% from the prior year at €47.1 billion. Earnings per share increased from €2.08 to €3.24. Our ROCE climbed from 14.4% last year to 17.9%. On September 30, 2006 we had net financial receivables of €747 million, as opposed to net financial liabilities of €177 million a year earlier.

The Steel, Stainless, Technologies, Elevator and Services segments further improved their market positions, sales and earnings. The Automotive segment continued its restructuring program, particularly in the USA. In parallel with the sale of the North American body and chassis operations, the Automotive activities were merged into the Technologies segment effective October 01, 2006, where in the future they will be developed in the Mechanical Components and Automotive Solutions business units.

Our pleasing business performance was in part due to strong economic activity in our key customer sectors. But equally important were the successes of our improvement programs. They helped further increase productivity and efficiency, which in turn among other things helped counter the rise in prices for raw materials and energy. Our focus was on improving performance and profitability in all segments. The ThyssenKrupp best corporate program continued to be a success.

But unfortunately it was not all good news last fiscal year. I am not talking about the questions and problems every company has to deal with on a day-to-day basis. I am talking about the tragic accident on the Transrapid test line in Lathen. We were all deeply shocked when the news reached us on September 22, 2006. We mourn the victims and our thoughts are with their families. We have made donations to assist the bereaved and the helpers.

How is the transition from the consolidation phase to the growth phase going?

A year ago I reported that the phase of consolidation at ThyssenKrupp was largely completed. Our goal is now to achieve profitable and sustainable growth in our three main business areas of Steel, Capital Goods and Services. In this way we will be able to continuously increase the earning power and the value of your Company. The results of the reporting year show that we have already achieved initial successes, so we are definitely on the right track.

In 2005/2006 we set the course for the future strategic development of the segments. In September 2006 the foundation stone was laid for the new steel mill in Brazil. As regards the Canadian steel producer Dofasco – an important element in developing the NAFTA market – we expect a final decision in the coming weeks. Alternatively, we have drawn up plans to build a new plant in the USA. These plans can be realized quickly from 2007. For more about the future of Steel and the strategic prospects of our other segments Stainless, Technologies, Elevator and Services, please turn to the management report.

Our capital expenditure plans are ambitious but realistic. In the next few years, we intend to invest up to €20 billion in the future of the Company, around half in organic growth and acquisitions and half in maintaining existing facilities and equipment. And before anyone asks about financing, all our projects are robustly costed and we have adequate funds to realize them.

What will ThyssenKrupp look like a few years from now?

Through organic growth, strategic acquisitions and an even stronger service focus, we aim to achieve sales of around €50 billion. Roughly €30 billion of this will be generated by product-oriented activities and €20 billion by service business. Our sustainable goal for earnings before taxes – over the economic cycles – is €2.5 billion. We achieved this figure in 2005/2006 and are confident we can repeat it in 2006/2007. This is based on the assumption that the global economy remains stable and oil prices stay within manageable limits.

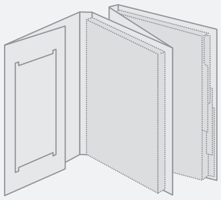
In the areas of steel, capital goods and services we will continue to satisfy our customers with innovative products and services. Customer focus is the key to sustainable, profitable growth, and that in turn is a solid foundation for a long-term, earnings-based dividend policy. Our innovativeness, earning power and dynamism will continue to motivate our employees and managers to top performances and make ThyssenKrupp an attractive company to work for. A commitment to society has always been part of our corporate philosophy: we will continue to be actively involved in areas outside our business activities. As I see it, these are all convincing reasons to invest in ThyssenKrupp and to join the Company on its journey into the future as a stockholder. I hope you will agree. Thank you for your trust.

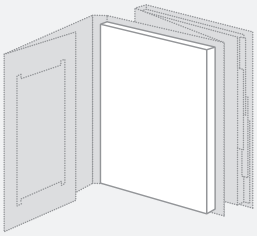
Yours sincerely,

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

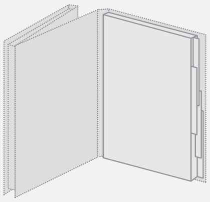
Düsseldorf, November 2006

CONTENTS





MAKING A DIFFERENCE TOGETHER



FACTS AND FIGURES

MAKING A DIFFERENCE TOGETHER.

GLOBALIZATION HAS BROUGHT NEW COMPETITION, THAT STIMULATES THE ECONOMY AND CREATES NEW MARKETS. BUT ALL PLAYERS NEED TO BE ABLE TO RESPOND FLEXIBLY TO CHANGING SITUATIONS TO MAKE THE MOST OF THEIR OWN OPPORTUNITIES. THAT'S WHY THYSSENKRUPP LAUNCHED THE "DISCOVERING FUTURE TECHNO-LOGY" INITIATIVE TO PROMOTE PARTNERSHIPS BETWEEN BUSINESS, ACADEMIC INSTITUTIONS AND SOCIAL FORCES. TOGETHER WE CAN PROVIDE IMPETUS AND MAKE A DIFFERENCE TO THE WAY PEOPLE THINK AND ACT. THROUGH EDUCATION, TECHNOLOGY AND INNOVATION, WE AIM TO MAKE THE FUTURE A BETTER PLACE FOR EVERYONE.

FLIGHT OF FANTASY_

WISHES CAN COME TRUE IF WE LIVE THEM OURSELVES.

Visitors to the Ideas Park were greeted by ideas fairies who asked them to choose their own personal wish for the future and then carry it around **with them, written on a wristband.** As they arrived, visitors therefore became participants and were challenged to make a difference.

Photo: Ideas fairies in the entrance area to the Ideas Park.

FEAST FOR THE

SENSES

ENTHUSIASM IS A SMALL SPARK THAT CAN START SOMETHING BIG.

Technology close up, technology that appeals to the emotions, technology that inspires. At the Ideas Park, it was the numerous interactive **activities that showed visitors young and old most clearly** just how thrilling technology can be. But this seemingly playful approach has a serious **background: young people finding out how exciting technology is today** may turn into the young engineers of tomorrow who will keep us **internationally competitive.**

Photo: Computerized recognition of facial expressions (TU Munich).

BRAINSTORM

THE ONLY THING BETTER THAN BETTER IS EVEN BETTER.

Never satisfied. Always driving solutions further. Refining details and always questioning results. Until you come up with a better solution. **It's the people who are always looking for new ideas** that advance top-level technology. It would be interesting to meet these people, to have a chat **with them. The Ideas Park makes it possible.** It provides the opportunity to get close to people who are otherwise locked away in research labs.

Photo left: The CLEVER car (TU Berlin). Right: Uhde EnviNOx® process (ThyssenKrupp).

THIRST FOR KNOWLEDGE_

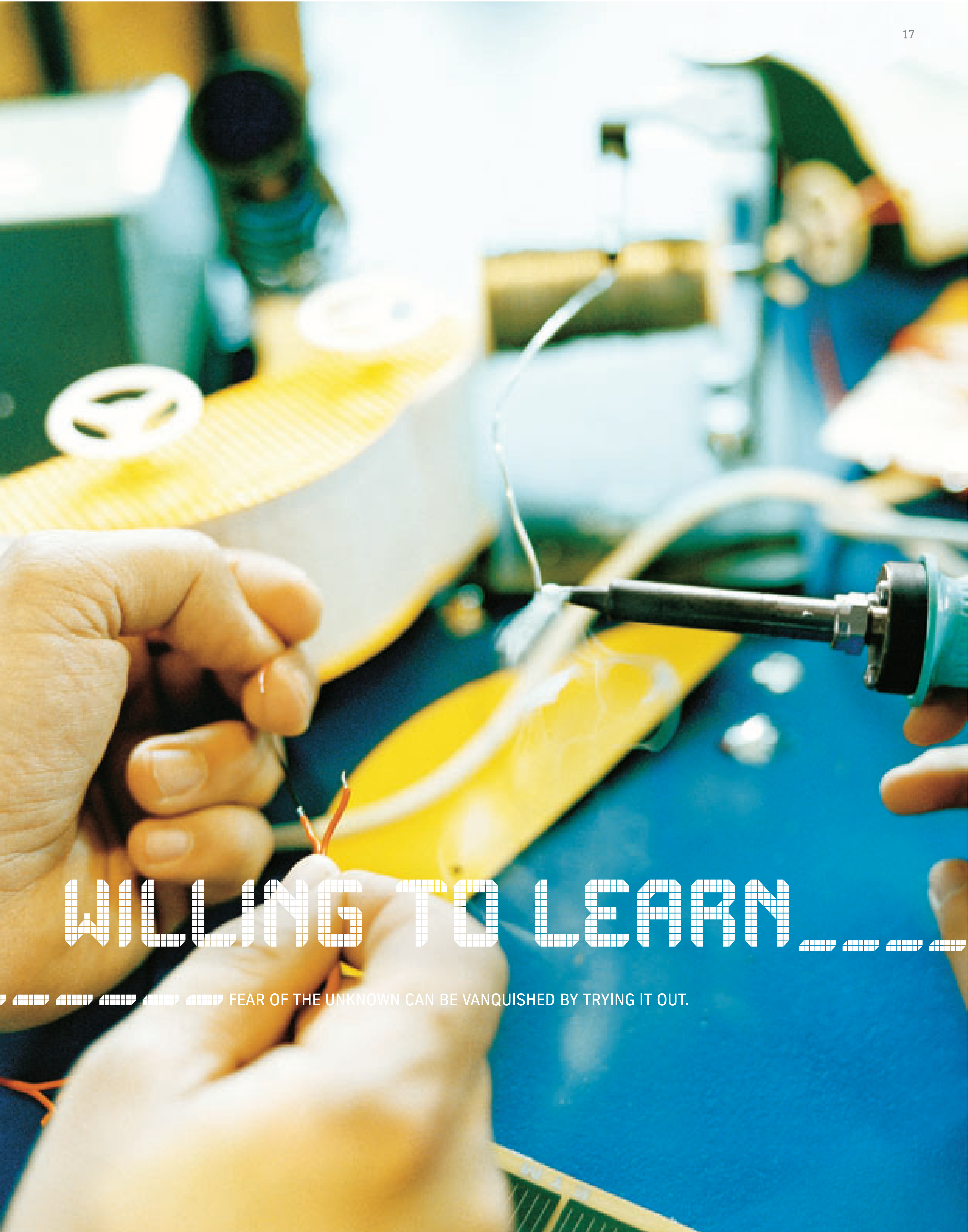
Technology is particularly fascinating at the Ideas Park because the exhibits aren’t demonstrated by hostesses or presenters, but by the people **who made them. The people who invent,** develop and use technology. The focus of the Ideas Park is not on the technology, but on the people **behind the technology.** And on dialogue with people who are interested in technology – or starting to get interested.

Photo: A wave model demonstrates the rail guidance of wheel profile forms (Hanover University).

WHO, WHY, WHAT? IF YOU NEVER ASK, YOU’LL NEVER LEARN.

Understanding technology by taking part, getting involved. Leaving behind the passive role of the observer and taking on the active role of the **researcher, the inventor, the discoverer.** The workshops and join-in activities at the Ideas Park provide the ideal opportunity. See what you can do – **you might surprise yourself.** And wonder whether it wouldn't be possible to take things further.

Photo left: The Nomadic Academy design workshop (Zollverein School of Management und Design, Initiativkreis Ruhrgebiet).
Right: The solar mobile workshop (Autostadt Wolfsburg).



WILLING TO LEARN___

FEAR OF THE UNKNOWN CAN BE VANQUISHED BY TRYING IT OUT.

STARGAZER

Stars as a symbol of extraordinary ideas and the wish to turn them into reality were the central symbol of the Ideas Park. Innovations based on **such outstanding ideas can only be generated in a society** which is open to new things. Openness to technology calls for a broad technical **understanding among the general public.** The Ideas Park shows that the basis for this – interest – is there. Building on this – as early as kindergartens **and school curriculums –** will set the course for the future.

Photo left: Visitors discover the world of microscopy (Max-Planck-Gesellschaft). Right: An accessible installation on the subject of bridges and tunnels.

IF YOU WANT TO LEARN HOW TO BE AMAZED, YOU FIRST HAVE TO LEARN TO LOOK.

WHAT DIFFERENCE DID THE IDEAS PARK MAKE?

THE IDEAS PARK BROUGHT TOGETHER MANY DIFFERENT PEOPLE. INVENTORS, MAKERS, USERS ON THE ONE HAND. INTERESTED, CURIOUS PEOPLE WITH A THIRST FOR KNOWLEDGE ON THE OTHER. THE MEETING AND EXCHANGING OF IDEAS AMONG THESE PEOPLE FROM COMPLETELY DIFFERENT BACKGROUNDS RESULTED IN INSPIRATIONS, IN IMPETUS THAT COULD MAKE A BIG DIFFERENCE. WE OBSERVED SOME OF THESE PEOPLE DURING THEIR VISIT TO THE IDEAS PARK AND SOUGHT THEM OUT AGAIN LATER TO FIND OUT WHAT DIFFERENCE THE IDEAS PARK REALLY CAN MAKE.

ON THE FOLLOWING PAGES, WE WOULD LIKE TO INTRODUCE SOME OF THESE PEOPLE:

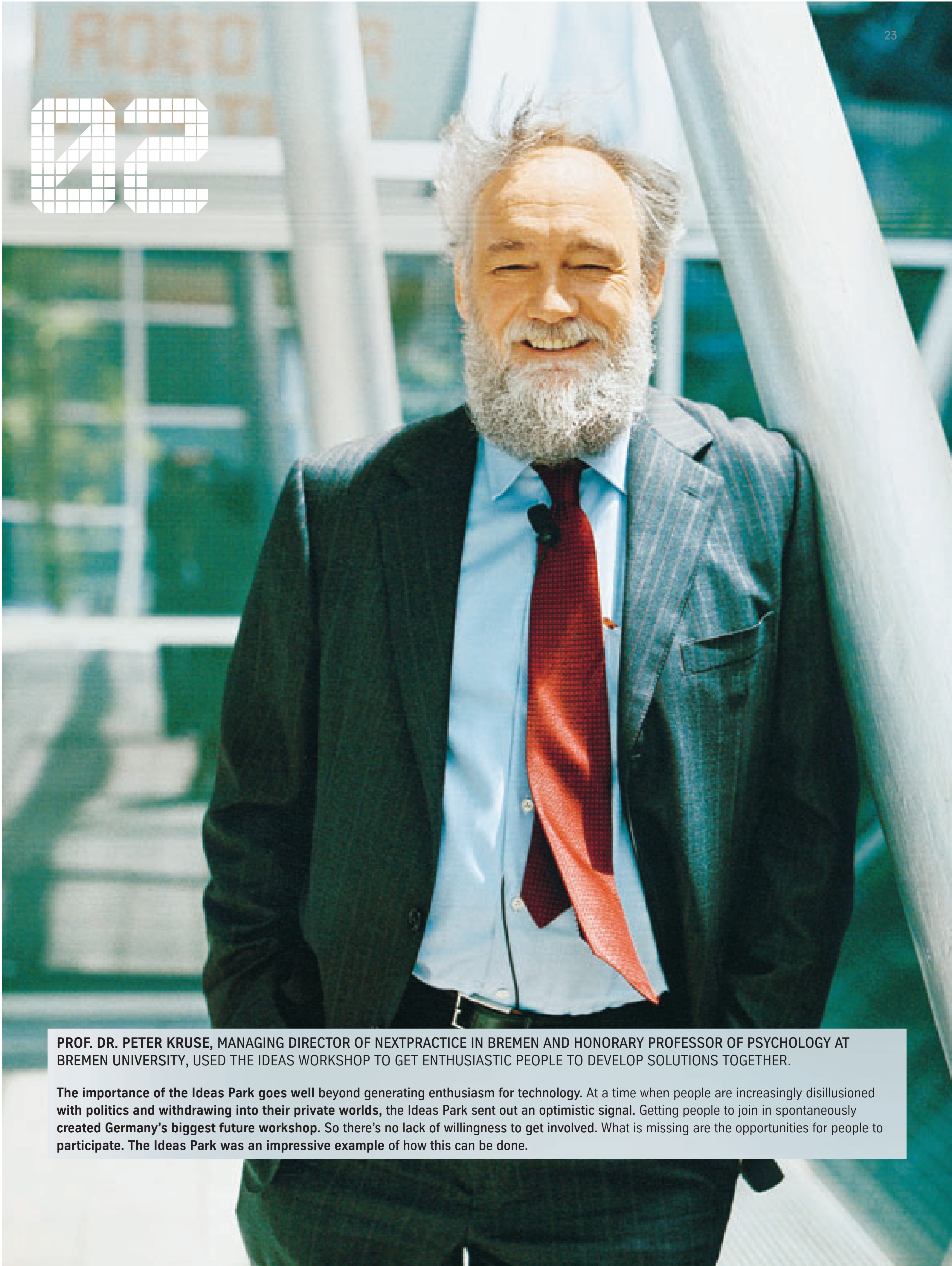
01

DR. ANDREA NIEHAUS, DIRECTOR OF THE DEUTSCHES MUSEUM, BONN, WANTS TO BREAK THROUGH THE COOL FACADE OF YOUNG PEOPLE WITH SPECIAL PROJECTS.

What new ideas did you pick up at the Ideas Park? As gratifying as it is to work with children it remains a great challenge to reach out more to the **12 to 17 year olds. We can only do this by making education attractive** and adapting it to children's experience of the world. We have to give **learning a positive connotation again,** as something that's exciting and cool!

Have you any ideas on how to achieve that? We have many ideas and one great wish. We want to use the Transrapid TR06 train that's currently **standing unused and empty outside the museum** to set up a materials laboratory for schoolchildren where they can carry out practical experiments. **Steel, for example, is a modern and exciting material.**

What fascinated you personally at the Ideas Park? For me, the Ideas Park was a great festival of togetherness, where people pulled together by **passing on their knowledge.** For the museum it was the perfect opportunity to present ourselves as an important part of the educational landscape **at the interface between science,** business and the general public.



02

PROF. DR. PETER KRUSE, MANAGING DIRECTOR OF NEXTPRACTICE IN BREMEN AND HONORARY PROFESSOR OF PSYCHOLOGY AT **BREMEN UNIVERSITY,** USED THE IDEAS WORKSHOP TO GET ENTHUSIASTIC PEOPLE TO DEVELOP SOLUTIONS TOGETHER.

The importance of the Ideas Park goes well beyond generating enthusiasm for technology. At a time when people are increasingly disillusioned **with politics and withdrawing into their private worlds,** the Ideas Park sent out an optimistic signal. Getting people to join in spontaneously **created Germany's biggest future workshop.** So there's no lack of willingness to get involved. What is missing are the opportunities for people to **participate. The Ideas Park was an impressive example** of how this can be done.

WALTER STEIN, DIRECTOR OF STUDIES FROM BAD MÜNSTEREIFEL, VOTED TEACHER OF THE YEAR BY STUDENTS IN 2001, RECEIVED THE SPECIAL "IDEA MAKERS" AWARD AT THE IDEAS PARK.

I found the speech by Armin Müller-Stahl and the interest of the people during the award ceremony at the Ideas Park very moving. It was a great **boost to my motivation.** And a sponsor came forward **who would like to support our work** at the St. Michael Gymnasium high school!

I see my job as a calling. Young people have to find out **for themselves where their calling lies.** They may receive answers to these questions by **developing positive feelings towards science and technology in my mini-research project group.** You only learn to master a job properly if your **heart's in it.**

How do I enthuse my students? It's an open secret: **I try to set a good example.** You have to show that hard work isn't just tiring, but also rewarding. **The students notice this. I show them that I like them as people, just the way they are.** They need to feel that they can experiment and **make mistakes. When you move into uncharted territory, the journey is the reward.** You have to make that journey with a spirit of adventure and **creative freedom.**

04

DIPL.-ING. ANDREAS HERDT, WORKS AT THE DEPARTMENT OF FORMING TECHNOLOGY AND LIGHTWEIGHT CONSTRUCTION AT DORTMUND **UNIVERSITY** AND EXPERIENCED A FIRST – BAKING COOKIES.

I come from Vladivostok and have been living in Germany for five years. As a child I would have loved an event like the Ideas Park. All the new **technologies I'd read so much about** were presented so clearly. I've never seen anything like it! Our cookie press and the mini-robots we used **to demonstrate the subject of extrusion went down really well** with children and adults alike. Some of them wanted to know where you can buy **the robots – as Christmas presents!**

I had lots of interesting discussions with specialists about our research project which gave me numerous ideas. We are working on creating **three-dimensional curves** on profiles by extrusion. **It already works in the lab,** and there's a huge amount of interest.

05

THEO SCHMITZ, PHYSICIST AND CHEMIST FROM MÖNCHENGLADBACH, PRODUCED LOTS OF FIZZES AND BANGS: HIS EXPERIMENT SHOWS AT THE IDEAS PARK ASTOUNDED VISITORS YOUNG AND OLD.

Do your experiments generate lasting enthusiasm for technology? I'll give you an example: after one show, three young girls came up to me and said: "We finally understood everything – we don't understand things at school." I was really proud when I heard that!

Should teachers make their lessons more like your stage shows? Perhaps teachers should experiment a bit more. Interesting experiments can be carried out at little expense. Take an empty beverage can, for example. Run a couple of drops of water into it, heat it up and then quickly plunge it into cold water – the can implodes with a bang.

Is it possible to present sciences clearly today when many innovations are taking place at micro or even nano level? The basics are still important. If you don't understand the basics, you'll never be able to understand special effects.

06

CAMILO SEIFERT, EMPLOYEE AT AVANTGARDE GMBH, LEARNED A LOT WHILE EXPLAINING BMW'S RECORD-BREAKING HYDROGEN CAR TO VISITORS.

Do kids react differently to technology than adults? You bet! **The reactions of children and young people** are far more emotional. They stand in **front of the exhibits, laugh and enjoy themselves.** With adults, **discussions quickly get specialized.** But that doesn't mean that kids are any less **knowledgeable.** Lots of 13 and 14 year olds **were very well informed about alternative drive technologies.** That really surprised me. And there were **lots of youngsters who wanted** to find out more **about placements** and careers in the auto sector.

If you ask me, children have a real thirst for knowledge. They want to learn, and we should be **encouraging them far more.** They love interactive **projects they can see and feel for themselves.**

07

IVONNE BARTSCH, AEROSPACE STUDENT, TU BRAUNSCHWEIG, PRESENTED HANDS-ON AIRCRAFT TECHNOLOGY.

No-one is indifferent about airplanes. I saw that every day at the Ideas Park. Our micro-airplanes with GPS satellite navigation got people really **excited. They wanted to touch them,** and given the chance they'd have tried them out on the spot. There were children who knew almost more **about the equipment, engines and materials than I do.** I found that astonishing.

But there's one thing I definitely found out: technology has to be presented graphically and in a way everyone can experience. The best thing **would be to start teaching technology at kindergarten.** If children have to repair something themselves, they will soon understand how it works. **Surely that's the best way to learn.**

08

DIPL.-PHYS. KNUT LANGHANS, DIRECTOR OF STUDIES AT VINCENT LÜBECK HIGH SCHOOL, STADE, DREAMS OF JOINT TECHNOLOGY PROJECTS BETWEEN SCHOOLS; INDUSTRY AND SCIENCE.

What did the Ideas Park give you? Confirmation. The Ideas Park showed us that we are on the right track with our technology projects. **Our 3D displays,** which allow you to see three-dimensional pictures without any special glasses, was a real hit with visitors. And that provided **enormous motivation to our students.** We could fill a book with the list of new project ideas we collected at the Ideas Park.

What goals are you pursuing with your school technology projects? There is great technical and creative potential going to waste in Germany. **There is too little support, in particular for the middle talent.** Everyone can be made enthusiastic about technology, but you have to find ways **to get people familiar with it over the longer term.** That is an enormous challenge, especially if we are to hold our own against international **competition. My vision is of a school** that offers its students project work in the afternoons, in cooperation with partners from industry and science, **so that they can prepare for their future careers** or university courses in a practical way.

09

EMRE ÖZKAN, SCHOOL STUDENT, OESEDER HIGH SCHOOL, GEORGSMARIENHÜTTE, DREAMS OF THE CAR OF THE FUTURE, BECAUSE IT PROTECTS THE ENVIRONMENT.

My teacher told us about the Ideas Park, so I went with a couple of school friends. I liked the car of the future best, because it showed how you **can use alternative power drives** to do something good for the environment. The magnetic levitation train was great too. I like experimenting with **magnetism and finding out** how I can interrupt magnetic fields.

I had such a good time at the Ideas Park because I was able to learn a lot there. At school, physics is one of my favorite subjects, along with **math and art. I like to find out how things work –** like televisions or airplanes. When I grow up, I might become a teacher. I enjoy teaching other **children things,** especially when it's about technology.

JONAS ENGLUND, DESIGN STUDENT FROM FINLAND, IS A CUT ABOVE WITH THE NOMADIC ACADEMY.

How did visitors react to the design-in process at the Ideas Park? They gave us a lot of tips for the combined bread-and-butter knife we had **devised and produced. One woman was so enthusiastic she gave us a whole list of suggestions** for multifunctional knives. For example she **wanted a knife that could peel and** cut at the same time.

Had you worked with stainless steel before? Never. It's a wonderful material that is very easy to work with. As a designer I think it's important **to keep looking at new materials** and new technologies, it spurs our creativity.

You had only a week to complete your project. What was that like? I never thought you could get so much done in a week. The Nomadic Academy **at the Ideas Park was a very strenuous but extremely valuable experience, an incredible creative process.** It was definitely worth taking part. **I would love to be part of the next one!**

11

PROF. WERNER DEUTSCH, PSYCHOLOGIST, DEPARTMENT OF PSYCHOLOGY, TU BRAUNSCHWEIG UNIVERSITY, SAYS ADULTS SHOULD MAKE CHILDREN THEIR ROLE MODELS.

Do you like holding lectures for children? As a developmental psychologist I am used to being surprised by children. But the children's uni at the Ideas Park showed me just how thirsty for knowledge children really are. They hung on our every word and enjoyed being able to learn new things. You don't get that kind of close feedback from adults.

Can we learn from children? Adults tend to think in rigid patterns and have often forgotten how to ask the right questions. Working with the children at the Ideas Park taught us that we adults should re-open our minds to new things. One thing we can learn from children is to rediscover the world anew every day.

What idea did you take from the Ideas Park? As I like singing I would like to write a song together with children. It would be about being open to new things. Only if you are open can you become enthused by new things, by technology for example.

12

HU JIANGMIN AND DING CHENYU, MECHANICAL ENGINEERING STUDENTS AT CHINA'S LARGEST UNIVERSITY, TONGJI UNIVERSITY, **SHANGHAI,** HAVE A DREAM AFTER VISITING THE IDEAS PARK: THEY WANT TO DO THEIR DOCTORATE IN GERMANY.

The Ideas Park made us realize how important it is to protect the environment. We didn't realize that quite so clearly beforehand. We'd either like **to do an internship in Germany or carry on studying at a university here.** Our biggest dream is to do our doctorate here!

As future engineers we saw for ourselves that Germany is the best place in the world for mechanical engineering. We think Sino-German cooperation **is very important because the more you work together, the more both sides can benefit.** We met a lot of German people in Hanover who we are **now in regular contact with.**

13

DIPL.-ING. JENS ZUM HINGST, RESEARCHER AT TU CLAUSTHAL UNIVERSITY, LET VISITORS TO THE IDEAS PARK CREATE WIND – USING A MODEL WIND FARM.

You showed how fluctuating wind strengths affect electricity generation. How interested were the visitors? They showed more interest than we expected. We had virtually no time for breaks. The response was really impressive.

Did you have to answer a lot of questions? The people were very enthusiastic. Even those who maybe didn't fully understand the technology stopped to ask questions and discuss things with us.

What role does the Ideas Park play in your work? The Ideas Park was a great opportunity for us to explain what we do. We really believe we were able to enthuse young people. People realized that they shouldn't take electricity for granted – they're starting to think about it more.

14

TUBA ZAHID, HIGH-SCHOOL STUDENT IN ANDERNACH, MAKES HER PENGUIN ROBOT DANCE. AT THE IDEAS PARK SHE WON AN AWARD FOR IT.

We started a robot course in fifth grade. It was girls only. First we thought about **exactly what we wanted.** Then we discussed everything and **started to build the robot penguin. We demonstrated** what it can do at the Ideas Park. Then we had a look around the rest of the Ideas Park. **I thought it was all very good.** Outside there was Peter Lustig's caravan and there was a quiz that **I joined in.** When I grow up I'd like to build robots **or become a doctor.**

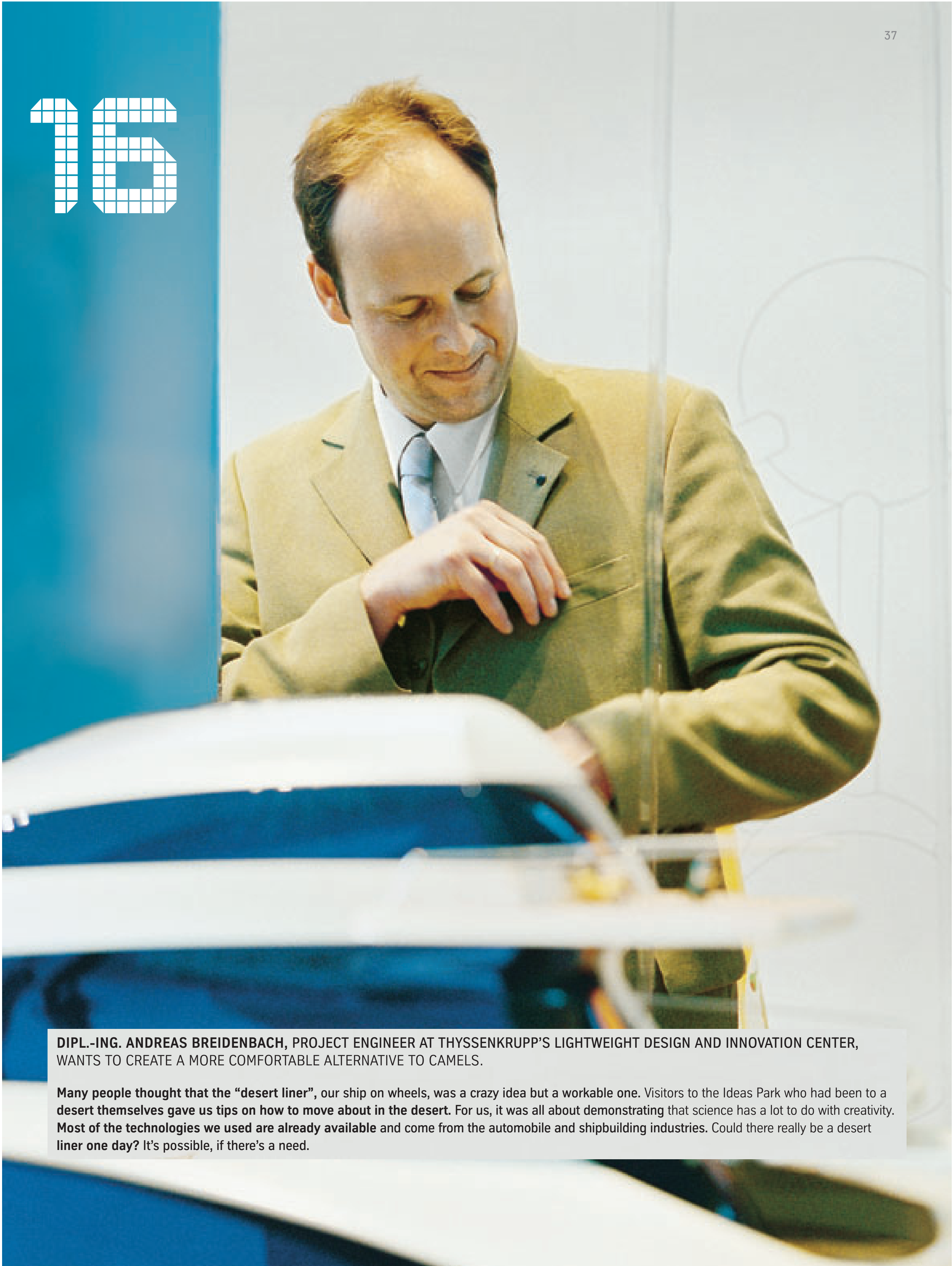
15

KARSTEN KUBOW AND ANDREAS PLEWNIA, STUDENTS AT THE MAX-PLANCK HIGH SCHOOL IN DORTMUND, PRESENTED THEIR SCIENCE PROJECT AT THE IDEAS PARK GALA.

Karsten Kubow: I've been inventing and making things ever since I could think. It's my hobby. That's why I took part in the Jugend Forscht science competition. Inventing things is fun. The best part was when we were interviewed by Günter Jauch at the Ideas Park Gala. He asked us about our idea – a ketchup bottle that doesn't squirt all over the place. That was cool. I'd like to do that again. I'll definitely keep on inventing things.

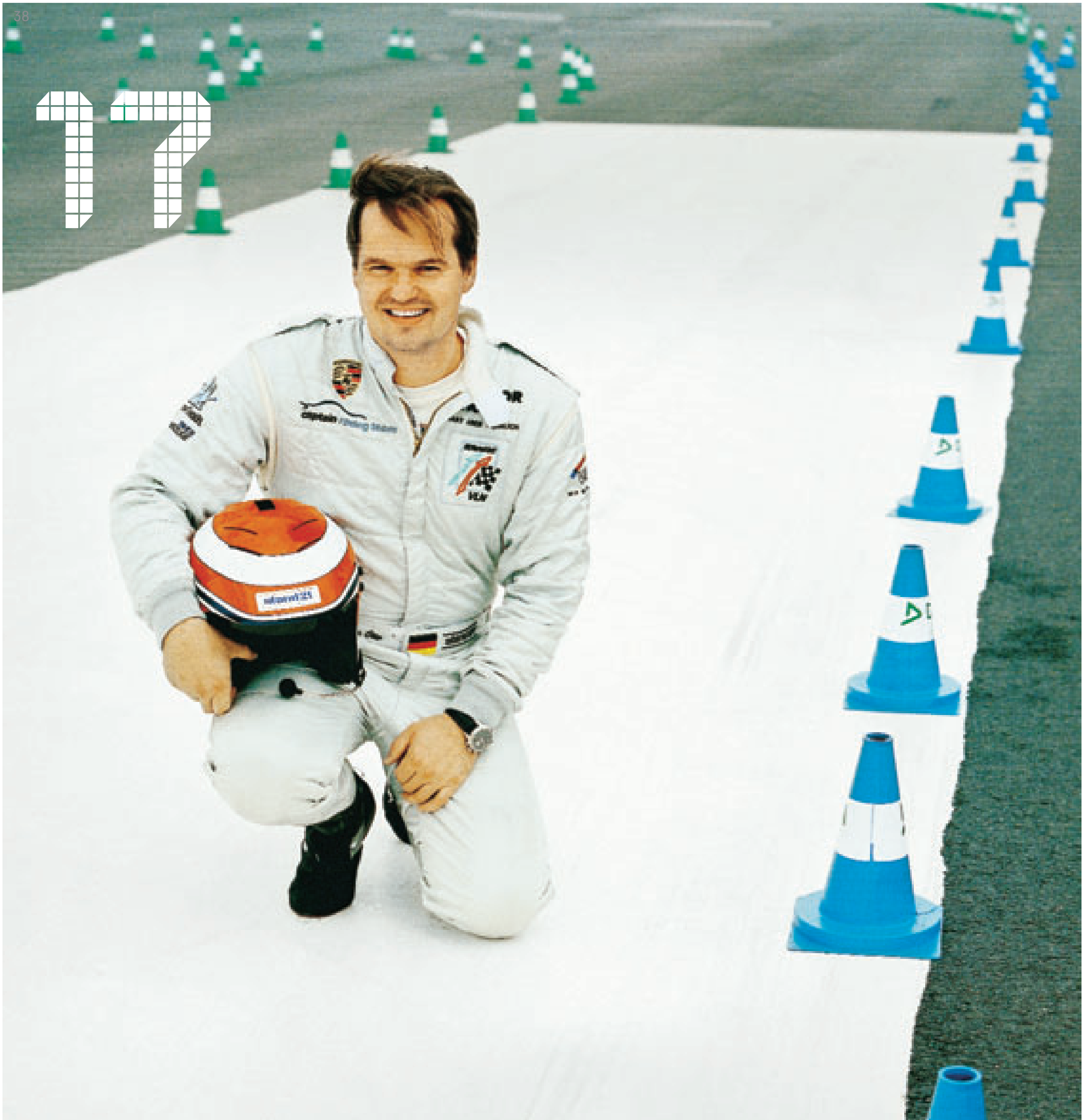
Andreas Plewnia: What I liked best about the Ideas Park was the creativity area. There were so many things to try out. For example there were robots that you could play with. I like trying out things and experimenting. The Ideas Park gave me an idea about how we could learn what we want to learn: in a school without teachers but with lots of computers which we could use on our own.

16



DIPL.-ING. ANDREAS BREIDENBACH, PROJECT ENGINEER AT THYSSENKRUPP'S LIGHTWEIGHT DESIGN AND INNOVATION CENTER, WANTS TO CREATE A MORE COMFORTABLE ALTERNATIVE TO CAMELS.

Many people thought that the "desert liner", our ship on wheels, was a crazy idea but a workable one. Visitors to the Ideas Park who had been to a **desert themselves gave us tips on how to move about in the desert.** For us, it was all about demonstrating that science has a lot to do with creativity. **Most of the technologies we used are already available** and come from the automobile and shipbuilding industries. Could there really be a desert **liner one day?** It's possible, if there's a need.



JÖRG OTTO, STONEMASON AND TOURING CAR DRIVER FROM GREVENBROICH, BURNED RUBBER FOR IDEAS PARK VISITORS AT THE ADAC ADVANCED DRIVING CENTER.

Lots of children came to watch us. The gleam in their eyes said everything. If you want to be a race driver it's best to start with go-kart racing. **It teaches seven or eight-year-olds** everything they need: courage, endurance, skill.

Technology fascinates me. There are so many ways to tune a car – from the engine to the gearbox to the suspension to the aerodynamics. **At one time for example, a shock absorber was simply a shock absorber.** Today it has up to 300 different settings. In the future it will even be **possible to control** shock absorbers electronically while you're driving. I think that is fascinating.

Our demonstrations in the Ideas Park were really well organized. We took lots of ideas and interesting contacts with us for our own events program **at the Grevenbroich advanced driving center.** I would be delighted to work with ThyssenKrupp again sometime.

18

TINA HOEFT, RESEARCH ASSISTANT, DEPARTMENT OF STRUCTURAL ENGINEERING, TU BRAUNSCHWEIG UNIVERSITY, LIKES TO SHAKE THINGS UP.

Can you protect buildings from disasters? You can at least make them safer. That's something we demonstrated at the Ideas Park. We had a vibrating **table which the kids really loved.** They could see how an earthquake causes **houses to collapse.**

So surprises were a big part of your presentation? Yes, surprise is the first step to understanding. Then come the questions and the desire to know. **We also set up a wind tunnel.** Using it we showed how even a light wind can cause a bridge to shake so violently that it collapses. Most adults know **that wind causes movement,** but they were surprised at the dramatic effects it can have. So we had many very interesting discussions.

What conclusions did you draw for your work? What we learned at the Ideas Park is that if you want to impart knowledge it is incredibly important to **have a link with the practical world.** Theory shouldn't be neglected but a practical link is essential to gain an understanding of how technology works.

WE'LL KEEP ON MAKING A DIFFERENCE.

WISHES AND IDEAS ARE A GREAT SOURCE OF POTENTIAL FOR OUR FUTURE. TO MAKE THEM COME TRUE WE WILL CONTINUE WORKING TOGETHER WITH PARTNERS WOLRDWIDE, PROVIDING IMPETUS, CAMPAIGNING FOR BETTER EDUCATION AND TRAINING, PROMOTING IDEAS AND DEVELOPING AND IMPLEMENTING SUCCESSFUL INNOVATIONS THAT MAKE A DIFFERENCE FOR EVERYONE.

JOIN US.

✱ I WISH FOR CARS AND SHIPS THAT CONSUM
HELPS NOT ONLY PEOPLE BUT ALSO THE EN
CAN ENTHUSE THEIR STUDENTS. I WISH FOR
I WISH ILLNESSES COULD BE RECOGNIZED
TIME TRAVEL. I WISH EVERYONE COULD HAV
FOR MORE EDUCATION FOR EVERYONE. I WI
IN SCHOOL LESSONS. I WISH FOR A SOCK FI
MYSELF. I WISH FOR MORE LATERAL THINKER
OPEN BUT NOT EASY TO BREAK. I WISH FOR
THE COURAGE TO MAKE A DIFFERENCE. I WIS
I GO. I WISH FOR MORE RESEARCH. I WISH
BETWEEN SCHOOLS AND BUSINESSES. I WISH
ON THE ROOF. I WISH FOR MORE TECHNOLOGY
GOOD IDEA.

✱ THESE ARE JUST 20 OF 7,000 IDEAS FOR THE FUTURE THAT COULD MAKE A DIFFERENCE.
THEY WERE COLLECTED IN A SURVEY DURING THE IDEAS WORKSHOPS AT THE IDEAS PARK 2006.

E LESS FUEL. I WISH FOR TECHNOLOGY THAT
VIRONMENT. I WISH FOR MORE TEACHERS WHO
HOUSES HEATED BY GEOTHERMAL ENERGY.
D MORE QUICKLY AND HEALED. I WISH FOR
VE GREAT IDEAS FOR THEIR FUTURE. I WISH
ISH FOR LESS THEORY AND MORE PRACTICE
INDER SO I DON'T HAVE TO LOOK FOR THEM
RS. I WISH FOR PACKAGING THAT IS EASY TO
CARS THAT RUN ON TAP WATER. I WISH FOR
SH FOR A JOB I CAN TAKE WITH ME WHEREVER
FOR MORE COOPERATION AND EXCHANGES
FOR COVERED HIGHWAYS WITH SOLAR CELLS
D IN THE SCHOOL CURRICULUM. I WISH I HAD A

Annual Report 2005 – 2006

Facts and figures

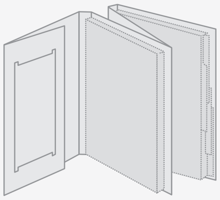
I WISH FOR
A MATERIAL THAT
NEVER BREAKS.

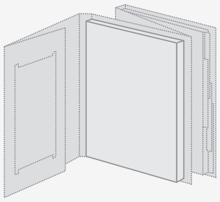
YOU ONLY GET ANSWERS BY ASKING QUESTIONS.

HOW QUICKLY CAN GOOD IDEAS SPREAD? *
HAVEN'T WE GOT MORE THAN ENOUGH ENERGY? *
ARE THERE LIMITS THAT CAN'T BE EXCEEDED? *
SHOULDN'T WE ALL HAVE THE COURAGE TO EXPERIMENT MORE? *

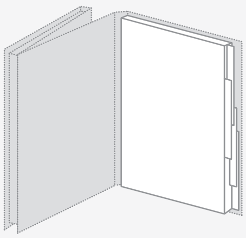
*SEE THE SEPARATORS BETWEEN THE SECTIONS FOR MORE …

CONTENTS

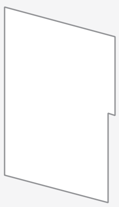


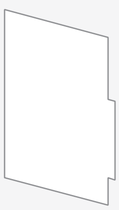


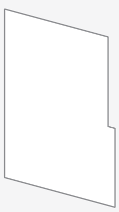
MAKING A DIFFERENCE TOGETHER



FACTS AND FIGURES







In fiscal year 2005/2006 ThyssenKrupp switched its accounting to the International Financial Reporting Standards (IFRS). To improve comparability, the prior-year figures are also presented on the basis of IFRS. Figures relating to reporting periods which ended before October 01, 2004 are based on the previously applied US GAAP.

This Annual Report was published to coincide with the Company’s Annual Press Conference on December 01, 2006.

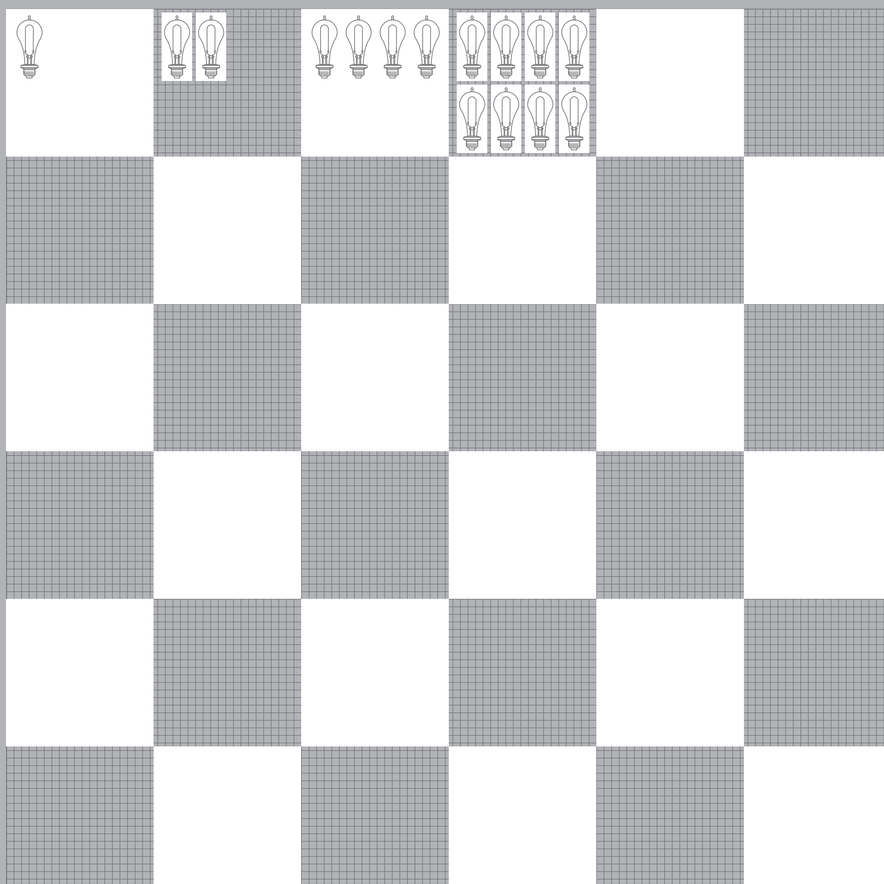
HOW QUICKLY CAN GOOD IDEAS SPREAD?

TURN THE PAGE AND JOIN IN.

TO OUR STOCKHOLDERS

Sustainably enhancing a company's competitiveness and value brings advantages for all its stakeholders. We made further progress towards this goal in fiscal 2005/2006, both operationally and strategically. This was reflected in our share price: ThyssenKrupp's shares gained 53% in the reporting year. And all of us – Executive Board, Supervisory Board and around 190,000 employees worldwide – are working hard to ensure this success story continues.

HOW QUICKLY CAN GOOD IDEAS SPREAD?



**ONE PERSON HAS AN IDEA. HE CONVINCES ANOTHER PERSON OF HIS IDEA.
THEN EACH PERSON CONVINCES ANOTHER PERSON OF THE IDEA, AND SO ON. HOW MANY PEOPLE WOULD WE END UP WITH IN THE FINAL SQUARE?**

ANSWER: THEORETICALLY IT WOULD BE 34,359,738,368, FAR MORE THAN THE WORLD'S ENTIRE POPULATION.

EXECUTIVE BOARD AND SUPERVISORY BOARD

EXECUTIVE BOARD

DR.-ING. EKKEHARD D. SCHULZ	Chairman, born 1941, Executive Board Member since 1991, appointed until January 23, 2009, responsible for Corporate Communications and Strategy, Internal Auditing, Legal, Management Development and Top Executives, Technology and Energy
DR. ULRICH MIDDELMANN	Vice Chairman, born 1945, Executive Board Member since 1992, appointed until March 31, 2008, responsible for Corporate Controlling, Mergers & Acquisitions
DR. OLAF BERLIEN	also Executive Board Chairman of ThyssenKrupp Technologies AG, born 1962, Executive Board Member since 2002, appointed until March 31, 2012, responsible for the Technologies segment
EDWIN EICHLER	also Executive Board Chairman of ThyssenKrupp Elevator AG and ThyssenKrupp Services AG, born 1958, Executive Board Member since 2002, appointed until September 30, 2012, responsible for the Elevator and Services segment
JÜRGEN H. FECHTER	also Executive Board Chairman of ThyssenKrupp Stainless AG, born 1962, Executive Board Member since October 01, 2005, appointed until September 30, 2008, responsible for the Stainless segment
DR. A. STEFAN KIRSTEN	born 1961, Executive Board Member since 2002, appointment ends November 30, 2006, responsible for Corporate Accounting and Financial Reporting, Finance, Information Management, Investor Relations, Materials Management, Taxes and Customs, and for Risk and Insurance Services
DR.-ING. KARL-ULRICH KÖHLER	also Executive Board Chairman of ThyssenKrupp Steel AG, born 1956, Executive Board Member since October 01, 2005, appointed until September 30, 2008, responsible for the Steel segment
RALPH LABONTE	also Executive Board Member of ThyssenKrupp Technologies AG, born 1953, Executive Board Member since 2003, appointed until December 31, 2007, responsible for Corporate Human Resources, and for Administrative Services and Real Estate
DR.-ING. WOLFRAM MÖRSDORF	also Executive Board Vice Chairman of ThyssenKrupp Technologies AG, born 1948, Executive Board Member since 2004, appointed until April 14, 2009

Gary Elliott resigned from the Executive Board at the close of September 30, 2006

At November 30, 2006

TOP DR.-ING.EKKEHARD D. SCHULZ, DR. ULRICH MIDDELMANN

BOTTOM DR. OLAF BERLIEN, EDWIN EICHLER, JÜRGEN H. FECHTER, DR. A. STEFAN KIRSTEN, DR.-ING. KARL-ULRICH KÖHLER, RALPH LABONTE, DR.-ING. WOLFRAM MÖRSDORF

SUPERVISORY BOARD

PROF. DR. H.C. MULT. BERTHOLD BEITZ, ESSEN	Honorary Chairman, Chairman of the Board of Trustees of the Alfried Krupp von Bohlen und Halbach Foundation
PROF. DR. GÜNTER VOGELSANG, DÜSSELDORF	Honorary Chairman
DR. GERHARD CROMME, ESSEN	Chairman, Former Chairman of the Executive Board of ThyssenKrupp AG
BERTIN EICHLER, FRANKFURT/MAIN	Vice Chairman, Member of the Executive Committee of the IG Metall trade union
MARKUS BISTRAM, DINSLAKEN	Trade union secretary at the Düsseldorf branch office of IG Metall
WOLFGANG BOCZEK, BOCHUM	until November 30, 2005, materials tester, Chairman of the Works Council Union ThyssenKrupp Automotive
HEINRICH HENTSCHEL, EMDEN	Technical clerk/Hydrostatics, Member of the Works Council of Nordseewerke GmbH
PROF. JÜRGEN HUBBERT, SINDELFINGEN	Former member of the Executive Board of DaimlerChrysler AG
KLAUS IX, SIEK	Fitter, Chairman of the Works Council of ThyssenKrupp Fahrtreppen GmbH
HÜSEYIN KAVVESOGLU, MAXDORF	Foreman, Chairman of the Works Council Union ThyssenKrupp Services
DR. MARTIN KOHLHAUSSEN, BAD HOMBURG	Chairman of the Supervisory Board of Commerzbank AG
DR. HEINZ KRIWET, DÜSSELDORF	Former Chairman of the Executive Board of Thyssen AG
DR.-ING. KLAUS T. MÜLLER, DORTMUND	Team coordinator, quality management and process technology at ThyssenKrupp Steel AG
PROF. DR. BERNHARD PELLENS, BOCHUM	Professor of Business Studies and International Accounting, Ruhr University Bochum
DR. HEINRICH V. PIERER, ERLANGEN	Chairman of the Supervisory Board of Siemens AG

DR. KERSTEN V. SCHENCK, BAD HOMBURG	Attorney and notary public
PETER SCHERRER, BRUSSELS	General secretary of the European Metalworkers' Federation
THOMAS SCHLENZ, DUISBURG	Shift foreman, Chairman of the Group Works Council of ThyssenKrupp AG
DR. HENNING SCHULTE-NOELLE, MUNICH	Chairman of the Supervisory Board of Allianz SE
WILHELM SEGERATH, DUISBURG	Automotive bodymaker, Chairman of the General Works Council of ThyssenKrupp Steel AG and Chairman of the Works Council Union ThyssenKrupp Steel
CHRISTIAN STREIFF, NEUILLY SUR SEINE	Former President and Chief Executive Officer of Airbus SAS
GEROLD VOGEL, HAGEN	since January 03, 2006, fitter, Chairman of the European Works Council of ThyssenKrupp AG
PROF. DR. GANG WAN, SHANGHAI	Professor of Automotive Engineering and President of Tongji University

SUPERVISORY BOARD COMMITTEES

EXECUTIVE COMMITTEE	Dr. Gerhard Cromme (Chairman), Bertin Eichler, Thomas Schlenz, Dr. Henning Schulte-Noelle
MEDIATION COMMITTEE UNDER ART. 27 PAR. 3 CODETERMINATION ACT	Dr. Gerhard Cromme (Chairman), Bertin Eichler, Thomas Schlenz, , Dr. Henning Schulte-Noelle
PERSONNEL COMMITTEE	Dr. Gerhard Cromme (Chairman), Bertin Eichler, Thomas Schlenz, Dr. Henning Schulte-Noelle
AUDIT COMMITTEE	Dr. Martin Kohlhaussen (Chairman), Dr. Gerhard Cromme, Klaus Ix, Hüseyin Kavvesoglu, Prof. Dr. Bernhard Pellens, Thomas Schlenz
STRATEGY, FINANCE AND INVESTMENT COMMITTEE	Dr. Gerhard Cromme (Chairman), Bertin Eichler, Dr. Heinz Kriwet, Dr. Heinrich v. Pierer, Dr. Kersten v. Schenck, Peter Scherrer, Wilhelm Segerath, Gerold Vogel

At November 30, 2006

REPORT BY THE SUPERVISORY BOARD

In this report the Supervisory Board gives an account of its activities in the 2005/2006 fiscal year and describes its ongoing dialogue with the Executive Board, the main subjects of discussions at the full Supervisory Board meetings, the work of the committees and the audit of the financial statements.

DR. GERHARD CROMME, CHAIRMAN OF THE SUPERVISORY BOARD

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 and examined by us on the basis of the documents presented. The Executive Board agreed the Company's strategic alignment with us. All events of importance to the Company were discussed in detail by the Supervisory Board Executive Committee (Praesidium) and the full Supervisory Board on the basis of reports by the Executive Board. Where required by statutory provisions and the Articles of Association, the Supervisory Board voted on the reports and resolution proposals of the Executive Board after detailed examination and discussion. Outside the Supervisory Board meetings, I was personally in regular contact with the Executive Board and was kept informed about the current business situation and key business transactions. In separate strategy meetings, I discussed the perspectives and future focus of the individual Group segments with the Executive Board.

Four Supervisory Board meetings were held in fiscal 2005/2006. Between meetings, the Executive Board informed us in detail by means of written reports about all projects and plans of particular importance to the Company. Where necessary, we passed resolutions by written vote.

Intensive work in the Supervisory Board committees

To enhance the efficiency of its work, the Supervisory Board has set up a total of five committees which prepare the resolutions of the Supervisory Board as well as the issues to be dealt with at the full meetings. Where legally permissible, in individual cases decision-making powers of the Supervisory Board were delegated to committees. This delegation of work has proved extremely valuable in practice. All committees are chaired by the Supervisory Board Chairman, with the exception of the Audit Committee. The compositions of the individual committees are shown on page 11.

The Executive Committee (Praesidium) met four times in the reporting period. Between meetings, I discussed projects of particular importance to the Group with the members of the Executive Committee. The main subjects of discussion were the future focus of the Steel segment with the steel mill project in Brazil and ways to strengthen the segment's market position in the NAFTA region. The Executive Committee also dealt with the implementation of the German Corporate Governance Code and prepared the efficiency review of the Supervisory Board.

The Personnel Committee, which is responsible for concluding employment contracts with the Executive Board members and for other Executive Board matters, likewise met four times. Key subjects of discussion here were the renewal or termination of Executive Board employment contracts, the compensation system and the amount of compensation paid to the Executive Board, the acceptance of external directorships by Executive Board members and the retention of a law firm to which a member of the Supervisory Board belongs.

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

The Audit Committee likewise met four times; its work focused in particular on 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 for the auditors. Further subjects of discussion were the transition of the consolidated financial statements to IFRS and in connection with this the adjustment of the performance indicators for the Group, a report by Corporate Internal Auditing about its internal auditing work and a routine report on litigation in the Group. The auditors participated in all four Audit Committee meetings and reported in detail about their audit activities and the audit review of the quarterly financial statements.

THE TRANSITION TO IFRS WAS A KEY SUBJECT OF DISCUSSION IN THE AUDIT COMMITTEE.

The Strategy, Finance and Investment Committee met twice in fiscal 2005/2006. It dealt with the Group's international focus and strategic development as well as its corporate and investment plan, and prepared the relevant resolutions of the Supervisory Board. The project to build a steel mill in Brazil and the future strategy of the Steel segment in the NAFTA region were also discussed in detail.

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

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

The development of sales, earnings and employment in the Group and the individual segments, the financial situation and all major investment and disposal projects were the subject of regular deliberations at the full-session meetings. In several meetings we discussed the steel mill project in Brazil, the administrative fine proceedings of the EU Commission in connection with infringement of competition law in the Elevator segment, the future alignment of the Steel segment in the NAFTA region and Executive Board matters.

In the meeting on November 30, 2005 we focused on the parent-company and consolidated financial statements for the year ended September 30, 2005 and the corporate plan for fiscal 2005/2006. We discussed further subjects on the basis of detailed reports by the Executive Board: the sale of treasury stock held by ThyssenKrupp AG to the Alfried Krupp von Bohlen und Halbach Foundation, ThyssenKrupp's rating situation, the strategic development of the Group as well as the steel mill project in Brazil and the Dofasco project. The Supervisory Board approved the expansion of the ANSC-TKS Galvanizing joint venture of ThyssenKrupp Steel in China to include a further hot-dip galvanizing line, the acquisition of the German service companies of the Standardkessel group as well as the acquisition of the Brazilian RIP group by ThyssenKrupp Services. We were also informed about the status of the planned acquisition of Atlas Elektronik in association with EADS and the sale of the special profiles business unit of Hoesch Hohenlimburg to the Calvi group. After the negotiations had been concluded we then approved both projects by written procedure on the basis of detailed documents in December 2005. In the absence of the Executive Board, the Supervisory Board dealt with the efficiency review of the Supervisory Board. The review findings were the basis for the further optimization of our work. Suggestions for further improving the reporting and on the scheduling of meetings as well as procedures at the meetings were subsequently implemented.

In the meeting on January 27, 2006 – immediately before the Annual General Meeting – the Executive Board reported on the current situation of the Group, the status of the steel mill project in Brazil and the alternatives for improving ThyssenKrupp Steel's market position in North America. The Supervisory Board approved the conclusion of an agreement between ThyssenKrupp and Mittal Steel on the purchase of the Dofasco shares following the planned acquisition of Arcelor by Mittal. Furthermore, we approved the acquisition of the operations of Tianrun Crankshaft to strengthen the Automotive activities in China and the acquisition of the activities of VPK Metals.

IN MAY 2006, THE SUPERVISORY BOARD APPROVED THE CONSTRUCTION OF A NEW STEEL MILL IN BRAZIL.

The meeting on May 12, 2006 centered on the Group's strategic development. On the basis of detailed documents, the Supervisory Board approved the building of a steel mill in Brazil with an annual capacity of 5 million tons of slabs. A further topic was the structural and organizational realignment of the activities of ThyssenKrupp Automotive in North America: the Supervisory Board approved the disposal of ThyssenKrupp Budd Plastics Division and ThyssenKrupp Stahl Company. In addition we approved the investment plan for fiscal 2006/2007 and the financing thereof. In this context we noted with consent the Executive Board's deliberations concerning the acquisition of treasury stock; the authorization for this was issued by the Annual General Meeting on January 27, 2006. After a detailed presentation, we discussed the development and future alignment of the Technologies segment with the Executive Board. The Supervisory Board was also informed about the planned concentration of the Group's head offices in Essen and the establishment of a Corporate Academy at this location.

In addition to the report by the Executive Board on the situation of the Group, the agenda for the Supervisory Board meeting on August 11, 2006 also included the combination of the Technologies and Automotive segments, the current status of the steel mill project in Brazil and the planned NAFTA strategy of the Steel and Stainless segments. In this connection we also discussed the fundamental alignment of the Stainless segment with the Executive Board. The Supervisory Board also dealt with Executive Board matters and approved a new organizational chart for the Executive Board. In addition, the Supervisory Board approved the acquisition of the worldwide aerospace service activities of Alcoa by the Services segment and in the absence of the Executive Board discussed a new system of Supervisory Board compensation.

At the beginning of November 2006, on the basis of detailed information, the Supervisory Board approved by written vote the sale of the body and chassis operations of ThyssenKrupp Automotive in North America to Martinrea International.

High corporate governance standards maintained

The Supervisory Board continuously monitored the further development of corporate governance standards. The Executive Board – also on behalf of the Supervisory Board – reports in the following section on pages 17-26 on corporate governance at ThyssenKrupp in accordance with section 3.10 of the German Corporate Governance Code. On October 01, 2006 the Executive Board and Supervisory Board issued an updated Declaration of Conformity according to Art. 161 of the Stock Corporation Act (AktG) and made it permanently available to stockholders on the Company website. ThyssenKrupp AG complies with all recommendations of the Government Commission on the German Corporate Governance Code in the currently applicable version of the Code of June 12, 2006.

THYSSENKRUPP COMPLIES WITH ALL RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE.

Detailed discussion of the audit of the parent-company and consolidated financial statements

The parent-company financial statements for the period October 01, 2005 to September 30, 2006, prepared by the Executive Board in accordance with HGB (German GAAP) rules, and the management report of ThyssenKrupp AG were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main. The audit contract had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual General Meeting on January 27, 2006. The auditors issued an unqualified audit opinion.

The consolidated financial statements of ThyssenKrupp AG were prepared for the first time on the basis of IFRS in accordance with Art. 315a HGB. The 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 the reporting and risk management of long-term supply agreements. The report on this as well as the other audit reports and the financial statement documentation were sent to all Supervisory Board members in good time. They were the subject of intense discussion at the meeting of the Audit Committee on November 17, 2006 and at the meeting of the Supervisory Board on November 30, 2006. At both meetings, the auditors took part in the discussion of the parent-company and consolidated financial statements. They reported on the main results of the audits and were available to the Supervisory Board to answer questions and provide supplementary information.

Following our own examination of the parent-company financial statements, the consolidated financial statements, the management report and the management report on the Group, we approved the result of the audit and, in the meeting on November 30, 2006, 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.

Changes in the composition of the Supervisory Board and Executive Board

In the year under review, there was one change in the composition of the Supervisory Board. Mr. Wolfgang Boczek stepped down from the Supervisory Board at the close of November 30, 2005 and entered into retirement. By court ruling effective January 03, 2006, Mr. Gerold Vogel was appointed to the Supervisory Board as his successor. Mr. Vogel also succeeds Mr. Boczek as a member of the Strategy, Finance and Investment Committee. The Supervisory Board thanks Mr. Boczek for his constructive and expert contributions and many years of trustful cooperation.

In its meeting in January 2006, the Supervisory Board extended the appointment of Dr.-Ing. Ekkehard D. Schulz as Executive Board Chairman of ThyssenKrupp AG until the close of the Annual General Meeting on January 23, 2009. In the May 2006 meeting the appointment of Dr. Olaf Berlien as Executive Board member was extended until March 31, 2012, and in the November 2006 meeting the appointment of Mr. Edwin Eichler was extended until September 30, 2012.

FROM DECEMBER 2006, THE EXECUTIVE BOARD OF THYSSENKRUPP AG HAS EIGHT MEMBERS.

At the close of September 30, 2006 Mr. Gary Elliott resigned from the Executive Board and has taken up a new post in the Group as chairman of the ThyssenKrupp national holding company in the USA. Dr. Stefan A. Kirsten is to leave the Executive Board at his own request at the close of November 30, 2006. The Supervisory Board thanks both gentlemen for their successful work for the Group. Mr. Edwin Eichler has taken over responsibility for the Elevator segment while remaining in charge of the Services segment. Dr. Kirsten's functions will be allocated to Dr. Ulrich Middelmann with the exception of information management, which is to be assigned to Mr. Ralph Labonte.

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

The Supervisory Board

Gerhard Cromme

Dr. Gerhard Cromme
Chairman
Düsseldorf, November 30, 2006

CORPORATE GOVERNANCE AT THYSSENKRUPP

ThyssenKrupp has always attached great importance to responsible and transparent corporate governance aimed at enhancing value on a sustainable basis. Since April 2003 the Company has complied with all the recommendations of the German Corporate Governance Code adopted in 2002.

CORPORATE GOVERNANCE REPORT

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

ThyssenKrupp has always been guided by internationally and nationally recognized standards of good and responsible corporate management. We regard corporate governance as a central issue which embraces all areas of the Group. Our aim is to constantly justify and reinforce the trust placed in us by investors, financial markets, business partners, employees and the general public.

Detailed information on corporate governance at ThyssenKrupp is also available on our website.

Unqualified Declaration of Conformity again

On October 01, 2006 the Executive Board and Supervisory Board issued the statutory Declaration of Conformity in accordance with Art. 161 of the Stock Corporation Act (AktG), stating that ThyssenKrupp complies with all the recommendations of the German Corporate Governance Code as amended on June 12, 2006.

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

At our exchange-listed subsidiary Eisen- und Hüttenwerke AG, the German Corporate Governance Code is implemented taking into account the particularities of its membership in the Group. Variances are set out in the Company's Declaration of Conformity of September 13, 2006.

Services and internet information for our stockholders

Our stockholders are kept regularly informed about important dates by a financial calendar, which is published in the Annual Report, the quarterly reports and on the Company's website. As part of our investor relations activities, we hold regular meetings with analysts and institutional investors. In addition to an annual analysts' conference, conference calls for analysts are organized in particular to coincide with the publication of the quarterly figures.

THE PROCESS OF REGISTERING FOR THE ANNUAL GENERAL MEETING WAS SIMPLIFIED.

For years the Annual General Meeting of ThyssenKrupp has been organized and conducted in such a way as to ensure all stockholders receive all the information they need quickly and efficiently before and during the meeting and to help them exercise their rights. We therefore switched and thus simplified the registration and authorization process for the Annual General Meeting to the so-called "record date" system in common international use. The deadline for the authorization and registration of stockholders is thus 21 days before the Annual General Meeting. This increases the incentive, particularly for our foreign stockholders, to take part in the Annual General Meeting and exercise their voting rights.

Ahead of the Annual General Meeting, stockholders receive detailed information on the past fiscal year and the individual agenda items for the meeting in the Annual Report and the invitation to the meeting. All documents and information on the Annual General Meeting as well as the Annual Report are also available on our website. Other information is made available on our website seven days before and during the Annual General Meeting. This promotes and simplifies the exchange of information between us and our stockholders on all matters relating to the Annual General Meeting.

Stockholders unable to attend the Annual General Meeting can view it on the internet in full. Stockholders can exercise their voting rights in person or by proxy, for which they can authorize the representative of their choice or a company-nominated proxy acting on their instructions. Proxy voting instructions for the Annual General Meeting on January 27, 2006 could also be issued in advance and during the meeting up to the end of the general debate by electronic media. This service will also be available to the stockholders for the next Annual General Meeting on January 19, 2007.

Close cooperation between Executive Board and Supervisory Board

GOAL OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD IS A SUSTAINED INCREASE IN ENTERPRISE VALUE.

The Executive Board and Supervisory Board work closely together in the interest of the Company; their joint goal is to increase the value of the enterprise on a sustainable basis. The Executive Board provides the Supervisory Board with regular detailed updates on all relevant issues related to corporate planning and strategic development, on business transactions and the situation of the Group including an overview of risks. Under the Articles of Association, important business transactions are subject to Supervisory Board approval. For more details, please turn to the Report by the Supervisory Board on pages 12-16.

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.

Again this year, the only case of a consultancy or other service contract between members of the Supervisory Board and the Company related to Dr. v. Schenck, who is both a member of our Company's Supervisory Board and a partner in the international law firm Clifford Chance. Insofar as this law firm acted in a legal advisory capacity for the Company during the reporting period, 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.

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

The German Corporate Governance Code recommends that the chairman of the audit committee should have specialist knowledge and experience in the application of accounting principles and internal control processes. ThyssenKrupp follows this recommendation. Dr. Kohlhaussen, Chairman of the Audit Committee since January 2005, was a member of the board of managing directors of Commerzbank AG for almost 20 years, for ten of which he was chairman of the board. He has been chairman of the supervisory board of Commerzbank AG since 2001. Dr. Kohlhaussen also chairs the audit committee of another DAX-30 company. Furthermore, in his everyday work he has gained extensive knowledge and experience in dealing with internal control processes.

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 and assess risks at an early stage 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 Risk Management section on pages 97-102.

In the past fiscal year, the systematic implementation of the Group's compliance program again formed a key area of risk management. Various compliance measures were aimed at preventing antitrust violations and corruption in the Company. For example, special training schemes were developed to explain the applicable laws and the potential risks of violating these laws to employees of ThyssenKrupp AG and the segments whose work brings them into contact with these risk areas. The General Equal Treatment Act which came into force in August 2006 gave rise to new compliance requirements. An information sheet was issued to all employees of the German Group subsidiaries to explain the content of this law and the associated code of conduct for employees and companies. At the same time, the complaints offices required under the Act were installed. Compliance measures were also carried out in the area of capital market law. The Group has a long-established clearing office for ad hoc disclosures in which representatives of various specialist departments carry out assessments to identify any matters subject to ad hoc reporting requirements, with a view to ensuring potential inside information is handled in compliance with the law. In addition, all relevant persons who work for the Group and have authorized access to inside information are entered in an insider register and informed about obligations arising out of insider law.

A further key area of risk management in the past fiscal year was the introduction of a new Group-wide reporting system to maintain a central record of economically damaging acts.

Active, open and transparent communications

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

OUR WEBSITE CONTAINS DETAILED INFORMATION ON ALL AREAS OF THE GROUP.

According to Art. 15a of the Securities Trading Law (WpHG) the members of the Executive Board and Supervisory Board of ThyssenKrupp AG as well as other employees in a management role and parties closely related to them are obligated to disclose the purchase and sale of ThyssenKrupp shares and related financial instruments. At September 30, 2006 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, 2006. To supplement Art. 15a WpHG, ThyssenKrupp has issued an insider policy which sets out rules for trading with the Company's securities for board members and employees and ensures the requisite transparency.

The other directorships held by Executive and Supervisory Board members are listed on pages 201-203. Details of related party transactions are given in the Notes to the Consolidated Financial Statements on page 180.

KPMG again responsible for auditing

For the first time, accounting at ThyssenKrupp was based on the International Financial Reporting Standards (IFRS) in fiscal 2005/2006. We agreed with the auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main that the Chairman of the Audit Committee would be informed immediately of any possible grounds for exclusion or bias arising during the audit insofar as they are not immediately eliminated, and that the auditors would report immediately on any findings and occurrences during the audit which have a significant bearing on the duties of the Supervisory Board. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts ascertained during their examination which are inconsistent with the Declaration of Conformity issued under Art. 161 Stock Corporation Act (AktG) by the Executive Board and Supervisory Board.

Focus on good corporate governance to continue in future

THE ANNUAL GENERAL MEETING IS TRANSMITTED LIVE ON THE INTERNET AND ACCESSIBLE TO ALL.

The work of the Executive Board and Supervisory Board will continue to focus on good corporate governance in the current 2006/2007 fiscal year. We will continue to be guided by the recommendations of the German Corporate Governance Code and will implement the Code accordingly. In line with this we will offer our stockholders the usual facilities for authorizing proxies and issuing proxy voting instructions for the Annual General Meeting on January 19, 2007, and the meeting will be transmitted live on the internet. The Executive Board and Supervisory Board will continue their close cooperation based on trust in the current year and will jointly address all major business transactions. In the ongoing further development of the risk management system, we will expand our compliance program on anti-corruption policy and competition law to include an e-learning program. This instrument will help us train as large a number of employees as possible in key compliance areas. On page 24 of the following Compensation Report you will find information on our plans to adjust the compensation paid to the Supervisory Board which will be presented to the Annual General Meeting on January 19, 2007 for resolution.

COMPENSATION REPORT

Performance-based compensation for Executive Board

The overall compensation paid to Executive Board members consists of a number of compensation components. These are fixed compensation, a bonus, a long-term incentive component as well as additional benefits and pension plans.

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

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.

Compensation for Executive Board members comprises non-performance-related and performance-related components. The non-performance-related components are the fixed compensation, additional benefits and pension plans, while the performance-related components are the bonus and the long-term incentive components.

The basic non-performance-related fixed compensation is paid out as a monthly salary. It is reviewed every three years among other things on the basis of the general salary trend in the Group. Effective October 01, 2005 the fixed compensation was increased by 3% p.a. against the last increment of April 01, 2002, i.e. for the 3.5 year period by a total of 10.5%. The Executive Board members also receive additional benefits in the form of non-cash benefits mainly comprising the tax value of real property, related incidental costs, insurance premiums and the use of Company cars. The Executive Board members are responsible for paying tax on these additional benefits as compensation components. In principle they are available in the same way to all Executive Board members; they vary in amount according to the personal situation of the individual member. No loans or advance payments were granted to members of the Executive Board in the year under review.

The first component of performance-related compensation is the bonus. The bonus amount is based equally on the development of EBT (earnings before taxes) and ROCE (return on capital employed). This means that the bonus as a performance incentive is linked to the performance indicators used in the Group. In addition to their bonus, Executive Board members receive a variable compensation component with a long-term incentive effect under the Mid Term Incentive plan (MTI); the Company's Long Term Management Incentive plan (LTMI) expired with the payment of the 5th installment at the beginning of 2006. Details of this can be found on pages 161-163 of the Notes to the Consolidated Financial Statements. The bonus system and MTI plan are based on a policy issued by the Supervisory Board Personnel Committee in 2002.

THE BONUS AMOUNT IS BASED ON THE GROUP INDICATORS EBT AND ROCE.

Overall compensation to active members of the Executive Board for their work in fiscal 2005/2006 was €23.1 million.

The compensation includes the stock appreciation rights granted to the Executive Board members under the 4th installment of the MTI at the beginning of January 2006. In line with the Management Compensation Disclosure Act (VorstOG), the number of stock rights is disclosed together with their value at grant date, calculated in accordance with the requirements for international accounting. The number of stock rights issued under the MTI is adjusted at the end of a three-year performance period on the basis of a comparison of the average ThyssenKrupp Value Added (TKVA) over the three-year performance period – starting from October 01 of the fiscal year in which the stock rights were awarded – with the average TKVA of the previous three fiscal years. For every €50 million change in TKVA, the number of stock rights changes by 10%. More information on TKVA can be found on pages 90-94. At the end of a performance period the stock rights awarded are paid out on the basis of the average price of ThyssenKrupp shares based on the performance of the stock in the first three months after the end of the performance period.

The following table shows the breakdown of compensation for the individual Executive Board members:

Executive Board compensation 2005/2006 in € 000's

	Annual income			Rights granted in fiscal year under 4th MTI installment		Total	Pension	
	Fixed salary	Value of additional benefits	Bonus	Number	Value at grant date		Annual pension when payable (as at September 30, 2006)	Allocation to pension accrual in fiscal year
Dr.-Ing. Ekkehard D. Schulz Chairman	875	138	2,186	14,430	283	3,482	569	504
Dr. Ulrich Middelmann Vice Chairman	663	166	1,656	10,864	213	2,698	398	839
Dr. Olaf Berlien	530	91	1,325	8,691	171	2,117	159	185
Edwin Eichler	530	77	1,325	8,691	171	2,103	159	268
Gary Elliott	530	84	1,325	8,691	171	2,110	212	645
Jürgen H. Fechter	530	97	1,325	8,691	171	2,123	159	180
Dr. A. Stefan Kirsten	530	82	1,325	8,691	171	2,108	159	218
Dr.-Ing. Karl-Ulrich Köhler	530	94	1,325	8,691	171	2,120	159	236
Ralph Labonte	530	90	1,325	8,691	171	2,116	159	318
Dr.-Ing. Wolfram Mörsdorf	530	92	1,325	8,691	171	2,118	265	362
Total	**5,778**	**1,011**	**14,442**	**94,822**	**1,864**	**23,095**	**2,398**	**3,755**

The above table also provides details of the Executive Board members' pensions. Pensions are paid to former Executive Board members who have either reached the normal age limit of currently 60 years, become permanently incapacitated for work or whose employment contract taking into account other income has been prematurely terminated or not renewed. The pension of an Executive Board member is based on a percentage of the final fixed salary component he/she received prior to termination of his/her employment contract. This percentage increases with the duration of the Executive Board member's appointment. In general this is 30% from the start of the first five-year period of appointment, 50% from the start of the second and 60% from the start of the third. The pension of the Executive Board Chairman is 65%. Under a no longer valid agreement, two Executive Board members continue to receive a chauffeur-driven car and specific insurance benefits for a period of five years after entering into retirement on account of their having served on the Executive Board for over 10 years. Current pensions are adjusted annually in line with the consumer price index. For these future entitlements of the Executive Board members, the Company recognizes pension accruals on the basis of IFRS. In the reporting year the allocation to pension accruals for active Executive Board members totaled €3,755,000. This amount comprises service costs and interest costs.

No further payments have been promised to any Executive Board members in the event that they leave their post. No members of the Executive Board received payments or corresponding promises from third parties in connection with their Executive Board positions in the past fiscal year. The Executive Board members who have now left the Executive Board – Mr. Elliott (appointment ended September 30, 2006) and Dr. Kirsten (appointment ended November 30, 2006) will receive their contractually agreed payments up to the end of their respective employment contracts, i.e. Mr. Elliott until July 08, 2007 and Dr. Kirsten until July 31, 2007.

THE LTMI EXPIRED WITH PAYMENT OF THE 5TH INSTALLMENT IN FEBRUARY 2006.

In June 2003 stock appreciation rights under the now expired LTMI (5th installment) were awarded to Executive Board members for the final time. Under this installment in February 2006 Dr. Schulz received €691,000, Dr. Middelmann €523,000, Dr. Berlien, Mr. Eichler, Dr. Kirsten and Mr. Labonte €419,000 each, Mr. Elliott and Dr. Köhler €251,000 each, Mr. Fechter €209,000 and Dr. Mörsdorf €168,000.

These figures reflect the significant improvement in the Company's performance indicators and the performance of ThyssenKrupp stock in recent fiscal years. EBT rose from €764 million (on US GAAP basis) in fiscal 2001/2002 to €1,677 million (on IFRS basis) in fiscal 2004/2005 and to €2,623 million (on IFRS basis) in fiscal 2005/2006, representing an increase of 56% against the prior year and 243% against 2001/2002. In the same period ROCE climbed from 7.0% in fiscal 2001/2002 to 17.9% today, an increase of 156%. TKVA took a similar course: the negative TKVA of fiscal 2001/2002 of -€414 million grew to €1,510 million in the reporting year. The ThyssenKrupp share price rose from €11.30 on September 28, 2001 to €26.57 on September 29, 2006, an increase of 135%. On account of the initially very low performance indicators, the 1st and 2nd installments of the LTMI, which was first launched in 1999, in fiscal years 2001/2002 and 2002/2003 were without value and therefore triggered no payouts. The 3rd installment in fiscal 2003/2004 and the 4th installment in 2004/2005 together resulted in a payout amount of €113,000 for an ordinary Executive Board member. On average over the past five years since these long-term payment components were introduced an ordinary Executive Board member received €106,000 p.a. from the five installments of the LTMI.

The LTMI was replaced by the Mid Term Incentive plan (MTI), the 1st installment of which was issued in February 2003. The value of the 1st installment of the MTI was based on the increase in the average TKVA in the three fiscal years 1999/2000-2001/2002 against the average TKVA of the three-year performance period 2002/2003-2004/2005. On the basis of the significant increase in average TKVA from -€99 million to +€436 million in the performance period as described above, the Executive Board members received the following payments under the 1st installment of the MTI in December 2005: Dr. Schulz €817,000, Dr. Middelmann €619,000, and Dr. Berlien, Mr. Eichler, Dr. Kirsten and Mr. Labonte €495,000 each. Under the 2nd and 3rd installments of the MTI the Executive Board members also have a total of 191,545 stock appreciation rights which have been awarded but are not yet payable.

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €15.5 million (prior year: €13.3 million). In accordance with IFRS an amount of €157.8 million (prior year: €159.1 million) was accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

Supervisory Board compensation regulated in the Articles of Association

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

In addition to reimbursement of their expenses and a meeting attendance fee of €500, Supervisory Board members receive compensation comprising the following elements: a fixed component of €16,000 and a bonus of €800 for each €0.01 by which the dividend paid out to stockholders for the past fiscal year exceeds €0.10. 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.

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

AN AMENDMENT TO SUPERVISORY BOARD COMPENSATION WILL BE PROPOSED TO THE AGM IN 2007.

It is planned to propose to the Annual General Meeting on January 19, 2007 that Supervisory Board compensation be amended in the form of an amendment to Art. 14 of the Articles of Association. The new system will maintain the current compensation structure but shift the focus toward the fixed compensation component. This is to take into account the increased oversight activity of the Supervisory Board, and the link between compensation and the business performance of the Group will be partly removed. At the same time the variable compensation components will be reduced in order to keep the overall level of compensation roughly stable in a multi-year comparison.

In anticipation of this planned new system of Supervisory Board compensation, all Supervisory Board members have agreed to limit their compensation for fiscal 2005/2006 to the amount that they would receive assuming the new arrangements already applied. In the individual breakdown of Supervisory Board compensation, this limitation is taken into consideration in the bonus.

On this basis, the Supervisory Board members will receive total compensation, including meeting attendance fees, of €2.7 million (prior year: €2.3 million). Without the limitation, compensation would have totaled €3.3 million. The individual Supervisory Board members will receive the amounts listed in the following table.

Supervisory Board compensation 2005/2006 in €

	Fixed compensation	Bonus*	Long-term compensation component	Compensation for committee work	Meeting attendance fees	Total
Dr. Gerhard Cromme, Chairman	48,000	153,000	90,780	97,260	7,000	396,040
Bertin Eichler, Vice Chairman	32,000	102,000	54,226	70,584	5,000	263,810
Markus Bistram	16,000	51,000	14,219	–	2,000	83,219
Wolfgang Boczek (until November 30, 2005)	2,674	8,523	21,867	8,266	1,000	42,330
Heinrich Hentschel	16,000	51,000	27,113	–	2,000	96,113
Prof. Jürgen Hubbert	16,000	51,000	17,063	–	2,000	86,063
Klaus Ix	16,000	51,000	30,260	24,315	4,000	125,575
Hüseyin Kavvesoglu	16,000	51,000	27,113	23,528	4,000	121,641
Dr. Martin Kohlhaussen	14,667	46,750	27,738	44,578	3,000	136,733
Dr. Heinz Kriwet	16,000	51,000	30,260	24,315	3,000	124,575
Dr.-Ing. Klaus T. Müller	16,000	51,000	27,113	–	2,000	96,113
Prof. Dr. Bernhard Pellens	16,000	51,000	17,063	21,016	4,000	109,079
Dr. Heinrich v. Pierer	16,000	51,000	17,063	21,016	3,000	108,079
Dr. Kersten v. Schenck	16,000	51,000	25,207	23,052	3,000	118,259
Peter Scherrer	16,000	51,000	30,260	20,263	2,500	120,023
Thomas Schlenz	16,000	51,000	30,260	72,945	6,000	176,205
Dr. Henning Schulte-Noelle	14,667	46,750	27,738	44,578	3,000	136,733
Wilhelm Segerath	16,000	51,000	30,260	24,315	3,000	124,575
Christian Streiff	16,000	51,000	17,063	–	2,000	86,063
Gerold Vogel (from January 03, 2006)	11,879	37,866	7,482	13,040	2,000	72,267
Prof. Dr. Gang Wan	16,000	51,000	17,063	–	2,000	86,063
Total	**363,887**	**1,159,889**	**587,211**	**533,071**	**65,500**	**2,709,558**

* taking into consideration the limitation in anticipation of the planned new system of Supervisory Board compensation

Members of the Supervisory Board of ThyssenKrupp AG will receive compensation of €152,691 (prior year: €168,466) for supervisory board directorships at Group subsidiaries in fiscal 2005/2006. The individual members of the Supervisory Board will receive the amounts shown in the following table.

Compensation from supervisory board directorships within the Group in €

Markus Bistram	25,000
Wolfgang Boczek	4,178
Klaus Ix	31,486
Hüseyin Kavvesoglu	34,000
Thomas Schlenz	30,000
Wilhelm Segerath	5,753
Gerold Vogel	22,274
Total	**152,691**

Beyond this, with one exception, Supervisory Board members received no further compensation or benefits in the reporting year for personal services rendered, in particular advisory and mediatory services. The international law firm Clifford Chance, one of whose partners is Supervisory Board member Dr. v. Schenck, received a total of €32,676 for consultancy services for subsidiaries of ThyssenKrupp in the past fiscal year. No loans or advance payments were granted to members of the Supervisory Board in the year under review.

Former Supervisory Board members who left the Supervisory Board prior to October 01, 2005, receive a proportional payment from the long-term compensation component in the total amount of €97,793 for the time they served on the Supervisory Board. The breakdown is shown in the following table:

Long-term compensation component for former Supervisory Board members who resigned before October 01, 2005, in €

Dieter Schulte, Vice Chairman (until January 23, 2004)	6,350
Dr. Karl-Hermann Baumann (until January 21, 2005)	13,225
Carl-L. von Boehm-Bezing (until January 21, 2005)	13,225
Udo Externbrink (until January 23, 2004)	3,175
Herbert Funk (until January 23, 2004)	3,175
Dr. Klaus Götte (until March 31, 2004)	5,053
Reinhard Kuhlmann (until January 21, 2005)	13,225
Dr. Mohamad-Mehdi Navab-Motlagh (until January 21, 2005)	13,225
Dr. Friedel Neuber (died October 23, 2004)	10,740
Ernst-Otto Tetau (until January 23, 2004)	3,175
Bernhard Walter (until January 21, 2005)	13,225
Total	**97,793**

THYSSENKRUPP STOCK

ThyssenKrupp's stock gained more than 50% in fiscal 2005/2006, making it the second-best performing stock in the DAX. Market capitalization improved to just under €14 billion, once again coming very close to the all-time high of around €17 billion in 2000.

Key data of ThyssenKrupp stock

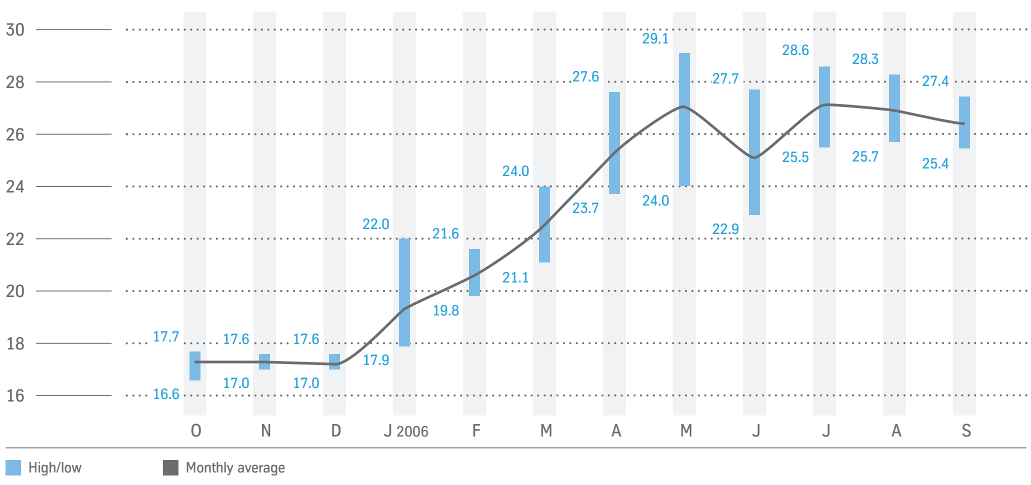
		2002/2003	2003/2004	2004/2005	2005/2006
Capital stock	million €	1,317	1,317	1,317	1,317
Number of shares (total)	million shares	514.5	514.5	514.5	514.5
Stock exchange value end September	million €	5,927	8,072	8,936	13,670
Closing price end September	€	11.52	15.69	17.37	26.57
High	€	13.62	17.67	17.39	29.09
Low	€	7.01	11.55	13.89	16.62
Dividend per share		0.50	0.60	0.80*	1.00**
Dividend total	million €	249	299	412*	489**
Dividend yield	%	4.3	3.8	4.6*	3.8
EPS	€	1.09	1.81	2.08	3.24
EPS from continuing operations	€	1.18	1.67	0.85	3.24
Number of shares ***	million shares	507.7	498.0	498.6	507.7
Trading volume (daily average)	million shares	2.8	2.5	3.3	4.5

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

Outstanding stock performance

The significant improvement in the Company's performance as well as the increasing consolidation in the steel sector were reflected in the performance of ThyssenKrupp's stock in fiscal 2005/2006. It gained 53%, closing at €26.57 on September 29, 2006. The stock thus significantly outperformed the DAX and DJ STOXX reference indices, which improved by only 19% and 18% respectively. In May 2006

Highs and lows of ThyssenKrupp stock in €

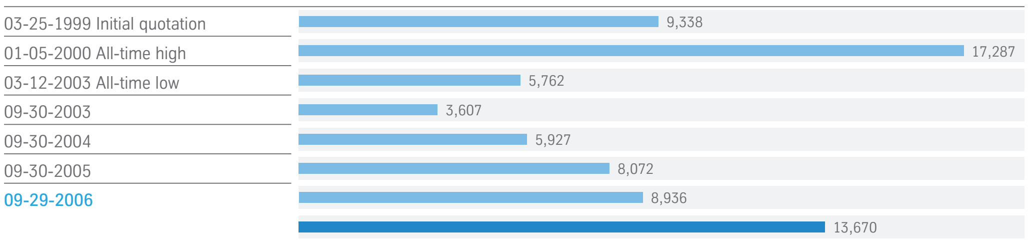


the ThyssenKrupp stock reached €29.09, coming close to its all-time high of €33.60 recorded in early 2000. Further details of the stock's performance are shown in the charts in this section.

Performance of ThyssenKrupp stock in comparison indexed, Sept. 30, 2005 to Sept. 29, 2006, in %

Market capitalization increased significantly against the previous year by €4.7 billion to €13.7 billion.

Market capitalization of ThyssenKrupp AG in million €



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.

Liquidity in ThyssenKrupp stock was very high in fiscal 2005/2006: around 1.2 billion shares were traded on the German stock exchanges including the Xetra trading system. This was almost 40% more than in the previous fiscal year and was mainly a result of the increasing attractiveness of our stock and the volatility of the stock markets in the first half of calendar 2006. The average daily volume was 4.5 million shares. Trading in ThyssenKrupp stock now accounts for slightly more than 2% of the total trading volume of the 30 DAX stocks.

THYSSENKRUPP STOCK IS INCLUDED IN IMPORTANT INTERNATIONAL INDEXES.

Inclusion in one or more major indices influences the perception of, and interest in, a stock. In Germany, ThyssenKrupp's stock is included in the calculation of the DAX 30 index of leading shares. At European level the stock is included in the DJ STOXX. It is also taken into account in the calculation of the DJ Germany Titans, the FT EuroTop 300 and various MSCI indices. Not least, the ThyssenKrupp stock is also included in the DivDAX, which comprises the 15 DAX companies with the highest dividend yield.

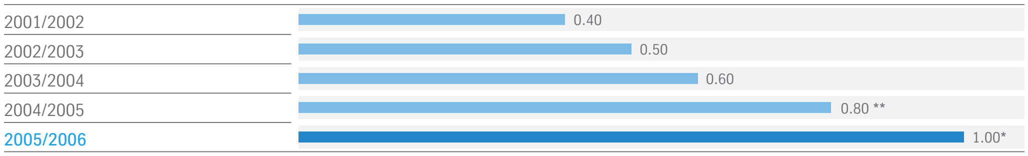
Earnings per share €3.24

Earnings per share (EPS) is calculated by dividing the net income attributable to the stockholders of ThyssenKrupp AG by the weighted average of outstanding shares. In fiscal year 2005/2006 the number of shares outstanding averaged 507.7 million. On this basis, EPS was €3.24.

Dividend proposal of €1.00 per share

A proposal will be submitted to the Annual General Meeting on January 19, 2007 to pay a dividend of €1.00 per share for fiscal 2005/2006. Based on the stock price of €26.57 on September 29, 2006, the dividend yield is 3.8%. The payout ratio is 44% of the net income of ThyssenKrupp AG and 30% of the consolidated net income attributable to the stockholders of ThyssenKrupp AG.

ThyssenKrupp AG dividend payment in €



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

Capital stock unchanged

The capital stock remains unchanged at €1,317,091,952.64 and consists of 514,489,044 no-par value bearer shares. The shares are evidenced in global certificates. The right of stockholders 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.

Treasury stock

On November 21, 2005, the Alfried Krupp von Bohlen und Halbach Foundation purchased around 15.3 million ThyssenKrupp AG shares from the Company at the stock market price of €17.44 (XETRA closing price). The share package corresponds to 2.98% of the capital stock of ThyssenKrupp AG. As a result of the transaction, ThyssenKrupp AG has now sold all the treasury shares it purchased from IFIC Holding AG in May 2003. In addition, treasury stock was used for employee share programs in March 2004 and in April and June 2005.

THYSSENKRUPP ACQUIRED TREASURY STOCK TO SUPPORT ITS GROWTH STRATEGY.

On the basis of the authorization granted by the Annual General Meeting on January 27, 2006, the Executive Board of ThyssenKrupp AG resolved on July 03, 2006 to purchase up to 5% of the capital stock before the authorization expires. Commerzbank AG completed the share buyback program on August 21, 2006. The buyback was handled exclusively on the XETRA trading system of the Frankfurt Stock Exchange. Altogether 25,724,452 shares or 5% (rounded up) of the capital stock were purchased at a cost of €697 million. This represents an average price of €27.09. ThyssenKrupp's strong current performance and its ability to achieve sustainable high cash flows made it possible to carry out the share buyback to support the Group's growth strategy. The repurchased shares can be used as acquisition currency and to safeguard the growth strategy.

Good response again to employee share program

In April 2006 over 84,000 employees in Germany were given a fourth opportunity to acquire ThyssenKrupp shares on special terms. With a participation rate of 53% the program again received a very good response.

Step by step, employees in the rest of Europe are also being included in employee share programs. Shares were offered to Group employees in France, Spain and the UK in fiscal 2005/2006.

Stockholder base broadened in the UK and the USA

ThyssenKrupp again conducted a detailed analysis of its stockholder structure in the reporting period with a view to planning its roadshow activities. The main finding of the analysis is that the proportion of stockholders in the USA and the UK has increased significantly. On September 30, 2006 institutional investors in the USA held almost 10% of the capital stock of ThyssenKrupp AG. Investors in the UK more than doubled their holding to over 6%. The percentage of the stock held by institutional investors in Germany decreased. The holdings of private investors also decreased and now account for 19% of the capital stock. Within Europe the stockholder base again proved very stable. Worthy of note are the holdings owned by stockholders in France (2%) and Switzerland (1%), the main European countries after the UK.

The largest stockholder is the Alfried Krupp von Bohlen und Halbach Foundation, Essen, which holds 23.71% of the capital stock of ThyssenKrupp AG.

As previously stated, ThyssenKrupp AG holds treasury shares amounting to 5% (rounded up) of the capital stock. However, ThyssenKrupp AG has no rights in respect of these shares.

The free float, which is generally taken into account in the weighting of ThyssenKrupp's stock in stock indices, is 76.29% of the capital stock.

Investor relations further enhanced

We again expanded our investor relations activities in the reporting period.

OUR FIELD DAYS RECEIVE A GOOD RESPONSE FROM ANALYSTS AND INVESTORS.

For institutional investors and analysts we further developed the field days format introduced last year. The aim of the field days is to give participants detailed insights into the operations of the segments. In 2006 the focus was on the Elevator and Technologies segments with their shipbuilding and escalator operations in Hamburg. With more than 50 participants the level of interest was again very high.

With our regular roadshows we strengthened our presence on major markets such as Frankfurt, London and Boston. In addition we introduced ourselves to new investors in markets such as Milan, Vienna and Reykjavik.

For people interested in the performance of ThyssenKrupp's stock – and particularly for our private investors – we have introduced a stockholders' letter called "#750.000 compact". The name "750.000" reflects the stock's securities identification number. The letter is published once a quarter and presents the company's results and other stock-related information in an understandable way. It can be obtained in conjunction with our e-mail newsletter.

Investor relations on the internet

Our multiple award winning website presents the full range of our investor relations activities. Investors and prospective stockholders can find a variety of information to help them judge ThyssenKrupp's stock. Financial reports, presentations and publications are available online and for downloading. Analysts' and investors' meetings, conference calls, the Annual Press Conference and Annual General Meeting can be downloaded in video or audio format and played on standard media players. There are also detailed sections on Corporate Governance and the Annual General Meeting.

If you would like to contact the ThyssenKrupp Investor Relations team or find out about dates in the 2007/2008 financial calendar, turn to the last page of this Annual Report or visit our website at www.thyssenkrupp.com.

RESPONSIBILITY TO SOCIETY

Supporting schools and education, art and culture as well as humanitarian aid are among the areas the Group traditionally addresses as part of its responsibility to society. At the same time we are strengthening our commitment to raising acceptance of technology and innovation among the general public, as we believe technology should benefit people and improve their future.

Commitment in society, for society

We are expanding our presence in the fastest growing economic regions of the world and meeting the economic challenges of the future with innovative and flexible solutions. This involves increasing responsibility to society, which is why we are focusing more strongly on social and cultural issues. Since we operate within society, we take on responsibility in areas well beyond our direct fields of business. Where it is expedient, where there are links with our traditions or our business, we support non-profit institutions, projects and initiatives. In this, we are guided by criteria based on the Group's understanding of value and responsibility.

GREATER SUPPORT FOR SCHOOLS, EDUCATION AND TECHNOLOGY IN 2005/2006.

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

Active membership of Initiativkreis Ruhrgebiet

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

Links with the Group's locations in culture and sport

Art and culture are traditional areas of support. In times where public funds are in increasingly short supply, this helps bring attractive events to areas close to ThyssenKrupp's major locations, which also benefits the Group's employees. For example, we support the Schumann Festival in Düsseldorf, the philharmonic orchestras in Essen and Duisburg, the Deutsche Oper am Rhein opera company and the Düsseldorf Schauspielhaus theater. Due to the presence of our shipyards in northern Germany, we have supported the Schleswig-Hosltein Music Festival for many years. We also provided major funding to the municipal museum in Düsseldorf. Among the special events supported in the reporting year were the anniversary celebrations of the states of North Rhine-Westphalia and Lower Saxony.

We also promote sport, mainly in the form of selected competitions and sports clubs close to our locations. In addition we have for many years supported the annual Rhine-Ruhr Marathon and the international rowing regatta in Duisburg.

Schooling and studies for employees

Mexinox from the Stainless segment offers a special education program ranging from school to university studies for employees who did not have the opportunity to receive proper schooling during their childhood. In collaboration with government agencies, the Mexican subsidiary organizes free schooling for its employees, allowing them to obtain first the “primaria” and then the three-year “secundaria” certificate of secondary education. Lessons take place outside of working hours. Since the program was launched in 1998, almost 100 participants have obtained academic qualifications. Almost 130 even achieved the high school-leaving qualification entitling them to attend the “preparatoria” – a free, two- to three-year course in preparation for university. They can then enroll on a correspondence course of studies, based on the syllabus of the Tecnológico de Monterrey university. Some 60 employees are currently working towards a university degree. The first of them will receive their degrees in subjects such as engineering or international trade by 2007.

Education to secure the future

As well as being one of German industry’s key success factors, technological innovations help create new jobs. For many years ThyssenKrupp has supported activities in education and projects aimed at developing future leaders. In addition to collaborating with our partner universities, ThyssenKrupp finances individual university chairs. We also fund several fellowships to promote the further development of the ESMT European School of Management and Technology, of which ThyssenKrupp is a founding member. ThyssenKrupp is a longstanding member of Stifterverband für die Deutsche Wissenschaft, a funding association through which we provide targeted sponsorship for academic projects.

WE ARE INVOLVED IN SETTING UP AN INSTITUTE FOR MATERIALS SIMULATION.

With the backing of other industrial partners and the involvement of the Max-Planck-Institut für Eisenforschung (iron research institute), the Forschungszentrum Jülich research center and the Rheinisch-Westfälische Technical University Aachen, ThyssenKrupp and the Ruhr University Bochum are currently establishing a materials simulation institute. Plans include setting up three endowed professorships to extend the syllabus at Bochum University with a new course in material simulation. At the future “Interdisciplinary Centre for Advanced Materials Simulation” physicists, chemists, mathematicians and engineers will combine their talents to develop new materials faster and more cost-efficiently. Using powerful computers at Forschungszentrum Jülich, they will be able to simulate the properties and structure of future materials – from the individual atom to complete components.

Ideas Park 2006 attracted over 200,000 visitors

Firing people's enthusiasm for technology is the chief objective of many of our activities. Technology is made by people for people with the aim of benefiting people. For this Germany needs people with the curiosity and the courage to make changes.

A key element of these activities is our Ideas Park, which has now been held twice – in Gelsenkirchen in 2004 and in Hanover in 2006 with the support of over 50 partners. More than 200,000 visitors came to Hanover to discover technical innovations and develop their own ideas for the future. Divided into three main sections "Mobility", "Life and Environment" and "Creativity", this unique technology theme park gave visitors the opportunity to experience technology close-up. The Ideas Park is designed to make technology understandable and entertaining, to show the many ways in which knowledge and technology can positively influence our lives and illustrate how important technology is for modern societies. 150 exhibits provided an insight into how today's ideas will shape tomorrow's world and showed how exciting everyday technology can be. The experts behind the ideas were also on hand to address visitors' concerns and answer their questions. Together they discussed how the future might look and what we can all do for this future today. The focus was on dialogue with the people who conceive, develop and use technology. The theme of education and vocational training is especially important as a prerequisite for renewal and growth. A further aim of the Ideas Park is therefore to promote training for careers in technology and engineering.

Aim of support: qualified young employees

THE GROUP ATTACHES GREAT IMPORTANCE TO UNIVERSITY MARKETING ACTIVITIES.

ThyssenKrupp supports Formula Student Germany, an international design competition for students. Formula Student was presented to the public for the first time at the Ideas Park 2006 in Hanover. The students taking part in the competition already have a passion for technology. This program gives them the opportunity to combine the skills they have learned in their studies with curiosity and imagination to create something new. Motorsport is an ideal medium for this because the car is an attractive product and the auto industry and its suppliers are an important economic factor in Germany. ThyssenKrupp recruits some 200 graduates each year, around 75% of them have degrees in engineering, e.g. mechanical, electrical or industrial engineering. For this reason we seek contact with students from an early stage in their studies and offer support for selected courses – be it at careers fairs, via university partnerships, through the ThyssenKrupp study support program or via Formula Student Germany.

Substantial funding is also allocated to several initiatives which promote the technology and innovation dialogue in Germany and facilitate knowledge sharing. These include for example the "People with ideas" program and the German Future Prize.

We also support the “Knowledge Factory” initiative launched as an open platform to allow companies to impart knowledge to young people and share know-how with young entrepreneurs. ThyssenKrupp was one of the founding members of the Knowledge Factory. The members of the Knowledge Factory aim to secure Germany’s future as a business location. Together with the Partner für Schule NRW foundation (partners for schools in North Rhine-Westphalia), the Knowledge Factory has launched the “Learning through research – experiencing technology” project. The aim of the project is to foster a basic understanding of technology in primary school children and teachers by integrating technology into the curriculum. Work is currently being carried out in association with a pilot school in Duisburg to implement the project goals not only in lessons but also in supervised extra-curricular activities at this all-day school.

Under partnership agreements with various universities, we fund study support programs and provide internships and dissertation placements. In addition we provide training programs for young people well in excess of our own needs. We would like to help as many young people as possible gain access to the labor market because we see this as part of our responsibility to society. More information on ThyssenKrupp’s personnel and social policy can be found on pages 77– 81.

Networking and knowledge sharing

The rapid pace of technical development in an increasingly networked world requires active and constructive participation in initiatives that act as catalysts between government, business and science. ThyssenKrupp is a member of numerous organizations and associations which promote an exchange of views on economic, technical and other socially relevant issues. For example, we support Stiftung Ordnungspolitik (Foundation for Regulatory Policy) which deals with questions of European integration.

We have also provided support for many years to acatech, the council for engineering sciences run by the Union of German Academies of Science and Humanities. acatech conducts an intensive dialogue on forward-looking technologies and their significance for sustainable growth, with contributions from science, business, government and society.

ThyssenKrupp is also a member of the BDI Forum for Sustainable Development (econsense) because we are expressly committed to the goals of sustainable development in the interest of future generations. In March 2006 the European Commission set up a “European Alliance for Corporate Social Responsibility”, a grouping of European companies and business organizations which promotes partnerships for corporate social responsibility and the exchange of experience in this field. ThyssenKrupp is one of now more than 100 organizations supporting this alliance.

THYSSENKRUPP SUPPORTS THE EUROPEAN ALLIANCE FOR CORPORATE SOCIAL RESPONSIBILITY.

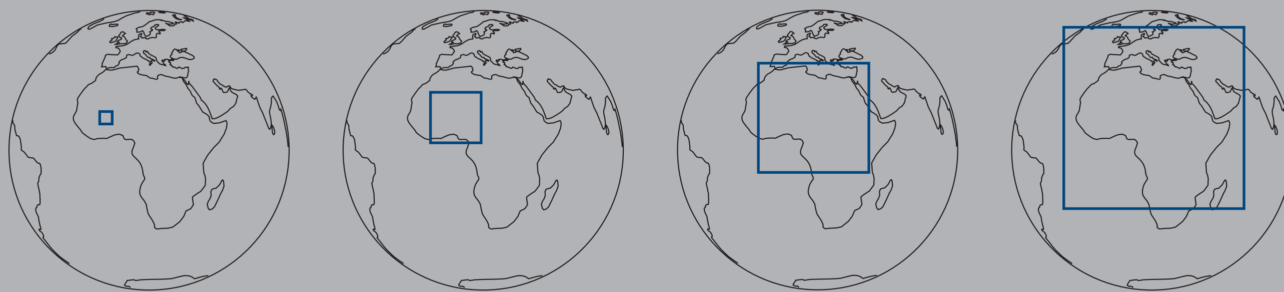
HAVEN'T WE GOT MORE THAN ENOUGH ENERGY?

TURN THE PAGE AND JOIN IN.

MANAGEMENT REPORT ON THE GROUP

ThyssenKrupp performed excellently in fiscal 2005/2006. Pre-tax earnings rose to €2.6 billion, compared with €1.7 billion a year earlier. The success of our strategy of focusing on profitable growth is also reflected in other indicators. The following management report contains more information on the course of business in the Group and its segments, our business management, our plans and our goals.

HAVEN'T WE GOT MORE THAN ENOUGH ENERGY?



A B C D

HOW MUCH OF THE EARTH'S SURFACE WOULD WE HAVE TO COVER WITH SOLAR PANELS TO COVER THE ANNUAL ENERGY REQUIREMENTS OF THE WHOLE WORLD?

ANSWER: THE RIGHT ANSWER IS A. AN AREA OF 700 KM X 700 KM IN THE SAHARA DESERT WOULD BE ENOUGH TO COVER THE WORLD'S ANNUAL ENERGY REQUIREMENTS.

BUSINESS AREAS AND ORGANIZATIONAL STRUCTURE

Capabilities, organizational structure and management responsibilities are key elements in the success of ThyssenKrupp. They are subject to continual review and adjusted where necessary to meet current requirements. Thus in summer 2006 the decision was made to integrate the Automotive operations in a reorganized Technologies segment.

CAPABILITIES

ThyssenKrupp is a global group engaged in the areas of Steel, Capital Goods and Services. Our 188,000 employees in over 70 countries develop and supply innovative products and services for the challenges of the future. In all segments they provide high-quality solutions to people’s needs and customer requirements. Details of the capabilities of the segments can be found on pages 55-72.

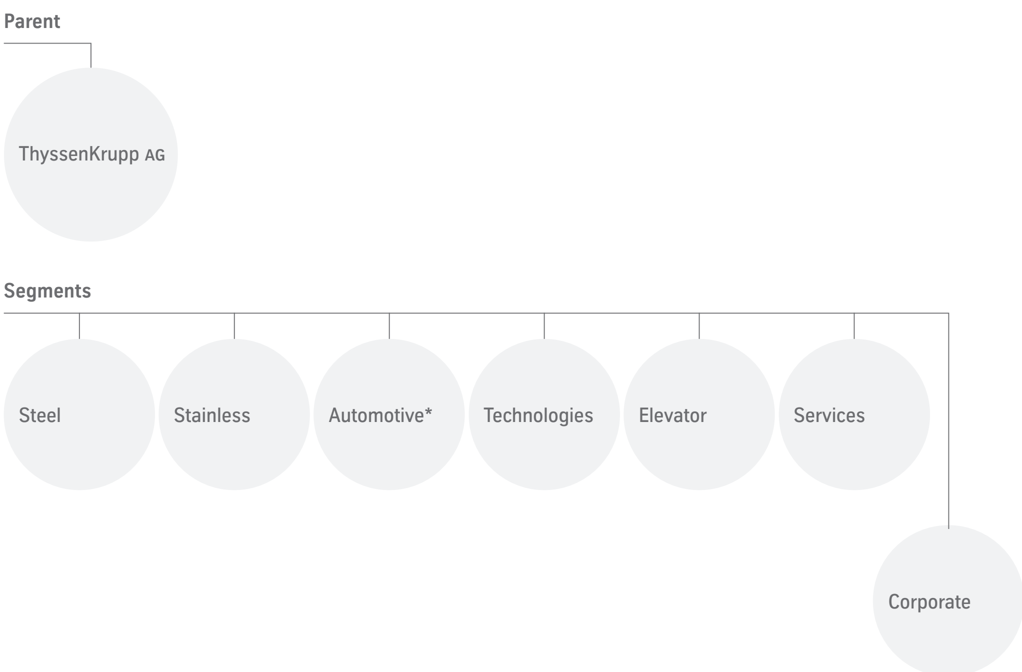
ORGANIZATIONAL STRUCTURE

The ThyssenKrupp Group is run on a decentralized basis so that decisions are made as close to the market as possible. The segments, each led by segment holding companies, enjoy wide-ranging independence for all their market- and customer-oriented activities. The main tasks of ThyssenKrupp AG as Group parent include corporate strategy/portfolio management, risk management and central financing.

Under its Articles of Association ThyssenKrupp AG is dual domiciled in Duisburg und Essen; most of its head office functions are located in Düsseldorf. From 2008/2009 the parent company is to relocate its offices to a new ThyssenKrupp Quarter being built in Essen. Details on the future Quarter can be found on page 89. In addition, there are Group Representative Offices in Berlin and Brussels as well as at another 31 locations throughout the world.

FROM 2008/2009, THE PARENT COMPANY WILL MOVE TO THE THYSSENKRUPP QUARTER IN ESSEN.

Company structure



* merged with Technologies since October 01, 2006

Founded in 1999, ThyssenKrupp AG is a stock corporation (Aktiengesellschaft) under German law. The overview on pages 191-195 shows the main companies and equity interests owned directly or indirectly by ThyssenKrupp AG. Around 700 companies with over 2,300 production sites, offices and service bases all over the world make up the ThyssenKrupp Group, two thirds of them located outside Germany. Of the almost 1,200 locations worldwide at which ThyssenKrupp is represented, more than 200 are in Germany. The largest location is Duisburg, with almost 18,000 employees.

One significant change in the organizational structure is the integration of the Automotive business into the Technologies segment effective October 01, 2006, which was resolved by the Supervisory Board of ThyssenKrupp AG on August 11, 2006. The merger of the two segments will combine important capital goods competencies and so improve our market positions. Details on this can be found in the Strategy section on pages 87-90. As the Automotive operations were still independent in 2005/2006 , they are shown as a segment in the reporting for the past year. In the future the Group will consist of the five segments Steel, Stainless, Technologies, Elevator, and Services, plus the Corporate area, mainly comprising the Group's head office including intercompany services.

MANAGEMENT RESPONSIBILITIES IN THE GROUP

AN EXECUTIVE BOARD MEMBER IS RESPONSIBLE FOR EACH WORLD REGION.

Like the organizational structure, the Group's management structure is continually reviewed and optimized. Since the merger we have always followed the principle that the chief executives of the segments and the executive officers responsible for corporate functions should be represented on an equal footing on the Executive Board of ThyssenKrupp AG. At the same time, the Executive Board organizational chart specifies which Executive Board members are responsible for individual world regions. The chief executives of the segments which have the strongest commercial involvement in a region take responsibility for that region in addition to their responsibility for segment operations.

At all management levels our goal is to recruit the top people for the best businesses and the most important functions. We aim to achieve a productive mix of internal and external, young and experienced, German and international managers. Young executives are systematically trained to take on senior roles.

OVERVIEW OF THE COURSE OF BUSINESS IN THE GROUP

Fiscal year 2005/2006 was the most successful in ThyssenKrupp's short history to date. We made significant progress in a friendly market environment. Order intake rose by 17% to €50.8 billion and sales by 10% to €47.1 billion. Pre-tax earnings increased to a new record level of €2.6 billion.

GENERAL ECONOMIC CONDITIONS

The world economy remained on growth track in 2006. According to current estimates, world GDP increased by 5.2%, compared with 4.9% a year earlier. Global economic growth was therefore slightly higher than we expected a year ago. The euro–US dollar exchange rate remained largely stable. By contrast, energy and raw material prices again rose sharply.

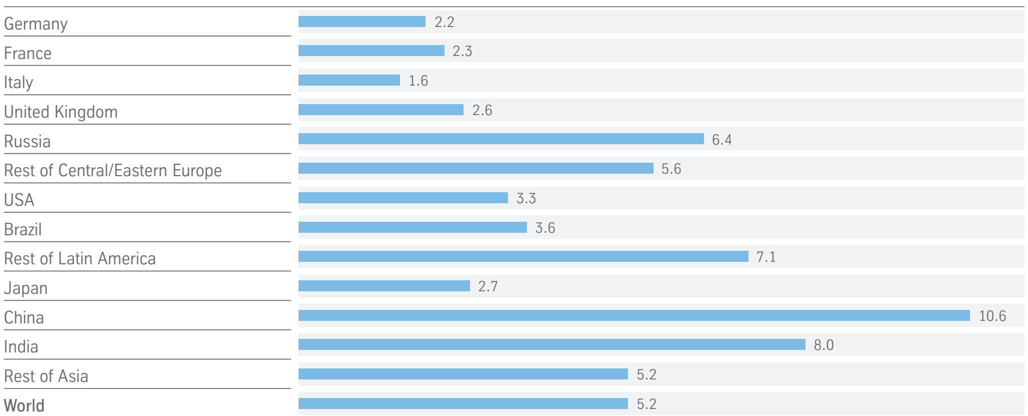
Strong economic growth in newly industrialized countries

Growth in 2006 was once again focused on the rapidly developing countries of Asia, Latin America, and Central and Eastern Europe. According to estimates, the Chinese economy grew by 10.6%, driven by high exports and a strong rise in investment. The other emerging economies of Southeast Asia and the countries of Latin America also achieved strong growth rates. The economic upswing in the new EU member states and Russia likewise continued unabated.

ASIA, LATIN AMERICA, CENTRAL AND EASTERN EUROPE ARE THE MAIN CENTERS OF GROWTH.

The general economic conditions also remained favorable in the developed industrial nations. In Japan, the moderate upward trend continued thanks to an increase in domestic demand. By contrast, the US economy slowed slightly over the course of the year. Consumer spending was hit by higher interest rates, rising gasoline prices and signs of weakening in the property sector.

Gross domestic product 2006* Real change versus previous year in %



* Estimate

In the euro zone, the economy recovered noticeably, with growth of 2.5% forecast for the full year. The German economy also expanded by just over 2% as domestic demand picked up. The strongest growth impetus came from capital investment, while the improvement in private consumption was less pronounced.

ECONOMIC CONDITIONS IN THE SECTORS

Economic activity picked up globally in all important customer sectors. This is true both of demand for carbon and stainless steel, which is at a high level, and for the auto, mechanical engineering and construction sectors. However, the scale of the upswing differed from region to region; once again the Asian countries accounted for a disproportionate share of growth.

Strong demand for carbon and stainless steel

GERMAN CRUDE STEEL PRODUCTION INCREASED TO 46.5 MILLION METRIC TONS IN 2006.

The international steel markets were characterized by expanding volumes and rising prices for most products. According to estimates, world crude steel output was over 1.23 billion metric tons in 2006. A significant proportion of this 8% increase was attributable to China, where production grew by 18% to 415 million tons. As growth in domestic demand failed to keep pace, China for the first time became a net exporter of steel. Production growth was also extremely strong in India. In the European Union, crude steel output was up by around 5% in 2006. Above all the Eastern European countries, which in the previous year had made significant cutbacks, once again reported higher output. Initial estimates put German crude steel production at 46.5 million tons, an increase of 4%. Most mills were operating at full capacity.

In Western Europe, the cyclical increase in steel consumption and accompanying build-up of stocks resulted in a strong rise in demand for carbon steel flat products. Western European producers recorded significantly higher sales volumes through to the summer, and there was also a substantial increase in imports from non-EU countries. Despite this, with raw material prices rising it was possible to gradually increase prices for quarterly contracts and spot transactions as demand outstripped supply in many cases.

The trend on the North American steel market was similar to that in Europe, although here the steel cycle appeared to peak in early fall. This was shown by slower demand growth, an increase in supply and a slight softening of prices, although these were also the highest in the world. In Asia, prices started to weaken significantly around summertime due to the growing supply overhang. More and more surplus production was exported. Supplies from China in particular – mainly to North America and Europe – increased significantly both compared with the prior year and in the course of 2006.

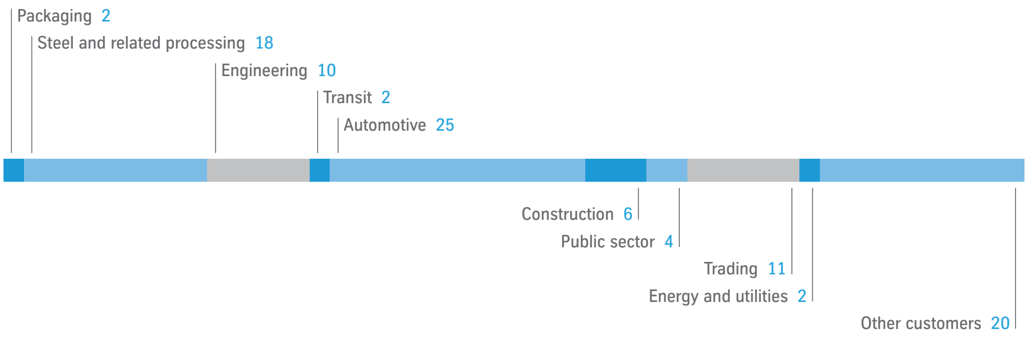
The market for stainless steel flat products developed positively. Following a weak prior year, global demand picked up strongly. According to current forecasts, demand for stainless flat products grew by almost 10% in 2006 to 14.7 million metric tons worldwide. In addition to the favorable economy, this was also due to distributors and end users restocking inventories which had been severely depleted in the previous year. At the same time, however, prices for some of the raw materials used to make stainless steel increased drastically. Nickel prices in particular reached new record highs.

In Europe, the market for stainless steel flat products recovered noticeably following a decline the year before. Alongside the rise in demand, this was due to both temporary and permanent production cutbacks. The European producers recorded substantial improvements in order intake and were able to increase base prices on several occasions. All European stainless producers were operating at full capacity. There were temporary bottlenecks in supplies to customers, and delivery times increased steadily. Higher prices and supply shortages also resulted in a significant increase in imports, which had declined the year before. In North America, there was also a surge in demand for stainless steel flat products which allowed base prices to be raised on several occasions. The situation in Asia and China remained tight. High capacity overhangs and weak demand impacted prices.

The market for nickel alloys benefited from positive developments in the plant construction, oil, gas and aerospace sectors. According to current forecasts, global market volume in 2006 showed a further slight improvement from its high prior-year level. The strong demand and improving prices for titanium mill products were also pleasing.

NICKEL ALLOYS AND TITANIUM MILL PRODUCTS BENEFITED FROM STRONGER DEMAND.

Sales by customer group 2005/2006 in %



Automobile production growing in Asia

As expected, global auto demand continued to increase. According to estimates, global production grew by 2.5% in 2006 to 68.7 million cars and trucks. Roughly 80% of worldwide production growth was accounted for by the countries of Asia. China in particular strengthened its market position further and for the first time produced more vehicles than Germany. Initial forecasts put vehicle production in the Asian countries (excluding Japan) at around 15 million units, an increase of just under 10%.

At 16.2 million vehicles, production in the North American auto industry was slightly lower than a year earlier. In the face of sharply rising gasoline prices, the light truck segment – in particular large pick-ups and sport utility vehicles – suffered a significant reduction in sales. In Brazil, vehicle production rose by 4.5% in 2006 to 2.5 million units.

The auto markets in Central and Eastern Europe were in good shape, with production up by around 10% in 2006 according to forecasts. Vehicle production in Western Europe in 2006 was slightly lower than a year earlier at just under 17.4 million units. Initial estimates put Germany's vehicle production at 5.8 million units, a 1% improvement on the previous year. This was due in particular to high demand for trucks and car exports.

Expansion in mechanical engineering sector

Against a backdrop of a strong global economy and rising investment, the situation in the mechanical engineering sector improved. The USA, Japan and above all China achieved substantial production growth in 2006. The positive trend also continued in the German engineering industry. According to initial estimates, strong orders both from home and abroad resulted in a more than 5% increase in mechanical engineering output. Germany's plant engineering sector continued to enjoy lively demand.

Recovery in German construction sector

The highest growth in the construction sector was in Asia and Central and Eastern Europe. In the USA, growth in 2006 was roughly level with the prior year. By contrast, the prospects for the German construction industry brightened. Higher demand from industry and infrastructure renewal projects resulted in a significant increase in orders. Following years of recession, construction output recorded slight growth.

SUCCESSFUL BUSINESS PERFORMANCE BY THYSSENKRUPP

ThyssenKrupp in figures

		2004/2005	**2005/2006**
Order intake	million €	43,509	50,782
Sales	million €	42,927	47,125
EBITDA	million €	3,809	4,700
Income*	million €	1,677	2,623
Employees (Sept. 30)		185,932	187,586

All figures relate to continuing operations. * before taxes

2005/2006 WAS THE GROUP'S MOST SUCCESSFUL FISCAL YEAR TO DATE.

In this generally positive economic environment, ThyssenKrupp performed successfully in 2005/2006, achieving its highest earnings to date. There were further improvements to our key financial indicators, as shown in the table above.

Strong increase in orders and sales

Order intake and sales rose sharply. Orders from continuing operations climbed to €50.8 billion, 17% higher than a year earlier. New orders therefore showed a greater improvement than we expected a year ago, with above all the materials business in the Steel, Stainless and Services segments performing better than predicted.

Sales from continuing operations rose by 10% to €47.1 billion. Strong demand and higher prices for carbon and stainless steel flat products increased sales at Steel and Stainless more sharply than planned. Services also clearly exceeded its targets thanks to the strong materials markets. The volume of business at Automotive, Technologies and Elevator was slightly higher than anticipated.

Sales by segment in million €

	2004/2005	2005/2006
Steel	9,568	10,747
Stainless	5,572	6,437
Special Materials	389	—
Automotive	7,867	8,045
Technologies	5,765	6,012
Elevator	3,773	4,298
Services	12,678	14,204
Corporate	138	148
Segment sales	**45,750**	**49,891**
Inter-segment sales	(2,823)	(2,766)
Sales of continuing operations	**42,927**	**47,125**

Systematic continuation of portfolio optimization

ThyssenKrupp continued its portfolio optimization process. Major acquisitions in 2005/2006 included the purchase of a stake in Atlas Elektronik by the Technologies segment. Elevator strengthened its global market position through a number of smaller acquisitions. At Services, acquisitional growth was focused on Eastern Europe and North America. Automotive disposed of several non-core activities, including the European truck springs business, European and North American aluminum foundries and the US vehicle component plants. The other segments also disposed of marginal activities.

FURTHER IMPORTANT PROGRESS WAS MADE IN THE PORTFOLIO OPTIMIZATION PROCESS.

In the reporting year up to and including October 2006 we acquired companies with sales of €0.9 billion and disposed of companies with sales of €1.9 billion. Since the merger of Thyssen und Krupp we have now sold companies with sales of €8.9 billion and acquired others with sales of €7.9 billion.

Record earnings

In addition to our outstanding business performance and successful efficiency enhancement programs, the portfolio optimization improved the quality of the Group's earnings. Consolidated earnings were €2,623 million, €946 million or 56% higher than our good prior-year income.

Almost 1% increase in workforce

The number of employees increased. On September 30, 2006, the Group had a total of 187,586 employees, 1,654 or almost 1% more than a year earlier. Due to disposals, the headcount fell in particular at Automotive. Services recorded the largest increase as a result of acquisitions.

EXPECTATIONS EXCEEDED

OUR EFFICIENCY ENHANCEMENT PROGRAM UNLOCKED PRODUCTIVITY RESERVES.

Our excellent business performance significantly exceeded the expectations we had at the time of writing last year's annual report. Sales were 10% higher than our planned figure of €43 billion. This was due not only to the favorable economic situation but also to our successful marketing efforts. Furthermore, our efficiency enhancement programs unlocked substantial productivity reserves which improved profitability and increased the value of the company. As a result, we exceeded our original earnings target – €1.5 billion excluding nonrecurring effects – by €1.1 billion, an increase of almost 75%. At 17.9%, our ROCE was also considerably higher than expected at the start of the reporting year. Once these positive developments became sufficiently concrete in the course of the reporting period, we raised our expectations accordingly and communicated this.

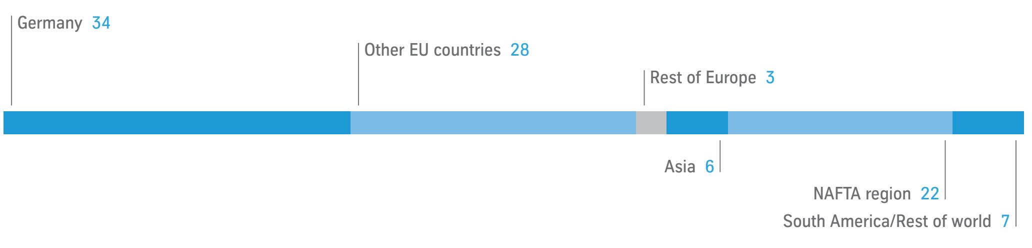
KEY SALES MARKETS AND COMPETITIVE SITUATION

ThyssenKrupp operates worldwide. We generate 34% or €15.8 billion of our sales in Germany and 66% or €31.3 billion outside Germany. Our main foreign markets are the EU countries (28% of sales) and the NAFTA region (22%). ThyssenKrupp companies and products occupy leading positions on many international markets.

Worldwide marketing

ThyssenKrupp supports sales of its products and services worldwide through a large number of marketing measures, from product design, pricing policy and sales organization through to product-related communications and advertising. The companies in the individual segments operate independently on the markets and are responsible for their own marketing efforts, based on Groupwide corporate design guidelines. Given the broad spectrum of products and services within our Group and the highly differing markets on which we operate, this allows us to respond swiftly to market changes and customer requirements. In close contact with customers, our subsidiaries optimize their products and position them against competing products. Continuous innovations secure the quality and unique selling points of our range.

Sales by region 2005/2006 in %



INCOME AND DIVIDEND

Income by segment in million €

	2004/2005	2005/2006
Steel	1,094	1,417
Stainless	286	423
Special Materials	(69)	—
Automotive	118	(174)
Technologies	40	357
Elevator	355	391
Services	261	482
Corporate	(382)*	(230)
Consolidation	(26)	(43)
Income from continuing operations before taxes	**1,677**	**2,623**

* excl. non-recurring losses in connection with RAG investment

Profits increase significantly for third year in a row

THYSSENKRUPP ACHIEVED A SIGNIFICANT INCREASE IN PROFITS FOR THE THIRD YEAR IN A ROW.

In fiscal 2005/2006, ThyssenKrupp increased its pre-tax earnings from continuing operations by €946 million to €2,623 million. The company thus achieved a significant, nine-figure earnings increase for the third year in a row. Key factors in this were the high price levels and continued strong demand for carbon and stainless steel products. This benefited above all the Steel, Stainless and Services segments. The Technologies segment significantly improved its profits thanks in particular to strong demand for industrial plants and mechanical components. The Elevator segment increased its income at a high level, above all in North America. The Automotive segment returned a large loss due to heavy restructuring and impairment charges; operating earnings were positive overall despite margin pressure and negative exchange-rate effects.

Sales and cost of sales each rose by just under 10%, while the gross sales margin at 17% was level with a year earlier. Administrative and selling costs increased more slowly. Other operating income increased by €433 million: this was partly due to the receipt of a break-up fee from the terminated acquisition of Dofasco; it also includes insurance payments resulting from two major fires. The corresponding expense due to the property damage and business interruptions as well as the costs of loss minimization measures are included in cost of sales or sales. The €134 million increase in other operating expenses is largely due to restructuring expenses, in particular in the Automotive segment.

Interest income was higher due to higher average cash balances, while interest expense was lower due to the reduction of debt during the reporting period.

Income tax expenses amounted to €919 million, compared with €737 million in the previous year. The tax rate decreased from 44% to 35%. This is partly due to the fact that operating companies in countries with lower statutory tax rates generated a higher share of the taxable income. In addition, last year's losses on disposals without tax effect were replaced this year by slight gains on disposals without tax effect.

EARNINGS PER SHARE
INCREASED TO €3.24.

In the reporting year there was no expense or income from discontinued operations. The comparable prior-year figures included the disposal gains/losses and ordinary income from the residential real estate business and the MetalCutting business unit of the Technologies segment. Prior-year income was also reduced by an impairment charge on the investment in RAG.

Net income amounted to €1,704 million, compared with €1,079 million in the prior year.

Minority interest in net income rose to €61 million, compared with €41 million a year earlier. This was due to the improved earnings situation at companies with non-Group minority interests. After deducting minority interest, earnings per share rose from €2.08 in the prior year to €3.24 in the reporting year. The weighted average number of shares outstanding in the reporting year was 507,731,743 (prior year 498,628,610). This includes both the increase from the sale of treasury stock in November 2005 and the decrease from the repurchase of treasury stock in July and August 2006.

Income of ThyssenKrupp AG

The net income of ThyssenKrupp AG in the reporting year according to HGB (German GAAP) amounted to €1,118 million, compared with €920 million the year before. Income from investments decreased by €409 million to €1,131 million due to the significantly higher profit transfer in the prior year from ThyssenKrupp Real Estate GmbH, resulting from the disposal of the residential real estate business. The utilization of the accrued liability recognized at ThyssenKrupp AG in 2004/2005 for valuation risks from pension liabilities of subsidiaries increased profits by €531 million. The corresponding risks were recognized at the subsidiaries and reduced their profit transfers.

Other operating income decreased only slightly by €15 million. After deducting expenses for Group management activities, pension costs for former employees of ThyssenKrupp AG and its predecessor companies and net interest expense of €162 million, income from ordinary activities amounted to €1,179 million, compared with €1,578 million in the previous year.

Extraordinary income includes the receipt of a €153 million break-up fee from the terminated acquisition of Dofasco and costs of €40 million from the merger of ThyssenKrupp Materials & Services GmbH into ThyssenKrupp AG. In the prior year, the extraordinary loss included the impairment of the carrying value of the investment in RAG Aktiengesellschaft in the amount of €512 million.

Income tax expense amounted to €174 million; this amount is influenced by the utilization of tax loss carryforwards still existing at September 30, 2005.

Of the resultant net income of €1,118 million, €570 million was transferred to retained earnings. Included in this is the write-up on the shares of ThyssenKrupp Steel Beteiligungen GmbH in accordance with Art. 58 par. 2a AktG of €22 million net of tax.

The remaining unappropriated net income is €548 million. Subject to the approval of the Annual General Meeting, this amount is to be used to distribute a dividend of €489 million. An amount of €33 million is to be transferred to retained earnings to strengthen stockholders' equity. The balance of €26 million is to be carried forward.

€1.00 dividend per share

The legal basis for the dividend payment is the HGB unappropriated net income of ThyssenKrupp AG in the amount of €548 million (previous year €448 million). It comprises the HGB net income of ThyssenKrupp AG in the amount of €1,118 million (previous year €920 million) less €570 million which has already been transferred to retained earnings by the Management.

The Executive Board and Supervisory Board will propose to the Annual General Meeting the payment of a dividend of €1.00 per share (previous year €0.70 per share and a special dividend of €0.10 per share), the transfer of a further €33 million to retained earnings, and the carryforward of the balance of €26 million. Should the number of shares eligible for dividend distribution change before the date of the Annual General Meeting, the proposed dividend distribution will be adjusted accordingly. Therefore, of the €548 million unappropriated net income, a total of €489 million is to be used to pay a dividend on the 488,764,592 shares eligible for dividend payment as of September 30, 2006.

EXECUTIVE BOARD AND SUPERVISORY BOARD RECOMMEND A DIVIDEND OF €1.00 PER SHARE.

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

Balance sheet of ThyssenKrupp AG (HGB) in million €

	Sept. 30, 2005	Sept. 30, 2006
Investments in non-consolidated subsidiaries	8,702	9,688
Other fixed assets	1,589	1,610
Fixed assets	**10,291**	**11,298**
Receivables from non-consolidated subsidiaries	9,297	6,943
Other operating assets	4,033	4,164
Operating assets	**13,330**	**11,107**
Assets	**23,621**	**22,405**
Stockholders' equity	**5,649**	**6,355**
Special item with reserve elements	**57**	**58**
Accrued liabilities	**1,080**	**436**
Liabilities to non-consolidated subsidiaries	14,637	13,261
Other liabilities	2,198	2,295
Liabilities	**16,835**	**15,556**
Stockholders' equity and liabilities	**23,621**	**22,405**

Statements of income of ThyssenKrupp AG (HGB) in million €

	2004/2005	2005/2006
Income from investments	1,540	1,131
Other operating income	664	649
Other expenses and income	(626)	(601)
Income from ordinary activities	**1,578**	**1,179**
Extraordinary income/loss	(512)	113
Income taxes	(146)	(174)
Net income	**920**	**1,118**
Allocation to retained earnings	(481)	(570)
Carryforward	9	0
Unappropriated net income	**448**	**548**

CAPITAL EXPENDITURES

Investment by segment in million €

	2004/2005	2005/2006
Steel	537	515
Stainless	211	230
Special Materials	27	–
Automotive	480	448
Technologies	413	300
Elevator	121	164
Services	190	393
Corporate	71	30
Consolidation	(147)	(3)
Group	**1,903**	**2,077**

All figures relate to continuing operations. * before taxes

In 2005/2006, ThyssenKrupp made investments of €2.1 billion, 9% more than the previous year. €1,621 million was spent on property, plant and equipment and intangible assets, while the remaining €456 million was used for acquisitions. Capital expenditure was €0.7 billion higher than depreciation (€1.4 billion).

INVESTMENTS IN GROWTH AREAS STRENGTHEN COMPETITIVENESS.

ThyssenKrupp invests strongly in its growth areas to ensure they remain competitive in the future. More than half of the investments made were to expand capacities and production. Other key areas include increasing the technical efficiency of existing equipment and integrating advanced technologies.

Further information can be found in the notes to the consolidated statements of cash flows in the section “Financial position” on pages 83-84.

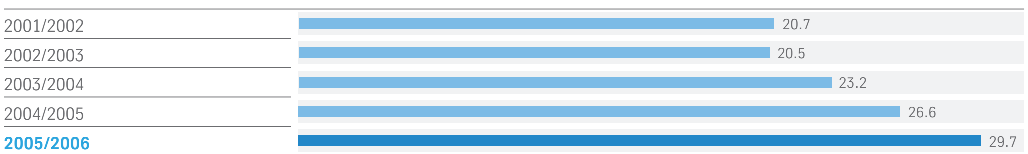
PROCUREMENT: RAW MATERIAL PRICES STILL HIGH

Materials expense in the reporting year totaled €29.7 billion, up 11% from the prior year. As well as increased raw material prices, the rise reflects the higher volume of business. Although markets were tight in part, supplies were secured at all times.

Iron ore more expensive

Price trends on the international raw material markets varied. Due to continued high demand we had to accept a 19% rise in the price of fine iron ores. By contrast, we achieved a 3% reduction in the price of pellets. We purchase most of our ores and pellets from suppliers in Brazil, Australia and Canada.

Materials expense in billion €



The supply situation for coking coal eased significantly in the reporting year. This was partly due to an increase in output by international coal producers and partly to the fact that stocks at consumers worldwide were higher than in the past. Against this background, we were able to achieve price reductions of around 10% at the start of the new coal business year on April 01, 2006, and as much as 35% for PCI coal.

The clear easing of the China-dominated coke market has brought about a notable decrease in prices for internationally traded blast furnace coke since 2005. Although prices started to climb again slightly in spring 2006, they are still well below the peak levels of late 2004/early 2005.

By contrast, there were signs of supply shortages on the nickel market. During the reporting period, nickel prices rose from US$11,600 per ton in November 2005 to US$20,685 per ton in May 2006 and further to US$29,700 per ton in August 2006. The surcharge for immediate delivery was up to US$5,050 per ton.

PRICES FOR ALLOYING METALS SUCH AS CHROMIUM AND ZINC ROSE SHARPLY.

World market prices for chromium dipped briefly before regaining their previous level from mid-2006. After brief spikes, prices for ferromolybdenum fell to around US$60 per kilogram. There was a similar trend in vanadium. By contrast, prices for aluminum and zinc rose in part drastically. Between October 2005 and May 2006, the price of zinc more than doubled, and at the end of the reporting period was 129% higher than at the start of the fiscal year.

Prices for unalloyed steel scrap moved in waves: at the start of the reporting year they fell to €180 per ton, rose as high as €236 per ton in July 2006 and then started to trend slightly downward again. Prices for alloyed scrap remained stable until early 2006, as sufficient quantities were available on the market. With the stainless steel market performing strongly, demand for alloyed scrap later increased significantly, which also drove up prices.

Pooling of orders and annual contracts improved purchasing position

We were able to counter many price increases by increasingly pooling our orders and concluding annual contracts. This was the case for example for purchased electrical, mechanical, pneumatic and hydraulic parts which are independent of metal prices. Although delivery periods for special and large-scale engineering parts were longer in the mechanical and plant engineering sectors due to very high workloads at supply companies, prices remained stable.

For other products as well as direct and indirect services, identifying new international suppliers helped us to maintain or even reduce price levels. Pooling purchasing volumes also strengthened our negotiating position. Further concrete cost advantages were achieved by our in-house sourcing project, under which production operations within the Group compete with established market players.

Purchasing activities in the Group are supported by newly introduced strategic tools for supplier management (analysis and development of strategic suppliers) and global sourcing (systematic analysis of sourcing categories and identification of new procurement sources).

Our global purchasing efforts are also facilitated by the ThyssenKrupp procurement platform. A Strategic Sourcing module accessible via the internet allows worldwide requests for quotes and auctions. In the reporting year we advertised purchases worth more than €500 million. Online requests for quotes are currently being used by Group companies in Germany, Liechtenstein, France, Italy, the United Kingdom and the USA. The number of auctions has also increased.

Our second program module – Catalog Ordering – has further established itself internationally. More than 3 million items from over 250 suppliers can now be purchased online. This significantly reduces the costs of purchasing transactions for both us and our suppliers.

We also launched a standard Groupwide supplier management system in the reporting year. Suppliers throughout the Group are assessed on the basis of standardized methods and criteria. All departments and employees working with the suppliers are involved in these assessments via an internet-based supplier management tool. This has also created a supplier database which our companies can access online.

Oil prices drive up logistics costs

FUEL PRICE INCREASES PUSHED UP TRANSPORTATION COSTS.

Prices for outsourced road freight services were impacted by the high fuel costs, in particular in Western Europe. By contrast, we were able to achieve price reductions for road freight services to Eastern Europe. For general cargo we optimized our market position by concluding framework agreements. Full loads were increasingly tendered directly on the market via platforms. Rail freights within Germany are mainly secured by long-term agreements. Costs for international rail freights actually fell. In the area of air freights, we managed to achieve price reductions through framework agreements. However, this is being countered by costs for fuel surcharges and security procedures.

Ocean shipping rates for bulk goods, while still high, were lower than the previous year. Container freights to Asia were favorably priced, but rates for shipments from this region were high. Container freight capacities to the USA/Canada remain limited and are therefore susceptible to price increases. With container volumes on the rise, some ports are experiencing difficulties in loading freights efficiently and cost-effectively.

Energy prices in the reporting period were higher than a year earlier. As demand in Asia continued to rise, the cost of mineral oil and oil-based products rose dramatically, exacerbated by the production losses as a result of hurricanes Katrina and Rita. At the same time, prices for natural gas increased by 48%. Our suppliers claimed declining deposits in exporting countries and a revaluation of natural gas on the market as the reason for this price hike. We also had to accept higher prices for electricity. The extra costs resulting from the subsidization of renewable energies and combined heat and power plants as well as the electricity tax made this form of energy more expensive than ever.

The introduction of CO_2 emissions trading was another cause of rising electricity costs. It was not possible to compensate for the higher prices through the sale of allowances under the emissions trading system, which ThyssenKrupp joined for the first time in fiscal 2005/2006. Overall, our companies received allowances for the emission of 18.7 million metric tons of CO_2 per year for the first trading period (2005–2007). By reducing emissions from production operations and due to rules restricting the allocation of allowances to the first trading period, we had a surplus of allowances which could be sold in the emissions trading system. Emissions trading is performed by the Group holding company in order to utilize synergies and simplify risk management.

ENVIRONMENTAL PROTECTION: TARGETING SUSTAINABILITY

Ongoing expenditure on environmental protection in million €

	2001/2002	2002/2003	2003/2004	2004/2005	**2005/2006**
Air pollution control	105	101	124	141	141
Water protection	163	161	177	165	168
Noise control/landscape protection	11	13	12	15	16
Recycling	61	60	64	81	87
Total	**340**	**335**	**377**	**402**	**412**

SUSTAINABILITY AND ENVIRONMENTAL PROTECTION PLAY A MAJOR ROLE IN ALL SEGMENTS OF THYSSENKRUPP.

Sustainability and resource conservation were the central elements of ThyssenKrupp's environmental protection efforts in the reporting year. In addition to the €412 million spent on operating pollution control equipment and the €30 million invested in environmental protection, all segments took numerous measures to reduce their consumption of energy and raw materials. As raw material and energy prices are high, these measures also helped improve profitability.

The Steel segment was honored with Volkswagen AG's Environmental Award. As well as our environment-friendly production operations, the award was mainly in recognition of our innovative solutions to help reduce emissions from cars. These include weight-optimized parts which reduce fuel consumption. ThyssenKrupp Steel was named as one of Volkswagen's Sustainability Partners and thus joined a circle of suppliers who have committed to the objectives of sustainability.

Sustainability and environmental protection were important aspects in the construction of a new blast furnace and the modernization of an existing one in Duisburg. New dust collection systems will further reduce dust and particulate emissions in the future, while a quiet-running cooling system will lower noise emissions.

Environmental experts and plant engineers in the Stainless segment introduced a new electrochemical process to recycle the used acids and metal-bearing sludges arising during the pickling of stainless steel. This electrodialysis system recovers acid and reduces the nitrate in the waste water by 35%. Further development work is aimed at creating a closed recycling process without any used acids or waste water.

For the production of modern injection valves used in car engines, a sleeve was developed using the material Pernifer 36Z which displays virtually no thermal expansion even at temperatures up to 200°C. This guarantees the functionality of the injection valves – which is key to low-emission engines – in all load and temperature ranges.

Resource conservation and energy savings were also to the fore at Automotive. In the future, production shops will be heated utilizing the waste heat from furnaces, which was previously unused. Heating oil consumption will also be lowered using a heat pump. Water consumption has been reduced in a hardening shop by redesigning the cooling circuits. A new forging technology introduced at ThyssenKrupp Metallurgica Campo Limpo in Brazil allowed a combination of improved production precision, compliance with strict emissions standards and weight reduction. The company also set up an "environment school" specially for students from schools in the area to raise their awareness of nature.

WE HAVE DEVELOPED A PLANT FOR COMPOSTABLE PLASTIC.

The Technologies segment built an EnviNOx® tail gas treatment facility for the Abu Qir Fertilizer Company in Egypt. This technology uses a catalyst to convert ecologically damaging laughing gas and nitrogen oxide into harmless nitrogen, oxygen and water. This one facility alone will provide a reduction in greenhouse gas emissions with the same impact on the environment as 1.4 million tons of CO_2. That is equivalent to the CO_2 emissions of roughly 350,000 cars being driven 20,000 km per year.

Another development involved a plant for the production of a compostable plastic from renewable raw materials such as maize or wheat. This plastic – a polylactic acid – can be used to replace the packaging materials PET and polystyrene. Further measures related to saving energy, for example in heat treatment furnaces.

Measures in the Elevator segment were also focused on improving energy efficiency in elevators and escalators. A series of gearless drives was developed for elevators which, in conjunction with innovative changes to the entire drive and suspension system, further reduce energy consumption. In the area of escalators, a new generation of equipment was launched offering significantly lower purchasing costs. One example is that the energy-saving “slow running” option for empty escalators can now be used on far more installations, reducing energy consumption for our customers.

Engineers and technicians from the Industrial Services unit of the Services segment installed a modern firing system in a waste-fed heating plant in Bremen which burns the waste more efficiently while at the same time reducing emissions. Controlled heat discharge and an optimized air supply improve incineration and increase efficiency, and in so doing reduce specific emissions and residues.

SUMMARIZED ASSESSMENT OF THE FISCAL YEAR

ThyssenKrupp performed very well in the past fiscal year. In addition to pre-tax earnings, other indicators also hit record levels. The Steel, Stainless, Technologies, Elevator and Services segments further improved their market positions, sales and earnings. The Automotive segment pressed ahead with its restructuring, particularly in the USA. In all segments, the focus was on higher performance and efficiency; the ThyssenKrupp best corporate program continued its success.

With the Group having largely completed its consolidation phase, our aim is now to achieve profitable and sustainable growth in our three main business areas of Steel, Capital Goods and Services. Through organic growth, targeted acquisitions and a stronger service focus, we will continuously increase our earning power and enterprise value. The results of the reporting year already indicate initial successes.

COURSE OF BUSINESS IN THE SEGMENTS

The task of our segments is to supply customers on all five continents with materials, capital goods and services. The strong figures achieved in the reporting period are a clear sign of their success: from high-quality steel plates to submarines, from modern elevators to sophisticated logistics systems, the products and services of our Group are more in demand than ever.

STEEL

Steel in figures

		2004/2005	2005/2006
Order intake	million €	9,148	11,057
Sales	million €	9,568	10,747
Steelmaking	million €	937	1,004
Industry	million €	5,230	5,846
Auto	million €	2,505	2,947
Processing	million €	2,081	2,433
Consolidation	million €	(1,185)	(1,483)
Income*	million €	1,094	1,417
Employees (September 30)		31,634	30,647

All figures relate to continuing operations. * before taxes

Order intake and sales: Higher volumes and prices

IN A GOOD MARKET ENVIRONMENT, THE STEEL SEGMENT ACHIEVED 12% SALES GROWTH.

The Steel segment is focused on the production and sale of high-quality carbon steel flat products including associated services. Thanks to the extremely positive market environment business increased significantly in 2005/2006. Order intake rose by 21% to €11.1 billion, reflecting not only significantly higher order volumes but also the price increases achieved on the market. Sales were also up, by 12% to €10.7 billion, due to both volume and price factors.

Crude steel production was level with the prior year at 13.8 million metric tons. Crude steel volumes were significantly affected by several disruptions at our investee company Hüttenwerke Krupp Mannesmann. Despite increased production in our own steel mills it was not possible to fully offset the losses. To meet high steel demand, slabs from our own inventories and outside purchases were additionally used. Rolled steel production for customers increased by a total of 4% compared with the prior year. The cold-rolled uncoated and coated flat products benefited primarily from this, whereas volumes of hot-rolled flat products were unchanged from the prior year. Production capacities were fully utilized for the most part.

The Steelmaking business unit combines the metallurgical operations in Duisburg and the logistics activities. Its main role is to supply the three other business units with low-cost, high-quality starting material. The business unit's sales of pig iron, slabs and energy to external customers were higher than a year earlier due to the passing on of higher raw material costs. The transport companies also recorded higher sales revenues.

The Industry business unit is focused on a broad spectrum of customers in the steel-using sector. Sales were up 12% from the prior year. With customers continuing to enjoy good workloads, shipments increased significantly, in particular of hot strip, sheet and hot-dip coated material. Not all demand could be met. Given the lively demand, prices for quarterly deals were raised from the second fiscal half. Price reductions had to be accepted on some annual contracts. The European steel service centers and the construction elements business also recorded higher sales than a year earlier.

STEEL ACHIEVED A
PROFIT OF €1.4 BILLION
IN 2005/2006.

The Auto business unit supplies steel products and services to automotive customers throughout the world. Sales increased by 18% on account of the substantial price increases agreed at the beginning of the year with the auto industry. Shipments also increased compared with a year earlier. In the case of tailored blanks, the increase in sales against a slight rise in operating volumes was mainly the result of higher material prices being passed on to customers. In addition, the ramp-up of the production sites in China and Sweden had a positive effect. The steel service activities in North America also expanded their sales significantly. Despite the difficult situation on the North American auto market, sales volumes increased considerably.

The Processing business unit combines our tinplate, medium-wide strip and grain-oriented electrical steel activities. Sales increased in total by 17%. The tinplate business recorded significant growth due to volume and price factors. The platform for the increase in shipments was the successful expansion carried out at the Andernach location. Sales of medium-wide strip at Hoesch Hohenlimburg decreased as a result of the disposal of the special profiles business. Sales of the medium-wide strip business were affected by insufficient supplies of starting material from Hüttenwerke Krupp Mannesmann. By contrast, grain-oriented electrical steel continued to develop very dynamically. The capacity expansion at the plants in Germany and France permitted significant volume increases, in particular for the higher-value grades. Revenues also improved significantly.

Earnings

The Steel segment increased its profits by €323 million to €1,417 million. Higher net revenues and shipments more than offset the significant price rises for key raw materials and increased processing costs.

The Steelmaking business unit improved its earnings and returned a profit. This was mainly attributable to an improved revenue structure for pig iron and the systematic realization of cost-cutting potential. The price rises for key raw materials, energy and freights were passed on to the downstream business units as starting material costs.

The Industry business unit once again generated a significant profit but fell short of the prior-year level. Higher volumes and cost-cutting measures were not enough to offset increases in the cost of starting materials and zinc. The European steel service centers also failed to match their high prior-year profits as higher volumes were outweighed by negative price effects. In a continuing difficult market environment, the construction elements activity achieved a slightly improved profit.

The Auto business unit significantly expanded its earnings, mainly as a result of higher prices and volumes. Efficiency enhancement programs also had a positive effect. All of this more than offset the higher procurement costs. Tailored blanks achieved higher income on the back of higher volumes and successful rationalization measures. Profits at the North American steel service activities rose as a result of higher volumes. The earnings of the Auto business unit also include insurance recoveries from the fire in the EBA 2 line in the previous year.

The Processing business unit again improved distinctly on its very good prior-year earnings. Profits from the tinplate operations were level with a year earlier; higher volumes and net revenues almost completely offset the significant increase in starting material prices and shipment costs. Despite declining shipments, the medium-wide strip business improved slightly on its good prior-year income. At the electrical steel activity, the positive market environment with significantly higher net revenues combined with earnings-improvement programs to achieve a substantial increase in profits.

Significant events

Steel continued its active portfolio management in the reporting period and restructured its operations in accordance with the market situation. ThyssenKrupp Tailored Blanks expanded its business, mainly in China and Sweden. Production was ceased at the Dortmund location and transferred to Duisburg and Wolfsburg.

In the Construction Elements area, further measures were resolved to adapt the structure to market requirements. The Hof and Leipzig plants are to be closed and production concentrated on the Eichen and Oldenburg plants. A new plant is to be set up in Eastern Europe to better tap the growing markets in that region.

A site optimization process has also been initiated in the Steel Service Europe business. The UK operations were sold to a management buyout at the end of the fiscal year. Presence in the expanding Eastern European market is being strengthened with a new steel service center in Poland.

ThyssenKrupp Steel disposed of its last remaining long products activity by selling the special profiles division of Hoesch Hohenlimburg.

Capital expenditures

IN DUISBURG, INVESTMENTS WERE MADE IN BLAST FURNACES AND PROCESSING CAPACITIES

The capital expenditures of the Steel segment amounted to €515 million in the reporting period, with depreciation at €571 million. At ThyssenKrupp Steel AG, the focus of investment was the modernization of the ironmaking facilities in Duisburg. The centerpiece of this is the construction of a new blast furnace 8, supported by the relining of neighboring blast furnace 9; work began in the reporting period. The total investment for the blast furnace project is €340 million. In addition, we began to expand the hot strip mills and improve our logistical infrastructure with an eye on the steel mill project in Brazil. The modernization of the cold rolling mills was completed.

Towards the end of the reporting period ThyssenKrupp Tailored Blanks opened a new plant in southern Sweden with two welding lines and a total capacity of 60,000 metric tons. Investment was also made in the world’s first tailored strip facility.

Rasselstein completed its investment projects under the forward strategy for tinplate on schedule. The facilities began full operation in March 2006. The total investment of €160 million included the building of a continuous annealing furnace, the relocation of the Dortmund coating facility and inspection line, a new finished-products warehouse as well as the creation of the necessary infrastructure. The investment has increased capacity by 20%. Hoesch Hohenlimburg mainly invested in a new slitting and packaging line, which is scheduled to go into operation at the beginning of 2007.

ThyssenKrupp Electrical Steel invested large sums in the expansion of its two plants in Gelsenkirchen and Isbergues, mainly to increase existing decarburizing capacities. In addition, the foundation stone was laid for a new decarburizing line in Gelsenkirchen. Following successful restructuring, the forward strategy for electrical steel has now been largely implemented. The measures completed in the past fiscal year will increase production capacity to 250,000 metric tons and at the same time further raise the proportion of higher-value material.

STAINLESS

Stainless in figures

		2004/2005	2005/2006
Order intake	million €	5,573	7,292
Sales	million €	5,572	6,437
ThyssenKrupp Nirosta	million €	2,554	2,682
ThyssenKrupp Acciai Speciali Terni	million €	2,095	2,505
ThyssenKrupp Mexinox	million €	472	559
Shanghai Krupp Stainless	million €	182	364
ThyssenKrupp Stainless International	million €	1,278	1,186
ThyssenKrupp VDM	million €	789	998
Consolidation	million €	(1,798)	(1,857)
Income*	million €	286	423
Employees (September 30)		12,201	12,197

All figures relate to continuing operations. * before taxes

Order intake and sales: Significant expansion of business

A STRONG MARKET REVIVAL AND INNOVATIVE PRODUCTS FURTHER BOOSTED SALES AT STAINLESS.

The Stainless segment is a leading supplier of stainless steel, nickel alloys and titanium. The strong market revival, coupled with increasingly effective base price rises in the European market and NAFTA region, the further improvement in the product range – associated with an increase in added value – as well as the passing on of increased raw material costs led to a significant expansion of business.

Order intake rose by 31% to €7.3 billion, reflecting volume and price factors. Total shipments were 10% higher than a year earlier, mainly due to increased deliveries of cold-rolled strip.

Stainless expanded its sales by 16% to €6.4 billion in the reporting period. The main reasons for this were higher customer deliveries and significantly increased base prices for stainless steel. In addition, alloy surcharges increased as a result of higher raw material costs, particularly for nickel.

The ThyssenKrupp Nirosta and ThyssenKrupp Acciai Speciali Terni business units in particular recorded high order volumes and expanded their sales significantly. Both business units profited from the sharp increase in stainless steel demand in Europe. ThyssenKrupp Acciai Speciali Terni also increased its business with end customers due to the expansion of the finishing line in Terni. Despite a fire in the Krefeld cold rolling mill, ThyssenKrupp Nirosta was able to fill most customer orders thanks to targeted redistribution within the segment.

The order situation also improved significantly at ThyssenKrupp Mexinox and Shanghai Krupp Stainless. Both business units also increased their sales. At ThyssenKrupp Mexinox, high demand in North America coupled with favorable prices had a positive impact. In addition, ThyssenKrupp Mexinox was able to further improve its market position in higher-value stainless steel products. Shanghai Krupp Stainless also achieved higher sales, mainly due to production support given to ThyssenKrupp Nirosta to minimize the fire-related losses. Despite quickening Chinese domestic demand, prices failed to reach a satisfactory level in line with the raw material price trend.

ThyssenKrupp Stainless International benefited in particular from a significant increase in service center business following the restructuring last year of the international service center network and the opening of the distribution center in Guangzhou (China).

Orders at ThyssenKrupp VDM were higher than a year earlier. This was mainly due to a much higher price level; prices increased as a result of higher demand in the aerospace, energy generation and oil and gas sectors as well as higher costs for raw materials. Sales at ThyssenKrupp VDM increased significantly.

Earnings

Profits in the Stainless segment rose by €137 million to €423 million. The increase reflected the recovery in demand which took place in almost all market segments from early 2006, accompanied by a continuous increase in base prices. This positive trend was driven by a significant increase in demand from end users and by restocking after the depletion of stocks in the previous year. The temporary and permanent production cutbacks and losses by European producers also contributed to the stabilization of prices. Earnings were impacted by the drastic rise in raw material and energy costs.

DESPITE HIGHER RAW MATERIAL COSTS, THE STAINLESS SEGMENT INCREASED ITS PROFIT TO €423 MILLION.

The German flat stainless steel business improved only slightly on its prior-year income, although higher expense from the fire damage in the Krefeld plant was offset by insurance recoveries. The profits of the Italian operations were significantly higher than a year earlier; the forging and titanium activities made a major contribution to this. In a positive market environment, the Mexican cold rolling activities matched the good earnings of the prior year. The Chinese cold rolling operation once again returned a loss, albeit significantly lower than a year earlier. Although demand is still increasing on the Asian market, and in particular in China, overcapacities are growing as well. As a result, it was not possible to offset the higher costs of raw materials through price increases. In an improving stainless market, the global service center and distribution activities returned significantly higher profits.

The nickel alloy operations achieved a substantial improvement in earnings. Key to this was the continuing strong demand from the plant engineering, aerospace, oil and gas sectors. Cost-cutting and efficiency enhancement programs also contributed to the positive performance.

Significant events

Due to a technical defect, a major fire occurred in the cold rolling mill of ThyssenKrupp Nirosta in Krefeld on June 22, 2006. Work on replacing the two production lines affected will run into the new fiscal year. In the meantime we are filling customer orders as far as possible from the production capacities of other mills.

Capital expenditures

Stainless invested €230 million in fiscal 2005/2006, with depreciation at €142 million. The main areas of investment were the expansion of processing capacities and the further optimization of our worldwide distribution structures. Significant funds were invested to modernize production equipment and extend finishing and processing capacities. The distribution network was expanded and enhanced.

ThyssenKrupp Nirosta completed the expansion of the EBOR service center in Sachsenheim that was begun in the prior year. The new production shop with cut-to-length and grinding/brushing facilities allows us to maintain our focus on the high-margin processing business, in particular supplying stainless flat products to industrial customers engaged in the manufacture of white goods such as refrigerators and washing machines.

The extensive investment program at ThyssenKrupp Acciai Speciali Terni was aimed at strengthening the stainless business, particularly at the Italian location Terni. The largest single project was an advanced 20-high cold rolling stand for the Terni mill. The stand was ordered in mid-2005 and after commissioning in October 2006 replaced two older stands. It will allow ThyssenKrupp Acciai Speciali Terni to manufacture more products with higher value-added and so increase its proportion of higher-margin end customer business. Also at Terni, construction began of a new annealing/pickling line for stainless hot-rolled strip which will have a capacity of around 650,000 tons per year and replace several existing lines. The end product is pickled hot-rolled stainless in widths up to 1,570 mm and thicknesses of 1.5 to 7.0 mm. It is intended as a starting material for our own cold rolling mills and will also be supplied to end users. Production is scheduled to begin in the 3rd quarter 2007. The conversion of the former service center CS Inox in Terni into a mill finishing department is largely complete, as is the construction of a paint line for producing stainless steel strip with the newly developed transparent coating SilverIce® UV for highly demanding applications.

At Deutsche Titan in Essen, a company in the ThyssenKrupp Acciai Speciali Terni business unit, we built a further vacuum arc furnace and thus significantly expanded our production capacity for titanium ingots.

IN MEXICO, HIGH-VALUE PRODUCTS ARE BEING ADDED TO THE RANGE.

In August 2006, ThyssenKrupp Mexinox started operation of a bright annealing line in San Luis Potosi (Mexico) which had previously been used in the Terni plant of ThyssenKrupp Acciai Speciali Terni. In the space of only 18 months the line was dismantled at its original location, shipped to Mexico, completely refurbished and rebuilt. The investment in this additional production line and the associated expansion of finishing capacities will allow ThyssenKrupp Mexinox to increase its capacities and widen its product range, particularly in the area of higher-value products. Annual production will increase by around 30,000 to roughly 250,000 metric tons of stainless cold-rolled. This measure will significantly strengthen our position on the important stainless steel markets in Central and particularly North America.

ThyssenKrupp VDM intends to expand in highly profitable segments of the nickel alloy market, particularly in superalloys, i.e. high-performance materials with special corrosion and heat resistance properties. As part of this, remelting capacities in the Unna mill are being expanded. To reduce our dependence on outside manufacturers in the long products area, we are also building a new forging line at this location. The new line will start operation in 2008.

AUTOMOTIVE

Automotive in figures

		2004/2005	2005/2006
Order intake	million €	8,128	7,868
Sales	million €	7,867	8,045
Body	million €	2,866	2,853
Chassis	million €	3,459	3,657
Powertrain	million €	1,700	1,679
Consolidation	million €	(158)	(144)
Income*	million €	118	(174)
Employees (September 30)		43,537	39,446

All figures relate to continuing operations. * before taxes

Order intake and sales: Market environment difficult

As an international partner to the automobile industry, the Automotive segment develops and produces innovative components and systems for the chassis, body and powertrain areas. This market is in a phase of upheaval worldwide. Rising raw material and energy costs cannot be passed on to customers in full if at all in a highly competitive market. In North America, suppliers as well as traditional auto manufacturers are in the middle of a radical restructuring and downsizing process. In Europe, suppliers are under major pressure from manufacturers to further reduce costs. In Brazil, vehicle exports were made more difficult by the significant increase in value of the Brazilian real. Competition also intensified in growing markets such as China. The need to gain market share is increasing pressure on the prices of vehicles and vehicle part suppliers.

THE MARKET ENVIRONMENT IMPACTED BUSINESS IN THE AUTOMOTIVE SEGMENT.

This market environment also impacted the performance of Automotive, particularly its earnings. Order intake decreased by 3% to €7.9 billion. Sales were slightly higher than the prior year at €8.0 billion, due to significant growth in the systems business, additional volumes and price-related growth at the North American foundries as well as increased sales from ongoing contracts. In addition, new production lines began operation in a large number of Automotive companies.

In the Body business unit, sales in 2005/2006 were almost level with the previous year at €2.9 billion. The North American foundries of ThyssenKrupp Waupaca benefited from continuing strong demand for trucks. Demand was particularly strong for products for medium and heavy trucks as well as construction and agricultural equipment. ThyssenKrupp Umformtechnik began production of stampings for a new van and a luxury class vehicle. Sales of the Body business units were severely impacted by the collapse in demand for sport utility vehicles, previously very popular in the USA. This resulted in significant volume decreases in the North American stamping plants. Business at ThyssenKrupp Sofedit was impacted by lower demand from French automobile manufacturers. The decrease in sales at ThyssenKrupp Drauz Nothelfer was due to lower market volumes as well as stiffer competition on the European production equipment market.

The Chassis business unit increased its sales by 6% to €3.7 billion in the reporting period. This pleasing development was due among other things to a significant increase in systems business. As well as the start of production of axle assembly plants in Leipzig and Mexico, the three plants of ThyssenKrupp Budd Systems in London, Columbia and Fowlerville recorded significantly higher orders. At ThyssenKrupp Umformtechnik, ThyssenKrupp Presta SteerTec USA and ThyssenKrupp Bilstein Suspension, new orders from various German auto manufacturers went into production. ThyssenKrupp Tallent Chassis also reported increasing order numbers. Sales of the business unit were adversely impacted by lower orders from US manufacturers in particular. Divestments also had a negative effect on sales.

The Powertrain business unit achieved sales of €1.7 billion. Favorable factors were the start of production on various crankshaft and camshaft orders, price increases in South America, and exchange rate effects. In the Transmission & Driveline Components business, numerous programs were launched for German, French and American auto manufacturers. Lower truck output and massive competition in the area of 4-cylinder car crankshafts had a negative impact on sales.

Earnings

The Automotive segment returned a loss of €174 million, compared with a profit of €118 million a year earlier. The loss was mainly due to restructuring expense and impairment charges on goodwill and property, plant and equipment. The impairment charges resulted primarily from the initiation of the disposal of the North American body and chassis business, but also from the deterioration in the situation in Germany for body lines and tool/die making. Non-recurring expense for restructuring and impairment charges amounted to €339 million. This was set against disposal gains of €35 million.

Operating profits in the Body business unit, i.e. disregarding non-recurring expense, fell short of the prior-year level. This was mainly due to declining workloads at the North American and French stamping plants and higher scrap prices at the American foundries.

The Chassis business unit increased its operating income, thanks to improved operating performances at the British stamping plants and in the areas of steering and suspension.

The Powertrain business unit failed to match the high operating earnings of the previous year. Profits were impacted by the development of the exchange rate for the Brazilian real against the US dollar.

Significant events

AUTOMOTIVE CONTINUED ITS PORTFOLIO OPTIMIZATION IN 2005/2006.

The Automotive segment further optimized its portfolio in 2005/2006. In the USA, the plastics plants and the ThyssenKrupp Stahl Company aluminum foundry were sold. The closure of the Detroit plant of ThyssenKrupp Budd began on September 30, 2006. In addition, the operations of Aluminiumfeinguss

Soest are no longer part of the portfolio. On the other hand there were various acquisitions. We increased our shareholding in Liaoyang KS Automotive Spring, a manufacturer of coil springs, from 30% to 60%. In addition, we purchased the remaining shares in ThyssenKrupp Presta SteerTec held by DaimlerChrysler.

The operations of the Automotive segment are being realigned. The reasons for this are the well-known restructuring requirements of the body and chassis business, especially in North America. On October 16, 2006, an agreement was signed to sell the North American body and chassis operations with sales of around €1 billion and 3,500 employees to the Canadian company Martinrea International, Ontario.

THE NORTH AMERICAN BODY AND CHASSIS BUSINESS WAS SOLD IN OCTOBER 2006.

Capital expenditures

Automotive invested €448 million in the reporting period, with depreciation at €323 million. The focus was again on capacity adjustments to meet new customer orders. In the Body business unit, welding capacities in the UK were expanded to fill an order for stampings and welded parts from a Japanese auto manufacturer. ThyssenKrupp Waupaca expanded its melting capacities in the USA to permit further sales growth. In France, ThyssenKrupp Sofedit increased its capacities with a second hot stamping line. At ThyssenKrupp Umformtechnik, a newly built body stamping plant began operation in Bielefeld, while in Ludwigsfelde investment was carried out to expand the stamping and assembly lines.

In the Chassis business unit, the welding, stamping and assembly lines were adapted to meet new orders. ThyssenKrupp Automotive Tallent expanded its welding and assembly capacities in the UK for the production of front and rear axle components of a large car platform. In Germany, ThyssenKrupp Umformformtechnik began building new production lines for subframes and control arms. In India, stamping capacities for the Asian market are being expanded. ThyssenKrupp Automotive Systems invested in new production lines for the manufacture of axle components in Brazil. ThyssenKrupp Presta also adapted and expanded its production lines to meet new orders for steering columns and steering gears. ThyssenKrupp Bilstein did likewise for the production of shock absorbers, stabilizers and springs.

In the Powertrain business unit, ThyssenKrupp Gerlach modernized and expanded its production capacities for forged crankshafts. An induction hardening facility is being built for the production of large crankshafts. Investment was also carried out in North America and Brazil to increase crankshaft production capacity. We are setting up a company with a partner in China to move into the production of forged truck crankshafts on the Asian continent. ThyssenKrupp Presta invested in new production lines to meet orders for assembled crankshafts. A new assembly and grinding facility is being set up at the Chemnitz location. ThyssenKrupp Präzisionsschmiede also expanded its production capacities to meet encouragingly high demand for warm forged differential bevel gears.

TECHNOLOGIES

Technologies in figures

		2004/2005	2005/2006
Order intake	million €	5,643	7,968
Sales	million €	5,765	6,012
Plant Technology	million €	2,223	2,266
Marine Systems	million €	1,674	1,932
Mechanical Engineering	million €	1,865	1,810
Transrapid	million €	21	17
Consolidation	million €	(18)	(13)
Income*	million €	40	357
Employees (September 30)		28,042	27,492

All figures relate to continuing operations. * before taxes

TECHNOLOGIES ENJOYS SUCCESS ON THE WORLD MARKET WITH HIGH-TECH PRODUCTS.

Order intake and sales: On profitable growth track with leading-edge technology

The Technologies segment is a high-tech engineering group which holds leading market positions worldwide and boasts innovative system and engineering expertise. Its capabilities are focused on systems, plants and components as well as associated services. The market environment in the reporting period was favorable. Order intake totaled €8.0 billion, up 41% from the prior year. Sales increased significantly by 4% to €6.0 billion. The order backlog at the end of the reporting period was €10.7 billion, 19% higher than a year earlier.

The Plant Technology business unit recorded strong growth in orders, due above all to stable raw material demand worldwide. The foreign markets continued to show high growth. Thanks to the price trend in crude oil and gas, countries in the Middle East were able to push ahead with investments in the industrial sector. The business unit also profited from rising demand for its technologies for oil sands mining projects. Sales at Plant Technology were again at a high level, reflecting above all significant growth in cement plants and materials handling/mining equipment.

Marine Systems also increased its order intake significantly from the prior year. The business unit won several large contracts, including a submarine modernization contract for Singapore as well as orders for two mega yachts and numerous container ships. Sales increased substantially due to the inclusion of the HWD group for the full fiscal year. In addition, sales from existing orders were higher and the volume of repair business also increased.

Order intake at Mechanical Engineering decreased, but only as a result of disposals. Excluding these, orders increased significantly. The business unit benefited from continuing high demand for construction equipment and general engineering components. Business in large-diameter bearings for wind turbines was again at a high level. High raw material costs had a negative effect. Sales were slightly lower than a year earlier due to disposals. Excluding these, however, sales showed a pleasing increase. The positive trend in large-diameter bearings and construction equipment components played a major part in this.

The order situation in the Transrapid business unit improved. Activity focused on the planned extension of the Transrapid line in Shanghai and the 37-kilometer Transrapid link from Franz-Josef-Strauß Airport to Munich Central Station. Sales were level with the prior year.

Earnings

ALL BUSINESS UNITS IMPROVED THEIR EARNINGS IN THE TECHNOLOGIES SEGMENT.

The Technologies segment increased its income from continuing activities before taxes by €317 million to €357 million. All business units achieved significant improvements in their operating earnings. The disposal of low-profit areas in fiscal years 2004/2005 and 2005/2006 also had a positive effect. The MetalCutting business unit sold in October 2005 is included in discontinued operations; the prior-year comparative figures have been adjusted accordingly.

The Plant Technology business unit generated a nine-figure profit. This significant increase was based on improved earnings from orders, higher sales of cement plants and materials handling equipment and the absence of restructuring expenses which impacted negatively on the previous year. In addition, the fair value recognition of currency hedges had a positive effect. The overall situation for foreign projects in the plant and mechanical engineering activities was very good thanks to strong demand for raw materials, energy and petrochemical feedstocks. All operating groups in the Plant Technology unit benefited from this.

Marine Systems also returned significantly higher earnings. Positive effects came from the absence of restructuring expenses, which impacted the prior year, higher sales from orders in hand, increased capacity utilization and a greater volume of repair business.

Mechanical Engineering increased its profit into the three-figure millions and thus provided the biggest contribution to the earnings of the Technologies segment. This was partly due to high capacity utilization as a result of stronger demand, but also to the elimination of loss-making areas and the absence of expenses from the fair value recognition of currency hedges which impacted the prior year.

The Transrapid business significantly reduced its losses to an amount in the single-figure millions, mainly due to lower restructuring expense and lower depreciation.

Significant events

Technologies acquired 60% of Atlas Elektronik, which will be run jointly with EADS in the future. As a leading electronics and systems company, Atlas Elektronik specializes in equipment and systems for naval forces. The company employs 1,750 people and has a balanced technology base and a product range for submarines and surface ships. It is regarded as one of the market leaders in the development of integrated sonar systems for submarines and is a longstanding supplier to, and systems partner of, ThyssenKrupp Marine Systems.

As well as acquisitions, Technologies also disposed of non-core operations in the reporting period. The Noske-Kaeser group and the steam turbine business of B + V Industrietechnik were sold.

Capital expenditures

Technologies invested €300 million in the reporting period; depreciation amounted to €134 million. The spending focused on programs to increase the efficiency of production processes. At Berco in the Mechanical Engineering business unit, the rationalization of roller assembly was continued with the commissioning of highly automated assembly lines. Other major projects were mainly aimed at increasing capacities.

THE LARGEST LATHE IN NORTHERN EUROPE WAS INSTALLED AT THE HAMBURG SHIPYARD.

The Marine Systems business unit completed a ship repair center in Emden. The largest lathe in northern Europe was installed at the Hamburg site; it can machine workpieces up to 20 meters long and up to three meters in diameter. Hellenic Shipyards in Skaramanga, Greece, invested in two shipyard cranes to create the conditions for repair business and modular construction in the newbuilding business.

The Mechanical Engineering business unit continued the strategic expansion of large-diameter bearing production in the reporting period and began building up a ring rolling mill in China.

ELEVATOR

Elevator in figures

		2004/2005	**2005/2006**
Order intake	million €	4,151	4,690
Sales	million €	3,773	4,298
Central/Eastern/Northern Europe	million €	1,209	1,282
Southern Europe/Africa/Middle East	million €	498	571
Americas	million €	1,485	1,804
Asia/Pacific	million €	419	453
Escalators/Passenger Boarding Bridges	million €	247	306
Accessibility	million €	134	167
Consolidation	million €	(219)	(285)
Income*	million €	355	391
Employees (September 30)		34,151	36,247

All figures relate to continuing operations. * before taxes

Order intake and sales: Market presence further expanded

The product range of the Elevator segment includes elevators, escalators, moving walks, passenger boarding bridges as well as accessibility products for the elderly and disabled such as stair and platform lifts. The company further expanded its market presence in all areas in the reporting period. Following the large orders in previous years, the focus this time was more on small and medium-sized orders. In sum they resulted in another successful year. Order intake increased significantly by 13% to €4.7 billion, while sales increased by 14% to €4.3 billion.

This encouraging performance was due among other things to the implementation of our cross-selling strategy. Cross-selling is based on leveraging customer satisfaction to create demand for other products offered by the segment. This strategy has led to positive results in the airport sector in particular where we are strongly represented in several product areas

The Central/Eastern/Northern Europe business unit again achieved higher order intake and sales. The increase was mainly due to the activities in the United Kingdom, France, the Benelux countries and Eastern Europe. Despite continuing price pressure, the other markets recorded a stable business trend. In Switzerland, the first-time inclusion of Trapo Küng had a positive effect.

The Southern Europe/Africa/Middle East business unit achieved significant growth in sales. Order intake was lower due to the major orders received for Dubai Airport in the previous year. Excluding this effect, order intake increased, particularly as a result of new infrastructure projects in Spain. In the other markets, the volume of business was maintained or slightly increased, except in Portugal, where the realignment of the new installations business resulted in a decrease.

Strong growth in both order intake and sales was recorded by the Americas business unit. All regions contributed to this, with the new installations business in North America being particularly successful. In addition, the modernization and the service operations were further expanded. Exchange rate factors had a positive impact.

In the Asia/Pacific business unit, order intake and sales were significantly higher than a year earlier. Exchange rate developments also had a positive effect here. In China, the business trend was again upward. The market environment in South Korea remained difficult. Higher service sales were unable to offset weaker sales of new equipment. The operations in Australia, India and Southeast Asia further expanded their business volume, among other things due to the inclusion for the first time of the Indonesian and Taiwanese companies.

The Escalators/Passenger Boarding Bridges business unit showed strong growth in order intake and sales. The escalator business profited in particular from the positive new installations trend, but the volume of business in passenger boarding bridges was also higher than a year earlier as a result of growth in air traffic.

GROWTH IN AIR TRAFFIC BOOSTED DEMAND FOR PASSENGER BOARDING BRIDGES.

The Accessibility business unit recorded substantial growth in both orders and sales. All of the operations in Europe and North America contributed to this. The effect was reinforced by the first-time inclusion of Ceteco in Italy and the addition of the accessibility operations in Spain and Norway which were previously supported by the elevator organization. The operations in the UK were sold.

Earnings

The Elevator segment achieved a profit of €391 million, compared with €355 million a year earlier. Income in the Central/Eastern/Northern Europe business unit decreased slightly due to lower earnings from the new installations business. This was countered by efficiency improvements and higher workloads at all the European production plants. The newly acquired activity in Switzerland also made a positive contribution.

The Southern Europe/Africa/Middle East business unit improved on its prior-year profits. In Spain, the business unit achieved significantly higher earnings, while all other regions matched their good prior-year performance despite increasing price pressure. There were also positive contributions to income from the newly acquired companies in Italy and Egypt, which were included for the first time, and the absence of expense for the valuation of currency derivatives, which impacted the previous year's figures.

The Americas business unit returned substantially higher profits. Growth in North America was mainly driven by efficiency enhancements, especially in the production area, and the systematic expansion of the service business. The Latin American activities, particularly in Brazil, also achieved significant earnings improvements. The higher average value of the US dollar also resulted in translation gains.

The Asia/Pacific business unit returned a loss in the reporting period due to developments in South Korea: sharply increased competition in the new installations market resulted in a significant decline in earnings. An extensive restructuring program also impacted income. By contrast, the activities in China, India and Southeast Asia returned higher profits. The newly acquired Taiwanese activities also made a positive earnings contribution.

The Escalators/Passenger Boarding Bridges business unit achieved a higher profit. The escalator activities matched their prior-year performance. Passenger boarding bridge construction benefited from the significant growth in air traffic. The absence of expense for currency hedges, which had a negative impact a year earlier, also contributed to the earnings improvement.

The Accessibility business unit achieved a sharp increase in income, with contributions from both the European and the North American activities. Added to this came positive earnings contributions from a newly acquired Italian company.

Significant events

ACQUISITIONS IN THE USA, ASIA AND EUROPE ENSURED HIGHER SALES AT ELEVATOR.

Several acquisitions contributed to the growth of the Elevator segment in 2005/2006. In the US state of Florida, our modernization and service operations were expanded with the acquisition of Atlantic Elevator Sales & Service. ThyssenKrupp Elevator now has its own market presence in Taiwan following the acquisition of Sun Rhine Enterprises at the end of 2005.

The growth strategy was also continued in Italy with the acquisition of SIAR, a company specializing in maintenance and service. Our first Serbian subsidiary, ThyssenKrupp Elevatori Serbien, began operation in Belgrade.

The segment strengthened its market position in passenger boarding bridges in South America, Europe and North Africa with the acquisition of the TEAM companies in Italy and the UK and of Trabosa in Spain. The Accessibility business unit set up a subsidiary in Portugal, ThyssenKrupp Acessibilidades, Unipessoal.

Capital expenditures

Capital expenditures in the Elevator segment amounted to €164 million, with depreciation at €52 million. Spending on property, plant and equipment focused mainly on maintaining existing operations. In addition, a factory was built in Zhongshan, China, to produce escalators and passenger boarding bridges. However the majority of the investment went on acquiring shareholdings and numerous smaller service packages in various countries.

SERVICES

Services in figures

		2004/2005	2005/2006
Order intake	million €	12,655	14,602
Sales	million €	12,678	14,204
Materials Services Europe	million €	5,773	6,449
Materials Services North America	million €	1,779	2,330
Industrial Services	million €	1,390	1,716
Special Products	million €	3,536	3,650
Discontinued operations/Consolidation	million €	200	59
Income*	million €	261	482
Employees (September 30)		35,067	40,163

All figures relate to continuing operations. * before taxes

Order intake and sales: Record results

The Services segment is focused on material and process services for the production and manufacturing industries. Successful portfolio optimization, efficiency increases and sales initiatives combined with a much improved raw and industrial material market made fiscal 2005/2006 a record year. Sales were 12% higher at €14.2 billion. All the companies and operations established or acquired in the reporting period performed well and contributed to the success.

The Materials Services Europe business unit bettered its strong prior-year figures. Sales increased by 12%. Thanks to good customer and supplier relationships and a sophisticated warehouse and logistics organization, business in material services was very successful. Levels of capacity utilization in key sectors such as engineering, plant construction and the automotive supply industry were very high. In Germany, integrated supplies of products and services performed very well. The operations in France continued to perform at a high level. In Spain and Portugal, too, we equaled our prior-year figures. Sales in Eastern Europe showed a rising trend, above all in Hungary, Poland and the Czech Republic. There were demand overhangs in almost all product areas. Due to the strong demand delivery times on the procurement side increased drastically and sales prices rose substantially, particularly for stainless steel, nonferrous metals and rolled steel.

GOOD CUSTOMER AND SUPPLIER RELATIONSHIPS ARE THE KEY TO SUCCESSFUL BUSINESS.

The growth in the NAFTA region was even more pronounced than in Europe. The Materials Services North America business unit increased its sales by 31% through internal and external growth, and further strengthened its position on the market. New performance programs and acquisitions were very successful. Despite the slowing US economy, demand increased in all sectors relevant to the business unit. As in Europe, prices rose sharply for rolled steel, stainless steel and tubular products and especially for nonferrous metals.

The fast growing US materials market was likewise the main reason for the 24% sales increase in the Industrial Services business unit, which also performed well in the highly fragmented European market. In Scandinavia, capital spending by the petrochemical industry contributed to a significant increase in business. Sales initiatives to win new customers and improve customer penetration had a pleasing effect, as did the first-time inclusion of the new companies ThyssenKrupp Xervon Energy and RIP in Brazil. The operations in Germany also recorded growth. The in-plant logistics and production support operating groups were further expanded. The energy sector was a major customer. By contrast, the construction-related operations suffered from the weak state of the German market and low public spending; however this was offset by the continuing outsourcing trend.

Sales of the Special Products business unit improved 3% from the high level of the prior year. The raw materials and in particular the engineering operations made significant progress with numerous new projects. Key factors in this were a pleasing level of domestic business, a strong increase in exports and a continuing sharp focus on customer-specific services and integrated solutions. Sales of rolled steel in the Far East were down from the extremely high level of the prior year. On the other hand, tubular products performed very well with numerous new contracts. Sales here were much higher than a year earlier. Technical trading benefited from a very good level of business, including in the offshore area. The alloy and metal distribution business also performed well. Sales of Chinese blast furnace and foundry coke and of coal were slightly weaker. Prices for imported coke from China as well as freight rates decreased significantly compared with the prior year.

Earnings

SERVICES ALMOST DOUBLED ITS PROFITS, MAINLY THROUGH OPERATING IMPROVEMENTS.

The Services segment reported earnings of €482 million, up €221 million from a year earlier. In addition to improvements at operating level, the absence of now-sold loss-making areas also had a positive effect.

The Materials Services Europe business unit, which also includes the South American and Asia businesses currently being built up, made the biggest contribution to income, improving significantly on the very good profit of the previous year. Key to this was a substantial recovery on the global materials markets, resulting in a demand overhang in many product areas with drastic price increases. This applied to rolled steel, stainless steel, tubular products and in particular nonferrous metals. The further expansion of business in Eastern Europe and the success of the performance programs initiated in all areas also had a major influence.

The largest increase in profit was achieved by the Materials Services North America business unit. Earnings almost trebled as a result of the product range, with a very high share of non-ferrous metals, the targeted expansion of sales activities and the successful integration of new companies. Higher supplies of titanium and aluminum products to the booming aerospace industry also contributed to the earnings improvement.

The Industrial Services business unit achieved slight income growth. While the service business in North America more than doubled its profits, the unit was impacted by non-recurring charges for restructuring. This affected above all the process industry division in Germany, while the companies working for the metal industry and manufacturing sector achieved higher profits.

The Special Products business unit achieved a further significant improvement on its high prior-year earnings. All areas increased their profit contributions, and further gains came from the disposal of businesses.

Significant events

MATERIAL AND PROCESS SERVICES TO BE MORE STRONGLY INTEGRATED.

Services completed its extensive portfolio streamlining program in the reporting period with the sale of the Hommel group and Krupp Druckereibetriebe. At the same time it added significantly to its activities, especially outside Germany. The main acquisitions centered on the further expansion of the US and Eastern European operations. Activities were also strengthened in South America, Germany and Asia. The aim was to further integrate materials services – for example processing, warehouse and inventory management, logistics, supply chain management – with industrial process services. The technical systems business was also further expanded.

In the area of materials services, the segment acquired 80% of Jupiter Stomana in Bulgaria. Under the new name ThyssenKrupp Jupiter Stomana the company will rapidly expand its warehouse and service business for rolled steel and tubular products. Stainless steel and nonferrous metals are to be added to the range. Services strengthened its capabilities in the UK with the acquisition of Metalfast. The company offers services in the area of aluminum and has various warehouse and processing sites. In China, the segment established the materials services provider ThyssenKrupp Materials Shanghai together with a local partner.

In Europe and North America, Services will acquire the aerospace service business of Alcoa. The segment is thus expanding its activities in the distribution and warehousing of aluminum materials to include high-quality processing services for aircraft manufacturers. We strengthened our position in copper and brass distribution in Canada with the acquisition of the operations of VPK Metals. In addition, the industrial service, warehouse and logistics operations of the Hearn group in the USA and Canada were acquired.

In Brazil, Services acquired majority shareholdings in the industrial service providers RIP Serviços Industriais and RIP Comércio. RIP provides fire-proof coating, insulation, corrosion protection and scaffold services primarily for the chemical, petrochemical, aluminum, paper, energy and mining sectors. In Germany, the industrial services operations were expanded with the acquisition of the German service companies of the Standardkessel group. The companies, now trading under the name ThyssenKrupp Xervon Energy, specialize in energy plant, power plant and incinerator services as well as the refractory lining of boilers.

Capital expenditures

Capital expenditures in the Services segment amounted to €393 million, with depreciation at €128 million. In the growing Polish market Services invested in the expansion of a new service center for materials, the largest of its kind in Eastern Europe with a warehouse area of roughly 70,000 square meters. In Germany, the track engineering business invested in a rail welding plant and a facility for reconditioning and reprofiling used rails. The remaining investment focused on maintaining existing operations, opening up new sales channels and acquiring patents. Other important areas were the expansion, modernization and process optimization of the warehouse business, particularly in Germany, North America and Asia.

CORPORATE

CORPORATE INCLUDES VARIOUS SERVICE AND NATIONAL HOLDING COMPANIES.

Corporate embraces the Group's head office including financial and insurance service providers as well as other service companies and the national holding companies. Following the sale of the residential real estate business, Corporate Real Estate Management is now also included in Corporate. Sales at Corporate were €148 million, compared with €138 million in the prior year.

Expenditure in the reporting period amounted to €230 million before taxes, an improvement of €152 million from the prior year. This comparison does not include the non-recurring charge allocated to Corporate in the prior year in connection with the revaluation of the investment in RAG Aktiengesellschaft. The improvement is mainly due to the receipt in the 2nd quarter of the €153 million Dofasco break-up fee. The consulting costs incurred in this connection are also included in the results of Corporate. Other changes compared with 2004/2005 largely balance out. These include higher communications costs and costs for supporting research and development projects. Set against this were lower interest expense, lower pension costs and the absence of charges for risk provisions in the previous year. Net interest expense improved by €92 million to €(142) million. This was due to the elimination of net financial debt and a further decline in interest expense for pension obligations.

INNOVATIONS

Innovations are the engine of our Group. They drive business, open up new product and service areas and manufacturing processes, and keep the Company fit for the future.

MORE THAN €740 MILLION FOR RESEARCH AND DEVELOPMENT

ThyssenKrupp increased its research and development spending to €743 million in 2005/2006. €241 million was spent on basic research and development projects – including capitalized development costs –, significantly more than a year earlier. Customer-related development projects accounted for €230 million and technical quality assurance for €272 million. Roughly a third of the spending on basic R&D was carried out outside Germany.

Research and development spending in million €

	2001/2002	2002/2003	2003/2004	2004/2005	**2005/2006**
Basic research and development	191	183	191	186	241
Customer-related development*	156	156	182	266	230
Technical quality assurance	294	290	275	281	272
Total	**641**	**629**	**648**	**733**	**743**

* including outside R&D funds and public funding

THE TU BERGAKADEMIE FREIBERG IS A NEW PARTNER UNIVERSITY FOR OUR GROUP.

The Group's 85 international development centers employ over 3,300 people. Most of our scientists and engineers are specialized in materials, production, process and electrical engineering. We work closely with universities and research institutes in Europe, Asia and the USA to solve research and development tasks jointly. Our researchers and developers cooperate particularly intensively with the Group's partner universities in Aachen, Berlin, Bochum, Dortmund, Dresden, Hamburg-Harburg and with Tongji University in Shanghai. In October 2006 the Technical University Bergakademie Freiberg was added to this list. As well as many contacts at working level, a regular exchange of knowledge and staff takes place with all partner universities.

We have created a competency network in the Group to better utilize the Group's materials expertise. Almost 900 materials-related themes are already integrated in the network. Specialized contacts are available for further issues.

OUTSTANDING INNOVATION PROJECTS

In all segments of the Group development teams have created new products and processes which will contribute to ThyssenKrupp's market success in the coming years. We carried out over 2,000 projects with external university and research partners in the reporting period, mainly focused on innovations in the areas of materials and surface technology.

Steel innovations for the highest demands

In the field of materials our experts came up with many forward-looking product developments in the reporting period. Tribond is the name of a new three-layer steel composite material which researchers from the Steel segment developed in close collaboration with a customer. It combines the properties of different steel grades, is very hard and resistant to wear, and is nevertheless easy to form. These properties are important for example in the engineering sector and in car manufacture. The new material won 3rd prize in the 2006 ThyssenKrupp Innovation Contest.

OUR CONTROL SYSTEM FOR LASER WELDING LINES WON AN INNOVATION AWARD.

As part of a European research project the Dortmunder OberflächenCentrum DOC® developed new steel-based solar thermal collectors to utilize the heat of the sun. They can be used to heat up service water or heat buildings. In the future collectors like these could be fitted on houses in the form of facade elements.

A unique new pilot facility at Steel manufactures tubes incorporating varying cross sections and secondary design elements. The tubes are very close to final part shape and will allow auto manufacturers to eliminate complete production steps.

A precision control system for laser welding lines developed by us won an innovation award for laser technology. The control system makes it possible to position the laser welding head more precisely and allows higher speeds during welding. The innovation is used in the production of engineered blanks, a variant of tailored blanks featuring non-linear welds. Made up of individual sheets of different strength, thickness and finish, these blanks are processed into body and chassis parts in the stamping shops of automotive OEMs and can be tailored exactly to the actual stresses in the finished part.

High-performance stainless steels and nickel alloys

One focus of innovation in the Stainless segment is the development of new surface finishes offering enhanced appearance and functionality. One such finish is Nirosta GritLine, which is comparable with the already established Rolled-On finish marketed by ThyssenKrupp Mexinox. It is an embossed finish which resembles popular polished finishes. The unbroken surface offers aggressive media less opportunity for attack and allows the use of less expensive base materials in many cases.

Outstanding among the new stainless steel finishes is the transparent coating SilverIce® UV. It makes stainless steel surfaces less sensitive to fingerprints, more resistant to scratches and easier to clean. It can be used to protect trim panels which have to meet high quality requirements. The product has already established itself successfully on the market. SilverIce® UV won 2nd prize in the 2006 ThyssenKrupp Innovation Contest.

Our new and improved nickel alloys are intended for the fast-growing aerospace and energy sectors. These high-performance materials are particularly resistant to corrosion and heat and are used for example for rotating parts in aircraft engines and land-based turbines. Material development work looks into the behavior of such superalloys in steam power plants operating at temperatures of 700ºC, much higher than conventional thermal power plants.

In response to continuing high prices for raw materials, especially nickel, new materials have been developed which offer comparable corrosion resistance and strength with lower nickel contents. Despite dispensing with nickel, one of these stainless steel grades is more suitable for chemical process equipment than previously used materials.

LIZA makes car manufacture faster

The materials competencies and automobile expertise of ThyssenKrupp come together in the LIZA Lightweight Design and Innovation Center in Bochum, run since its establishment in 2005 by the Automotive and Steel segments. Among other things LIZA is the consortium leader of a European project aimed at developing the 5-day car – building a car in only five days from order to delivery. One key technology in this EU-funded project is a new, highly flexible modular body concept.

Automotive won joint 2nd prize in the 2006 ThyssenKrupp Innovation Contest for a technically simple, low-cost steering column system based on electronically controlled components. In a crash the steering system adapts individually to loads and offers the driver maximum protection irrespective of seat position and weight. This cost-optimized solution based on magnetorheological elastomers can be used in virtually all cars. Iron particles are embedded in elastically deformable polymers and controlled by magnetic fields so that they build up friction instantaneously and in this way absorb crash forces.

Further advances in fuel cells

FUEL CELL TECHNOLOGY MAKING SIGNIFICANT PROGRESS IN MARINE ENGINEERING.

Our marine engineers are driving fuel cell technology forward and have made key improvements to the methanol reformer system, in which hydrogen is recovered from methanol. They are also looking into the use of fiber composites in fin stabilizers, which reduce rolling of a ship in heavy seas. Advances have also been made in fin shape and design. The first prototypes will be tested at the end of 2006.

The Technologies segment won a US innovation award for the development and successful large-scale implementation of a new extractive distillation plant for recovering pure aromatics. The plant, which separates a mixture into its components through the addition of a solvent, offers customers the advantage of significantly lower capital and operating costs. The development of new and improved equipment for optimized oil sands mining also pursued the aim of greater cost efficiency.

New global elevator

“synergy” will be the name of the Elevator segment’s first global machine room-less elevator. Thanks to standardized components, elevators can be planned quickly, produced at low cost and adapted easily to local requirements. The Synergy is ideal for residential buildings as well as for office properties. It has compact shaft dimensions; in Germany for example the system will also be available with reduced overhead and pit depths. Compared with hydraulic elevators its energy use is also low.

We have delivered the first machines of the newly developed type SF1000 to the 492 meter Shanghai World Financial Center. In September 2006 our technicians began building four double-deck elevators. Each designed to carry 2 x 2,000 kg, the elevators can travel at up to ten meters per second (approx. 36 km/h). They are scheduled to go into operation in early 2008. Another new development is an electronic speed governor. It offers the same reliability as its mechanical predecessor but requires less space, is quieter in operation and is more suitable for high speeds. An electronic sensor detects whether a car is traveling faster than its maximum speed. If so, safety devices are activated which brake the car and bring it to a halt.

Innovative supply chain management

For a major aircraft manufacturer in the USA the Services segment developed an "Integrated Supply Chain Services for Industrial Materials" program which came joint 3rd in the 2006 ThyssenKrupp Innovation Contest. It includes the development, installation and operation of a global customer-specific service center program. We have taken on the customer's complete supply chain management for aluminum and titanium materials including warehousing, processing, quality assurance and added-value logistics services. These services can also be used for customers in other sectors to manage material procurement, logistics and processing.

INNOVATION CONTEST: ONE IN FOUR ENTRANTS FROM OUTSIDE GERMANY

TO DATE, ALMOST 300 PROJECTS HAVE BEEN ENTERED IN THE INNOVATION CONTEST.

The seventh ThyssenKrupp Innovation Contest took place in the reporting period. The contest is held annually to recognize development projects which combine a high degree of innovation with market potential and customer value. So far, a total of 279 development teams have taken part with their ideas. Roughly a quarter of them came from Group companies outside Germany. New and improved industrial products accounted for 53% of all entries, improvements in services for 27%, and innovative production technologies for 20%. The high number of entries underlines the innovative strength of ThyssenKrupp. The winner of the 2006 Innovation Contest was the Marine Systems business unit, which was awarded 1st prize for its air-independent submarine propulsion systems.

EMPLOYEES

For customers and business partners, the image of the Group is shaped by our roughly 188,000 employees with their personal commitment and readiness to take on responsibility. In their individual areas of activity they contribute to the success of our Company worldwide. The future prospects of a company are decided in the minds of its employees.

NUMBER OF EMPLOYEES INCREASED

Employees by segment

	Sept. 30, 2005	Sept. 30, 2006
Steel	31,634	30,647
Stainless	12,201	12,197
Automotive	43,537	39,446
Technologies	28,042	27,492
Elevator	34,151	36,247
Services	35,067	40,163
Corporate	1,300	1,394
Group	**185,932**	**187,586**

The number of employees increased in the year under review. On September 30, 2006 ThyssenKrupp employed 187,586 people worldwide, 1,654 more than a year earlier. The almost 1% increase was mainly attributable to the first-time inclusion of the RIP group in Brazil in the Services segment. In the Elevator segment the headcount rose as a result of the business expansion. At Automotive the workforce decreased in particular in the framework of the ongoing restructuring measures in the American automotive supply business.

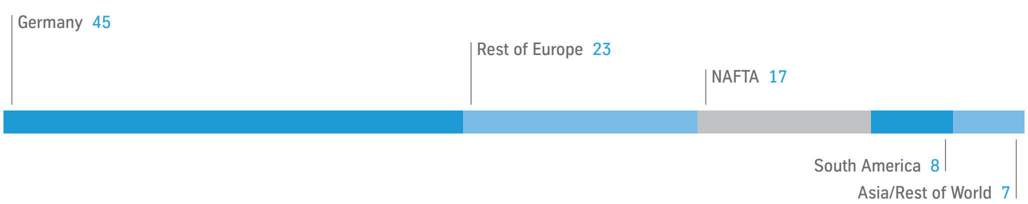
The number of employees decreased in Germany by 3,089 to 84,052, but increased outside Germany by 4,743 to 103,534. At the end of September 2006, 45% of employees were based in Germany, 13% in the USA, 7% in Brazil, and 6% in France. The remaining 29% of employees work in a total of 55 countries.

THE NUMBER OF EMPLOYEES INCREASED OUTSIDE GERMANY AND DECREASED IN GERMANY.

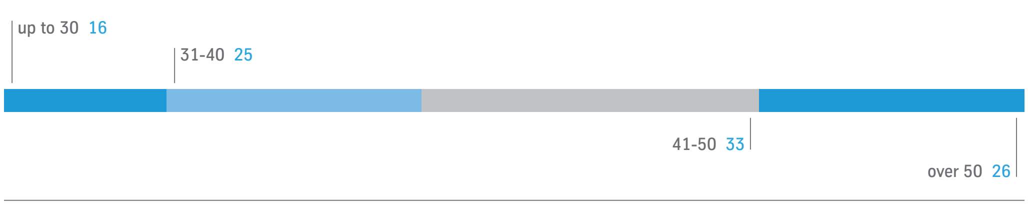
Employees by region

	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2006
Europe	141,336	141,508	135,178	130,418	128,113
NAFTA	34,697	32,318	32,204	33,872	32,622
South America	7,933	8,707	9,846	10,474	13,618
Asia/Rest of World	7,288	7,569	9,808	11,168	13,233
World	**191,254**	**190,102**	**187,036**	**185,932**	**187,586**

Employees by region on September 30, 2006 in %



Age structure of the German workforce Share of employees by age group on Sept. 30, 2006 in %



The average age of employees in Germany at the end of the fiscal year was 41.7 years. We have a balanced age structure in the Group, with 41% of employees under the age of 40. Details are provided on the above chart.

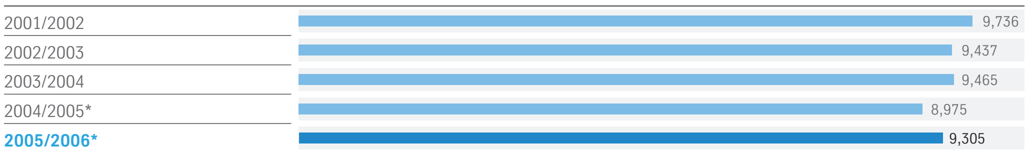
OCCUPATIONAL SAFETY HAS IMPROVED SIGNIFICANTLY IN THE PAST FEW YEARS.

The accident frequency rate continues to show a clear decline at the German subsidiaries. In fiscal 2005/2006 the number of reportable accidents decreased by around 10% to 11.4 accidents per 1 million hours worked. This means that over the past five years the accident rate has fallen by 33%, with 17.1 accidents per 1 million hours worked having been reported in fiscal 2001/2002. We expect a similarly encouraging reduction at our operations outside Germany, because our health and safety measures are incorporated in a cross-segment and cross-country reporting system.

Nevertheless, every accident is one accident too many. Health and safety at work play a key role in the success of the Company and are extremely important for the quality of life of our employees. To further enhance health and safety, we launched a Groupwide initiative in 2005 under the heading “Company target: Zero accidents”. Key elements of the initiative are the establishment of an improved health and safety organization, new health and safety guidelines and a broad-based management training scheme.

Personnel expense increased by 4% to €9.3 billion in the reporting year. The chart below shows how personnel expense has developed over the past five years.

Personnel expense in million €



* excluding expected return on plan assets and interest cost of pension and healthcare which are recognized as part of interest income/expense

BASIC AND ADVANCED TRAINING CREATES PERSPECTIVES FOR THE FUTURE

For years we have provided training for young people beyond our own needs. We see this as part of our responsibility to society. In these times of high youth unemployment it is particularly important to offer young people high-quality training and thus improve their prospects on the labor market.

At September 30, 2006 a total of 4,139 young people were learning one of over 60 occupations offered by ThyssenKrupp in Germany. The Group offers the full range of industrial apprenticeships, from industrial mechanics and lathe operators to electronic engineers and industrial clerks. Our apprenticeship training rate, i.e. the ratio of the number of apprentices to the overall workforce, remains pleasingly high at 5.4%.

ThyssenKrupp also has an exceptionally good track record with regard to the training pact between government and industry. In the three years since the pact was first made, we have improved the employment prospects of 636 young people – by providing 330 additional apprenticeships and 306 internships.

Future perspectives through further training

To help employees meet the constantly increasing requirements created by innovations and market competition and to upgrade their skills, ThyssenKrupp offers an extensive further training program. In the year under review over 4,000 further training events were held in Germany. Around 65,000 – or eight out of ten – employees attended courses and seminars to improve their vocational qualifications. Key areas were quality management, data and information processing, sales training and management courses.

Employees benefit from modern company pension plans

As a technology-based Group, ThyssenKrupp is strongly dependent on securing highly qualified employees with innovative ideas. In the competition to recruit such employees, pension plans represent a considerable incentive and are therefore an important instrument of HR policy aimed at retaining employees in the Company over the long term.

Flexible and calculable defined-contribution pension plans are increasingly replacing conventional defined-benefit plans for executives and other employees. By providing regular information on the status of the pension plan, we increase transparency and make our employees aware of the significant value of their pension benefits.

Alongside employer-financed pension plans, a wide range of employee-financed pension plans are available across the entire tax-relief spectrum. The Group-specific deferred compensation plans are particularly popular. The collective agreement on allowances for occupational pension schemes in the metalworking industry will increase interest in our pension plans.

Universities and graduates

THYSSENKRUPP IS AN ATTRACTIVE EMPLOYER FOR YOUNG UNIVERSITY GRADUATES.

Recruiting talented and highly qualified employees at a young age and integrating them successfully is one of the key tasks of a forward-looking company. In the increasing competition for the best young graduates, ThyssenKrupp has gained a strong position. The Group is seen by university graduates as an extremely attractive employer. In addition, activities and projects carried out over recent years have helped establish rewarding partnerships with universities. Both these aspects – the Group's attractiveness as an employer and sustainable collaborations with universities – must be stabilized and further expanded.

For this reason we conduct activities at national and international level and maintain close relations with over 80 universities worldwide. A good example of this is our close cooperation with Tongji University in Shanghai, under which we also provide support for young academics. In Germany ThyssenKrupp works particularly closely with seven key universities: RWTH Aachen, TU Berlin, Ruhr University Bochum, Dortmund University, TU Dresden, TU Hamburg-Harburg and now also TU Bergakademie Freiberg. The aim of these collaborations is to intensify the exchange of knowledge in areas of common interest such as education and teaching, technology and innovation. In addition, targeted support is provided for highly talented students. Activities range from workshops, excursions and joint projects through to fellowships and prizes such as the "ThyssenKrupp Student Award". Intensive contacts are also maintained with TU Clausthal.

Our university marketing activities focus on selected target groups. These include for example young people who intend to take up a degree course at some stage in the future as well as talented female students on engineering or science degree courses. At TU Berlin we are cooperating with the university careers center for women, "femtec", with a view to recruiting more women with technical qualifications to key positions in our Company.

Our efforts to attract young talent are rounded off by the ThyssenKrupp study support program. In addition to financial support and interdisciplinary seminars, the accompanying mentoring program has proved advantageous for students. Students on the program each have their own mentor, an experienced executive who can provide advice on personal and career development.

EXECUTIVE POLICY AS KEY OBJECTIVE

OUR EXECUTIVE POLICY IS BASED ON PROMOTION FROM WITHIN.

Attracting and developing outstanding executives and specialists both internally and externally for the wide-ranging tasks in the Group remains one of our key objectives and has become even more important in view of the Company's growth targets. Among our tried and trusted instruments is the potential and succession planning carried out annually in all segments worldwide, in which high potentials at all levels of the Group are identified. Yearly management development meetings of the Executive Board of ThyssenKrupp AG and the segment executive boards increase transparency regarding management qualifications, provide an overview of candidates and permit succession planning – including necessary contingency plans – for current and future vacancies at top management levels. This process ensures continuity and helps prepare suitable candidates for senior positions in the Group from an early stage.

The sustainable development of future executives is a key management task at ThyssenKrupp, including the Group Executive Board. Wherever possible and expedient, we aim to fill management positions from within so as to reduce costs for adjustment and create performance incentives for qualified employees.

Future management development with ThyssenKrupp Academy

The strategic development of ThyssenKrupp places increasing demands on the Group's management. This relates not only to management capacity and quality but also to the fostering of young talent and promotion of knowledge management in the Group. For this reason we have added three key new elements to our management development activities.

In summer 2006 we launched the Groupwide "Management Development Initiative". The aim is to analyze the instruments, processes and structures of management development and on the basis of our findings develop a "ThyssenKrupp management development model" for the future. In a further step the Executive Board decided to introduce rules for filling senior management positions in the Group. In addition, the ThyssenKrupp Academy was founded in the reporting year and began work in the fall of 2006.

The ThyssenKrupp Academy will be a place of learning and research, providing new impetus and fostering dialogue. It will support the development of around 2,500 executives and prepare them for new tasks. The programs and events of the Academy will contribute to the excellence of our executives. Internal and external experts with outstanding international experience in specialist fields and management will cooperate with the Academy and present and discuss new findings from the fields of management and technology.

The Academy's programs and courses are divided into four learning platforms. The Management School will teach management competencies based on a practical approach. In the Competence Forums participants can exchange knowledge relating to functions, themes and markets. In the Impact Workouts high potentials, i.e. junior executives with outstanding prospects, will work on concrete projects. In Horizon Sessions participants have the opportunity to look beyond the limits of their day-to-day work.

Located in the future ThyssenKrupp Quarter in Essen, the ThyssenKrupp Academy will send out a clear signal of integration and identification within the Group. It symbolizes the importance of learning as a natural part of management work. At the same time it makes clear that the ThyssenKrupp Academy is an institution of the Group for the executives of the Group and the Executive Board will seek dialogue with management employees on the campus. A report on the building of the new Group headquarters is given on page 89.

THE THYSSENKRUPP ACADEMY WILL BE BASED IN THE FUTURE THYSSENKRUPP QUARTER IN ESSEN.

Elevator establishes international management school in Madrid

In October 2005 the Elevator segment opened the first international school for training executives in Madrid, the SEED School (Specialized Education for Executive Development). The school offers nine-month courses with a balanced mixture of practical and theoretical training. It is planned to use the concept to train executives throughout the segment.

Sharing in the Company's success

Alongside opportunities to further their careers based on their individual performance and the chance to take on responsibility at an early stage, all employees at ThyssenKrupp benefit from an attractive compensation policy. In addition to a fixed salary, which is subject to the provisions of collective or individual employment contracts, there are further compensation components based on the Company's earnings and the stock price which are gradually being expanded. In the year under review, a further instrument was added to our performance-based compensation policy. In early 2007, selected executives who are not included in the Mid Term Incentive plan will have the opportunity for the first time to purchase shares in our Company at a specific discount. The amount of the discount depends on the development of TKVA in the reporting year.

In addition, in 2006 some 84,000 employees at our German subsidiaries had a further opportunity to purchase ThyssenKrupp shares on favorable terms up to a value of €270. In the meantime national programs have also been introduced in France, Spain and the United Kingdom. Details of the employee share program are provided on page 30.

FINANCIAL POSITION

The Group’s financial position improved further in the reporting period. The cash flow statements and balance sheet structure reflect the growth in the value of the enterprise. Capital procurement and investment are optimized through a central financing system. The three big rating agencies rate ThyssenKrupp as investment grade.

CENTRAL FINANCING

The financing of our Group is managed centrally. The parent company ThyssenKrupp AG assumes responsibility for maintaining the liquidity of the Group companies. This is achieved in particular by the making available of funds within the Group financing system, by negotiating and guaranteeing loans or by means of financing support in the form of letters of comfort.

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

The fact that financing is centralized strengthens the Group’s negotiating position vis-à-vis credit institutions and other market participants. Centralization is thus the basis for achieving cost-effective capital procurement and investment opportunities. Interest rate risk management and foreign currency management are likewise performed on a centralized basis. For more details, please turn to Note 30 on page 175-176.

THE INTERCOMPANY CASH MANAGEMENT SYSTEM REDUCES EXTERNAL FINANCING REQUIREMENTS.

Our intercompany cash management system reduces external financing requirements and optimizes the Group’s financial and capital investments. The cash management system takes advantage of the surplus funds of individual Group companies to cover the financial requirements of other Group companies. Because intercompany sales are settled via intercompany financial accounts, bank account transactions are substantially reduced.

Maintenance of liquidity

Alongside a financial planning system with a planning horizon of several years, ThyssenKrupp operates a liquidity planning system on a rolling monthly basis with a planning period of five months. Both planning systems comprise all consolidated Group companies.

The financial and liquidity planning systems in conjunction with available committed credit facilities assure that ThyssenKrupp AG always has adequate liquidity reserves.

In addition to bilateral bank loans and syndicated credit facilities, financing is accomplished through money market and equity market instruments as well as other selected off-balance financing instruments such as factoring programs and operating leases. Information on the available credit facilities is provided in Note 25 on page 171.

Rating

Issuer ratings facilitate access to international capital markets. ThyssenKrupp has been rated by Moody’s and Standard & Poor’s (S&P) since 2001 and by Fitch since 2003. ThyssenKrupp is currently rated by the agencies as follows:

	Long-term rating	Short-term rating	Outlook
Standard & Poor’s	BBB-	A3	stable
Moody’s	Baa2	Prime-2	stable
Fitch	BBB+	F2	“Watch negative”

ANALYSIS OF STATEMENTS OF CASH FLOWS

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

OPERATING CASH FLOWS INCREASED BY €1.1 BILLION IN 2005/2006.

Operating activities provided €3.5 billion during fiscal year 2005/2006 compared with €2.4 billion in the previous year. The increase in operating cash flows by €1.1 billion mainly resulted from the significant improvement in net income before depreciation, amortization and impairment of non-current assets, before deferred tax expenses and before gains on disposals of assets.

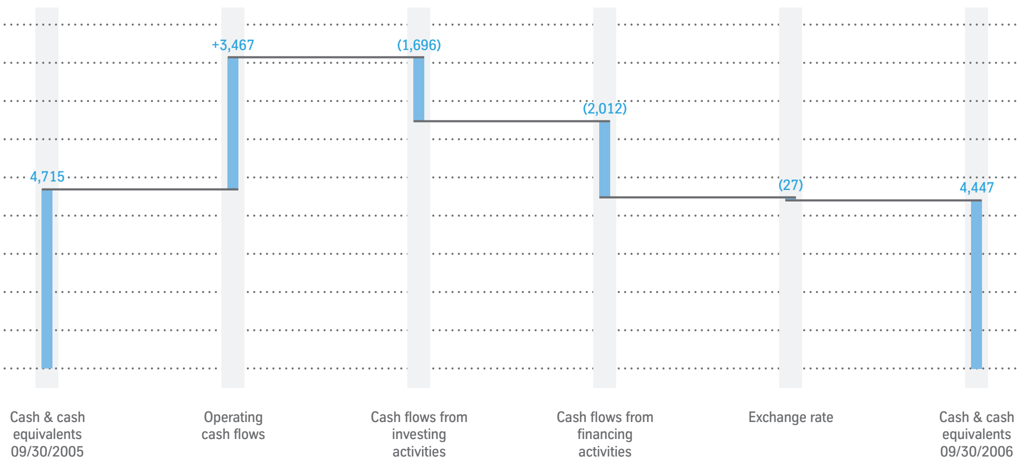
During fiscal year 2004/2005, operating cash flows of discontinued operations came to €(1) million.

Cash flows from investing activities decreased by €2.6 billion to €(1.7) billion due to a decrease in proceeds from disposals by €2.1 billion to €0.4 billion as a result of the disposal of the Residential Real Estate business during fiscal year 2004/2005. Cash outflows for the purchase of investments accounted for using the equity method and other financial assets increased by €0.2 billion. Moreover, due to the acquisition of Howaldtswerke-Deutsche Werft (HDW) in fiscal year 2004/2005, acquired cash and cash equivalents decreased by €0.3 billion in 2005/2006.

During the previous year cash flows from investing activities of discontinued operations came to €31 million.

The free cash flow, i.e. the sum of operating cash flows and cash flows from investing activities, decreased by €1.5 billion to €1.8 billion during fiscal year 2005/2006. This decrease is especially due to the €2.1 billion decline in proceeds from the sale of businesses. During fiscal year 2005/2006 the free cash flow was used for dividend payments (€0.4 billion), further reduction of net financial debt (€0.9 billion) and in an amount of €0.4 billion for payments to repurchase shares (€(0.7) billion), offset by cash inflows from the sale of treasury shares issued (€0.3 billion).

Change in cash and cash equivalents in million €



During fiscal year 2004/2005 cash flows from financing activities of discontinued operations came to €(11) million.

ANALYSIS OF BALANCE SHEET STRUCTURE

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

The balance sheet total increased by €429 million to €35,730 million.

Significant balance sheet line items, particularly inventories, trade accounts receivable and payable and total equity, increased compared with September 30, 2005. This is mainly the result of further price increases for raw materials, especially for nonferrous metals, and the cyclical business expansion. Property, plant and equipment and financial liabilities declined due to measures taken to reduce capital employed and disposals. Shifts in exchange rate relations, primarily the relation of the US dollar to the euro, which increased from 1.205 €/US dollar as of September 30, 2005 to 1.267 €/US dollar as of September 30, 2006, led to a decrease in the balance sheet total by €219 million. Deferred tax assets decreased whereas current income tax liabilities increased slightly and deferred tax liabilities increased significantly.

INTANGIBLE ASSETS INCLUDE GOODWILL FROM ACQUISITIONS.

The increase in intangible assets by €110 million resulted primarily from additions to goodwill due to business combinations mainly within the Services segment and from the capitalization of development costs.

The initiated disposal of the North American body and chassis operations as well as the poor economic situation in parts of the Body business unit of the Automotive segment led to impairments of property, plant and equipment. Additionally, the fire damage in the Stainless segment reduced property, plant and equipment.

The increase in investments in companies accounted for using the equity method mainly resulted from the acquisition of Atlas Elektronik in the amount of €93 million.

Inventories climbed by €401 million to €7,410 million. This increase resulted primarily from the further rise in raw material prices, especially for nickel, as well as from increased quantities in the Services segment caused by sales expansion.

Trade accounts receivable as of September 30, 2006 were up by €334 million compared with September 30, 2005. The amount of sold trade accounts receivable as of September 30, 2006 increased only slightly (€44 million) compared with the previous year. The increase was attributable to sales expansion in terms of volume and price in all segments apart from Automotive and Technologies. Technologies posted a decrease in trade accounts receivable due to disposals of activities amounting to €207 million.

Cash outflows for acquisitions, stock repurchases, dividends and the repayment of financial liabilities exceeded cash inflows from operating activities, resulting in a decrease in cash and cash equivalents by €268 million to €4,447 million.

Deferred tax assets declined by €82 million due to the use of tax loss carryforwards in Germany. The increase in deferred tax liabilities by €410 million resulted primarily from different inventory costing under IFRS and for tax purposes.

THYSSENKRUPP'S EQUITY INCREASED TO €8,927 MILLION.

Total equity increased by €983 million to €8,927 million. The major reason for this rise was the net income achieved during fiscal year 2005/2006. In addition, actuarial gains associated with accrued pensions and similar obligations recognized directly in the statement of recognized income and expense raised equity by €385 million before taxes. Moreover, equity decreased due to the repurchase of own shares (€697 million), the dividend payment for fiscal 2004/2005 (€439 million) and currency translation adjustments (€90 million).

Accrued pensions and similar obligations in the reporting period decreased by €883 million to €8,111 million. This drop resulted mainly from an increase in the discount rate in most of the relevant currency areas. The higher market value of plan assets related to funded pension plans reinforced this effect by €130 million.

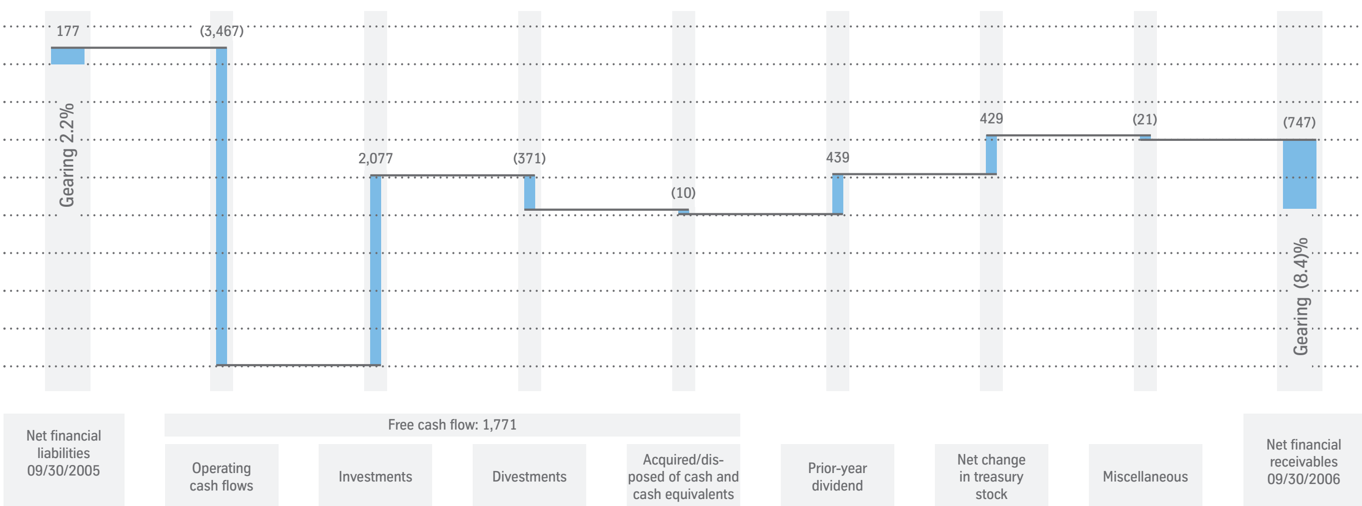
Other current and non-current provisions increased slightly compared with the previous year.

Current and non-current gross financial liabilities declined in total by €1,196 million. This resulted primarily from the redemption of two bonds in the Corporate segment amounting to €806 million in total.

Trade accounts payable increased by €681 million. This line item was also impacted by the previously described business expansion and price increases. In the Technologies segment trade accounts payable were reduced due to disposals.

Other liabilities also declined due to the business expansion, particularly in the Technologies and Elevator segments.

Net financial liabilities in million €



ASSETS NOT RECOGNIZED AND OFF-BALANCE FINANCING INSTRUMENTS

THE THYSSENKRUPP BRAND WAS FURTHER DEVELOPED IN THE REPORTING YEAR AND IS A MAJOR ASSET.

In addition to the assets posted in the consolidated balance sheet, the Group uses assets which cannot be recognized in the balance sheet. These mainly concern specific leased or rented assets (operating leases). More details on this are presented under Note 16 on page 158.

Of the assets not recognized, the ThyssenKrupp brand is a major intangible asset. It was further developed in the reporting year. In February 2006 we launched a new image campaign comprising an image film, TV commercials, press advertisements and outdoor advertising to further strengthen the brand. We regard the expenses for this as an investment in the future, because they give the brand an international profile, generate a presence on the markets and create transparency with regard to our products. Market studies confirm that the ThyssenKrupp brand enjoys a high recognition rating and is well liked by our customers.

The main off-balance financing instruments used by the Group are factoring programs. More details can be found under Note 19 on page 159.

BUSINESS MANAGEMENT – GOALS AND STRATEGY

A growth-oriented strategy supported by value-based management at all key management levels provides the roadmap for our Group's future development. A further contribution to growth stems from the ThyssenKrupp best value enhancement program which reinforces existing strengths and removes weaknesses in all segments.

STRATEGY: ON GROWTH TRACK

Following a period of consolidation, over the next few years ThyssenKrupp is to pursue a forward strategy aimed at achieving sustainably high earnings. All segments will contribute to this growth. The building of a new corporate headquarters in Essen will signal the strength of the Company going forward and at the same time reduce administrative costs and shorten decision-making paths.

Expansion of services and innovations

We aim both to strengthen our industrial activities and expand our position as a service provider. Our existing market and customer contacts in all segments provide a strong platform from which to offer our business partners further products and services. Through intensive innovation efforts and investment in new products and processes, we will also enhance our products and services to focus them even more sharply on market and customer needs. To this end, the ratio of research and development expenditure to sales is to be increased to 2%. In the reporting year this ratio was 1.6%. We will also focus systematically on the world market and further internationalize our product, production and customer structures.

Sales target €50 billion

We plan to achieve sales of €50 billion, 60% of which will be generated by the production of materials and capital goods. The remaining 40% will come from services. All segments are expanding the service side of their business.

For the steel activities – i.e. carbon and stainless – we plan to achieve sales of €16 billion to €19 billion. In capital goods we expect sales to reach €19 billion to €21 billion and in materials and industrial services the target is €13 billion to €14 billion. This strong expansion is not to be achieved at the expense of profit – a parallel increase in earnings is also planned.

Within a period of around ten years we plan to achieve Group sales of €55 billion.

Growth strategies in the steel business

STEEL'S STRATEGY REMAINS FOCUSED ON NORTH AMERICA AND EUROPE.

In the Steel segment's carbon steel business, the growth strategy is focused on the markets of North America and Europe. In the NAFTA region we are aiming for a market share of 5% in high-quality flat products, while in Europe our target is over 13%.

Customers in both regions will be supplied with the 5 million tons of carbon steel slabs produced by our new steel mill in Brazil. The foundation stone for the new €3 billion mill was laid on September 29, 2006. Production is scheduled to start in early 2009. The mill will employ around 3,000 people and create a further 10,000 jobs at suppliers and service providers in the region. Offering optimized costs and quality in line with the Group's high standards, the slabs supplied from the Brazilian state of Rio de Janeiro will secure our market strategies for Europe and the NAFTA region.

WE HAVE SEVERAL STRATEGIC OPTIONS IN THE NAFTA REGION.

In Europe we will strengthen our outstanding market position with additional investments. In Duisburg a new replacement blast furnace will be installed to secure our crude steel base. In addition we are investing €400 million in Duisburg to remove bottlenecks in individual production steps and rationalize the production flow.

In the NAFTA region we are pursuing various options. By acquiring the Canadian steel producer Dofasco we could quickly achieve a strong position on the North American market for high-quality flat products. This takeover is a high priority for us. As an alternative to the acquisition of Dofasco we are looking into establishing a new plant in the USA which could be built and used jointly by the Steel and Stainless segments. At the hub of this facility would be a hot strip mill which would mainly process slabs from the new steel mill in Brazil. The new plant would also feature cold-rolling and hot-dip coating capacities for high-quality carbon steel flat products. The search for a location is currently under way. The location must offer optimum logistics – for slab supplies from Brazil and for the distribution of end products to North American customers.

The Stainless segment, too, aims to expand its international position and continue to participate in the steady growth of the stainless market. The main focus is on the North American market. We are therefore examining the possibility of establishing extensive capacities for stainless flat products at the joint location with the Steel segment in the USA. The stainless steel slabs produced in a 1 mt capacity melt shop could be processed on the hot strip mill. In addition we aim to invest in a cold-rolling facility which will be designed initially to produce 325,000 tons of cold strip and 100,000 tons of pickled hot strip. Our Mexican stainless steel plant ThyssenKrupp Mexinox could then also be supplied with starting material directly from the new plant in the USA.

Stainless is the world market leader in stainless flat products and nickel alloys. Outside Germany it has production capacities in Italy with ThyssenKrupp Acciai Speciali Terni and in China with Shanghai Krupp Stainless, as well as the operations in Mexico.

In addition to the planned expansion, we aim to increase value added both in stainless flat products and in high-performance nickel alloys and titanium. To achieve this goal, a number of investments are planned both for the production plants and in the service center organization. By investing further in nickel alloys and titanium production, we will increase our share of the fast-growing aerospace and energy markets.

Innovative capabilities a strategic strength

Technological competency and constant innovation are the key to the market for capital goods on which the Technologies segment operates. Following its concentration on high-earning business units, Technologies is now well equipped to maintain and further improve on the outstanding positions it has achieved in its individual areas of activity. Over the next few years we will strengthen our market position as an international supplier of leading-edge technology in mechanical engineering, plant construction and shipbuilding. International investments and acquisitions will contribute to this. For example, we plan to expand production of industrial large-diameter bearings in Germany, India, Japan and China.

In shipbuilding, the takeover of HDW has opened up new opportunities, especially for our innovative submarines with fuel cell propulsion. The acquisition of a 60% shareholding in Atlas Elektronik has also provided Technologies with strong capabilities in marine electronics. Our own expertise, for example in plant technology, is also in demand for the expansion of the Asian economies.

Combination of Automotive and Technologies

The Technologies segment is now also a market partner for high-quality vehicle components and systems following the combination of our automotive business with the Technologies segment effective October 01, 2006. This integration focuses our automotive activities on core businesses with sustainable earnings potential and concentrates our innovation and marketing capabilities. As part of the planned realignment, our body and chassis activities in North America with around €1 billion sales and 3,500 employees were sold on October 16, 2006. The sale is to be closed by the end of 2006. In other regions we remain on expansion track. In China we have prepared the acquisition of the activities of the crankshaft manufacturer Tianrun, and further moves will follow on this auto market of the future. Following the integration of Automotive into Technologies, the ThyssenKrupp Group will in the future comprise the five segments Steel, Stainless, Technologies, Elevator and Services.

Elevator business remains dynamic

In addition to expanding existing activities, our Elevator segment's strategy is focused on further strategic acquisitions, both in the highly industrialized countries and in the young growth regions of the world. Elevator now has a presence on the Italian market and has expanded its position in Spain and India. Service and production activities are contributing equally to the growth in existing business. An increasingly dense network of branches close to our customers safeguards our market presence. In addition, a global service strategy is designed to secure the high standards of our service activities at all locations worldwide: The strategy sets high standards for the work of our service technicians worldwide and guarantees the quality of services.

Services: Focus on expansion

Our Services segment aims to continue its growth on the market for materials and industrial services. Acquisitions will support the expansion of existing business. The expansion strategy focuses on the NAFTA region, Eastern Europe and also South America and Asia. For example, the acquisition of an interest in the industrial services business of RIP reflects our expectations in South America. RIP is market leader in its sector and is represented at all key industrial locations in Brazil. In the materials area, the segment is vigorously pursuing its Eastern Europe strategy. In Asia it is increasingly setting up joint ventures with local partners.

SERVICES AIMS TO EXPAND IN THE NAFTA REGION, SOUTH AMERICA, EASTERN EUROPE AND ASIA.

New ThyssenKrupp Quarter in Essen

To achieve our growth targets efficiently, we aim to optimize decision-making routes and administrative costs in the Group. For this, ThyssenKrupp plans to concentrate its main head office functions at the two locations of Duisburg and Essen over the next few years. The Steel and Stainless segment holding companies are already based in Duisburg. The six office buildings currently used in Bochum, Düsseldorf and Essen have around 150,000 m^2 of net floor area. Centralization in the new quarter in Essen will reduce the area requirement by around a third. The Group holding company, the holding companies of the three other segments and some operating units will be located there. Design and planning work is currently under way for the new quarter for around 2,000 employees. The move of ThyssenKrupp AG from Düsseldorf to Essen is scheduled for year-end 2008. Further sections of the quarter will be completed by 2010.

A high-quality architectural style is planned for the new quarter which will reflect the Group's innovation and internationality and set new standards in corporate architecture. In addition to the Group's office and administrative buildings, plans for the project include a multi-functional facility featuring the ThyssenKrupp Academy and a conference center, a hotel and further amenities. The form and function of the entire ensemble will be characterized by outstanding, modern and forward-looking architecture.

VALUE-BASED MANAGEMENT

The Group is managed and controlled within the framework of a value-based management system. Our objective is to systematically and continuously increase the value of the enterprise – through profitable growth and a focus on businesses which offer the best development opportunities in terms of competitiveness and performance. An integrated control concept, value-based performance indicators together with measures to enhance efficiency and growth and optimize capital employed are key elements of our management system.

Control concept secures Groupwide transparency

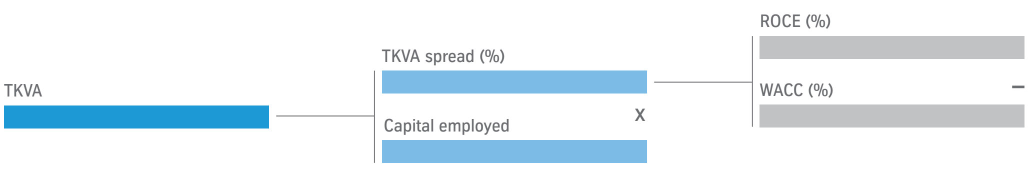
OUR INTEGRATED CONTROL CONCEPT SUPPORTS DECENTRALIZED RESPONSIBILITY.

Our integrated control concept guides and coordinates the activities of all segments, supports the decentralization of responsibilities and guarantees Groupwide transparency. It aims to increase the value of the Group by bridging operational and strategic gaps between the actual and target situation using concrete measures. For this we have established high-quality systems for the up-to-date reporting of actual and forecast figures of both strategic and operating elements. This focus on value creation pervades all management processes. As a measure of business success, the main performance indicators used in value management are also used to calculate the variable components of management compensation.

ThyssenKrupp Value Added as central performance indicator

The central performance indicator for value-based management in the Group is ThyssenKrupp Value Added (TKVA). TKVA is the difference between ROCE (return on capital employed) and WACC (weighted average cost of capital), multiplied by capital employed. Capital employed is defined as invested assets plus net working capital.

Calculation of ThyssenKrupp Value Added (TKVA)



In addition to TKVA, cash flow is also taken into consideration to ensure that, especially in growth phases, the Group portfolio comprises a balanced mix of value drivers and cash providers.

An alternative method of calculating TKVA using absolute figures is as follows: earnings before interest and taxes (EBIT) minus cost of capital. Cost of capital represents the expected return on equity and debt. It corresponds to the product of WACC and average capital employed.

The weighted average cost of capital (WACC) is the minimum return demanded by investors and creditors. It is calculated on a pre-tax basis and comprises the weighted average cost of equity and debt as well as the interest rate for pension obligations.

OUR OBJECTIVE IS A BALANCE OF VALUE DRIVERS AND CASH PROVIDERS.

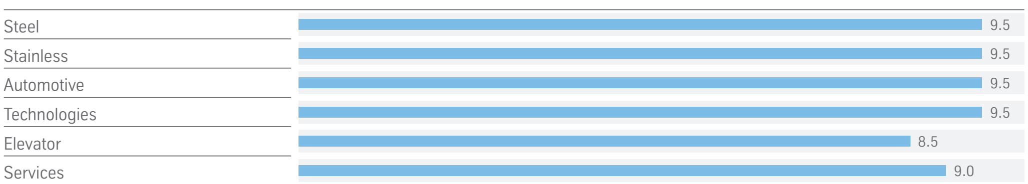
- The cost of equity of our Group is based on the return from a risk-free alternative investment plus a market risk premium and taking into account the specific risk of ThyssenKrupp in relation to the overall market. The specific risk is expressed by the so-called beta factor. The weighted average cost of equity calculated on this basis corresponds to a weighted average cost after operating taxes. Since the cost of capital at ThyssenKrupp is calculated on a pre-tax basis, a tax adjustment is carried out.

- The cost of debt (cost of financial liabilities) is the interest on a risk-free alternative investment plus a company-specific risk premium. Based on the current market situation and subject to the condition that the current investment-grade status is maintained, we currently base our calculations on a premium of one percentage point.

- The interest rate for pension accruals is calculated on the basis of the weighted 5-year average discount rate for internally financed pension plans and healthcare obligations.

On the basis of the above factors, the weighted average cost of capital for the Group is currently 9%. Since the business environment is constantly changing, the weighted average cost of capital is regularly reviewed and adjusted if necessary. Specific WACC figures are established for the segments which reflect their respective risk structures.

WACC for the segments in %



GROWTH, EFFICIENCY AND OPTIMIZATION OF CAPITAL EMPLOYED ARE LEVERS TO INCREASE VALUE.

Application of the value management system

Three levers can be used to increase TKVA: profitable growth, increases in operating efficiency, and optimization of capital employed. Value through profitable growth is created in particular by new projects, provided they generate returns higher than their cost of capital. A major contribution to increasing operating efficiency is made by the ThyssenKrupp best value enhancement program, which is described in more detail on pages 94-95.

Capital employed as the third lever to increase TKVA can be optimized by withdrawing from business activities in which the cost of capital cannot be earned. Alternatively, targeted programs can be implemented to release capital, i.e. to reduce capital employed without reducing EBIT.

The following tables show how TKVA and its components developed over the last two fiscal years:

Components of ThyssenKrupp Value Added (TKVA)

	2004/2005						
	EBIT* (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (% points)	TKVA (million €)	
Group	2,652	18,388	14.4	9.0	5.4	997	
Thereof:							
Steel	1,167	5,965	19.6	9.5	10.1	600	
Stainless	353	2,996	11.8	9.5	2.3	68	
Automotive	240	2,982	8.0	9.5	(1.5)	(43)	
Technologies	(179)	982	(12.9)	9.5	(22.4)	(220)	
Elevator	381	1,614	23.6	8.5	15.1	244	
Services	335	3,089	10.8	9.0	1.8	57	

	2005/2006						
	EBIT* (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (% points)	TKVA (million €)	Change TKVA (million €)
Group	3,044	17,056	17.9	9.0	8.9	1,510	513
Thereof:							
Steel	1,477	5,937	24.9	9.5	15.4	913	313
Stainless	489	3,048	16.0	9.5	6.5	199	131
Automotive	(52)	2,938	(1.8)	9.5	(11.3)	(331)	(288)
Technologies	311	1,427	31.6	9.5	22.1	316	536
Elevator	423	1,876	22.6	8.5	14.1	264	20
Services	553	2,884	19.2	9.0	10.2	294	237

* Earnings including discontinued operations before taxes and interest income/expense

The Group’s earnings before taxes and interest increased by €392 million to €3,044 million in 2005/2006. The improvement in ROCE associated with this was reinforced by a reduction in capital employed. Average capital employed decreased by €1,332 million to €17,056 million. ROCE thus increased from 14.4% to 17.9%; the Group’s WACC of 9.0% was thus again significantly exceeded.

TKVA increased by €513 million to €1,510 million. The improvement in the Group's profitability and TKVA is due particularly to the large increase in operating earnings but also to the divestment program to refocus the Group strategically.

In the Steel segment, earnings before interest and taxes increased by €310 million to €1,477 million thanks to the positive price and volume trends. With capital employed virtually unchanged, ROCE increased from 19.6% to 24.9%. The WACC of 9.5% was thus significantly exceeded and TKVA of €913 million was achieved. This is an improvement of €313 million from the prior year.

THYSSENKRUPP VALUE ADDED AT STEEL WAS €913 MILLION IN 2005/2006.

Earnings before interest and taxes at Stainless increased by €136 million to €489 million mainly as a result of the demand recovery that began in almost all market segments in early 2006, which in turn was accompanied by a steady increase in base prices. With capital employed slightly higher, ROCE increased from 11.8% to 16.0%. The WACC of 9.5% was exceeded, resulting in TKVA of €199 million. This represents an increase of €131 million from the prior period.

At Automotive, earnings before interest and taxes decreased by €292 million to -€52 million. This deterioration was mainly due to impairment charges in connection with the proposed divestments in North America but also reflected impairment charges and restructuring programs in various other areas of the segment. In addition, steel price increases could not be passed on to customers in full. With capital employed slightly lower, ROCE decreased from 8.0% in the prior year to -1.8% in 2005/2006 and was thus below the WACC of 9.5%. TKVA decreased by €288 million to -€331 million.

Earnings before interest and taxes at Technologies increased by €490 million to €311 million in the reporting period. ROCE improved from -12.9% to 31.6%. Significant operating improvements were achieved in all business units. The disposal of low-profit operations in the course of 2004/2005 and 2005/2006 also had a positive impact. With a WACC of 9.5%, TKVA reached €316 million, an increase of €536 million from the prior period.

In the Elevator segment, earnings before interest and taxes increased by €42 million to €423 million. However, capital employed rose by €262 million to €1,876 million, resulting in a slight decrease in ROCE by 1 percentage point to 22.6%. TKVA increased to €264 million compared with €244 million a year earlier.

In the Services segment, earnings before interest and taxes increased by €218 million to €553 million. This was mainly due to the improved situation on the international material markets but also reflected the absence of loss-making businesses sold in the meantime. Capital employed decreased by €205 million to €2,884 million. The two effects resulted in an increase in ROCE from 10.8% to 19.2%. TKVA improved by €237 million to €294 million.

The results of the analysis of the performance indicators feed directly into portfolio management at ThyssenKrupp. This involves structural measures with a primarily strategic character. Specifically it involves selecting and growing businesses with which the targeted TKVA improvements are to be realized, and withdrawing in a timely and profitable way from activities which do not achieve adequate TKVA improvements. In addition, it involves creating new businesses by entering into promising new markets on favorable terms. In this way we create the basic requirements for the ability to pay dividends and for sustainable, profitable growth in our core businesses.

To further anchor value management in the strategic and operating decisions of the Group, we launched a broad-based communication and training initiative in March 2006. Under this program, several thousand ThyssenKrupp employees are receiving targeted training in the use of this value management system.

THYSSENKRUPP BEST

The goals of our value enhancement program ThyssenKrupp best are to improve the Group's performance, build on its strengths and remove any weaknesses. For five years now the program has been contributing to improving earnings. In the reporting year alone, 1,453 new projects were launched to make our Company even better. The program is more successful than ever.

Almost 6,000 projects worldwide

At September 30, 2006, ThyssenKrupp best comprised altogether 5,995 national and international projects with over 19,500 concrete measures and over 36,000 individual steps. Since the program was first launched in 2001, 3,239 projects have already been successfully completed. Almost 500 projects have been removed from the program because the Group has sold or closed the corresponding activities. Work focused on operating efficiency, sales/services, purchasing, performance quality and capital productivity. Further projects sought to further integrate employees and executives or intensify knowledge transfer within the Group.

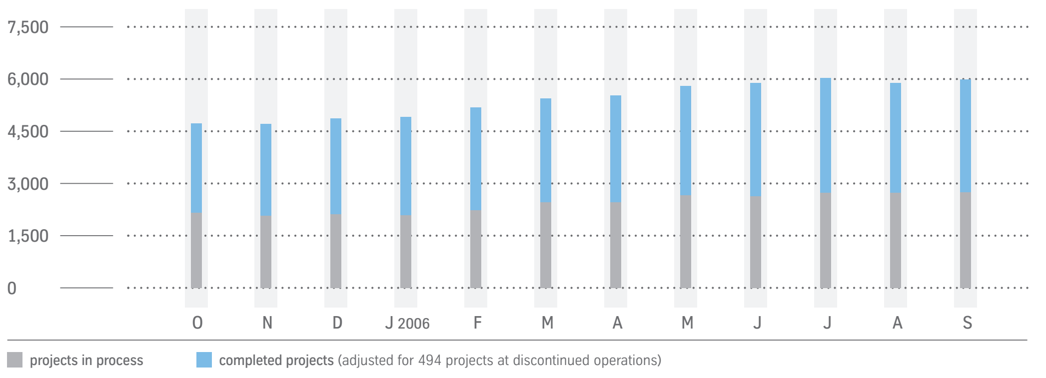
OVER 60% OF BEST PROJECTS TAKE PLACE OUTSIDE GERMANY.

In line with the concept of the program, the projects can in many cases be transferred to other areas or segments of the Group. The "Claims management in plant construction" project, for example, was further developed and optimized jointly by various Group subsidiaries; the processes developed are now in use in several segments.

The program is firmly established worldwide, with over 60% of projects taking place outside Germany. Teams are working on efficiency-enhancement projects at more than 400 locations in 38 countries. Some 3,500 projects were conducted in Europe, chiefly in Germany, France, Italy, Spain and the United Kingdom. Almost 2,000 projects took place on the American continent – in the USA, Canada, Mexico, Brazil and Colombia. Over 350 projects were launched in the Asia/Pacific region – mostly in China and Korea. Almost 200 projects were organized on a cross-country basis. In addition to the Group subsidiaries in Europe and North, Central and South America, an increasing number of Asian companies are participating in the program.

The responsible Executive Board members of ThyssenKrupp AG and the segment holding companies worked to drive the program forward. By visiting projects in Germany and abroad, they again underlined the high importance attached to the program in the Group.

ThyssenKrupp best projects worldwide 2005/2006



Purchasing initiative adds new impetus

New impetus was added by the successful purchasing initiative, which achieved considerable cost reductions in the reporting year and now comprises more than 920 projects. Following the pilot phase, in which the first projects were launched and successfully concluded, the Groupwide roll-out began in 2005. The successes have been achieved through systematic worldwide use of strategic and operating methods made available centrally by Corporate Materials Management and rolled out in cooperation with all segments. For example, teams from the technology, quality, logistics and purchasing areas used the Global Sourcing methodology to investigate numerous product categories and identify new supply sources.

At the Best Practice Day Purchasing in November 2005, managers from all segments were able to find out about project ideas and purchasing tools and discuss applications in their segments with purchasers and technology experts. One focus was on cross-company project ideas, supported by purchasing tools such as supplier management, global sourcing and e-procurement. Many of these ideas were translated into projects in 2006.

Awards for successful teams

FOUR PROJECT TEAMS RECEIVED THYSSENKRUPP BEST AWARDS FOR THEIR SUCCESSFUL ENTRIES.

In the year under review, ThyssenKrupp best Awards were again presented to the best project teams. All segments and the Group holding company were eligible to enter, and projects were judged by a panel on the basis of their financial results, scope and methodology. Since one of ThyssenKrupp best's key aims is to intensify knowledge transfer within the Group, judging focused above all on the extent to which project results can be transferred to other areas of the Group. Due to the excellent standard of work, four project teams won ThyssenKrupp best Awards. The coveted first prize was won by a team from the Technologies segment for its project entitled “Expansion of service activities” in project and order management for the cement and minerals industry. Second prize went to a project team from Services which explored new ways of reducing financial liabilities. Joint third prize was awarded to teams from Stainless and Elevator for the reduction of maintenance costs and the establishment of the SEED School. For more information on the SEED School, please turn to page 81.

MANAGEMENT COMPENSATION

The overall compensation of Executive Board members comprises a number of compensation components: These are a fixed salary, bonus, long-term incentive components as well as additional benefits and pension plans. More details and a breakdown of individual compensation amounts can be found in the Compensation Report in the section “Corporate Governance at ThyssenKrupp” on pages 21-26. This Compensation Report, which has been examined by the auditors, forms part of the management report.

RISK REPORT

Increasing corporate value, securing financial independence and making provision for individual risks are the key elements of ThyssenKrupp's risk policy. In the year under review our risk management system ensured that the risks were contained and the future viability of the enterprise is secure.

RISK POLICY AND MANAGEMENT: AIMED AT INCREASING CORPORATE VALUE

The Group's risk policy is aimed at systematically and continuously increasing corporate value and achieving the mid-term financial key performance targets. The name and reputation of the ThyssenKrupp Group and the "ThyssenKrupp" brand are key priorities for the Group.

We accept reasonable and manageable risks the more they are associated with building and utilizing the core competencies of the Group. The opportunities they present must provide an appropriate increase in value. Risks connected with support processes are transferred to other risk carriers, provided this is economically expedient. Risks not connected with core and/or support processes are not accepted. Overall the aggregate risk volume must not exceed the risk coverage potential available at ThyssenKrupp AG.

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

Efficient risk management system

The Executive Board of ThyssenKrupp AG has installed a systematic and efficient risk management system. 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.

EARLY IDENTIFICATION AND MANAGEMENT OF RISKS ARE IMPORTANT ELEMENTS OF THYSSENKRUPP'S SYSTEM.

Under the risk management system, the occurrence, status and significant changes of major risks are communicated by the Group companies bottom up, in line with tiered threshold values. The segments inform the Executive Board of ThyssenKrupp AG about the current risk situation on a bi-weekly basis. In addition, risks occurring at short notice and urgent risks with an impact on the entire Group are communicated outside the normal reporting channels directly to the responsible offices of ThyssenKrupp AG.

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

Risk transfer controlled on a Groupwide basis

The central service provider Risk and Insurance Services GmbH controls the transfer of risks to insurers using global insurance programs in coordination with the Executive Board of ThyssenKrupp AG. To counter the risk of excessive deductibles, especially in the area of property insurance, the Group regularly prepares and evaluates risk and damage analyses. Work groups were also formed to develop joint and binding risk prevention standards and monitor adherence to these in regular audits. In association with

ThyssenKrupp Risk and Insurance Services, standing work groups were formed in the segments to develop and monitor risk improvement measures and common minimum standards relating to fire protection in the framework of a property insurance risk management system. In addition, internal and external audits are carried out.

FINANCIAL RISKS

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

The procurement of funds in international financial and capital markets is effected in different currencies – predominantly in euros and US dollars – and with various maturities. The resulting financial liabilities are partially exposed to risks from changing interest rates. To manage these risks, regular inter-est rate risk analyses are prepared. The regular communication of the results of the interest rate risk analyses is part of the Group's risk management system.

To contain the risks of the numerous cash flows in different currencies – in particular in US dollars – Groupwide regulations exist for the centrally organized foreign currency management of the ThyssenKrupp Group. All companies of the ThyssenKrupp Group are obliged to hedge foreign currency positions at the time of their inception.

Among other things, derivative financial instruments are used to hedge the risks. The Group's centralized foreign currency management, centralized management of interest rate risks as well as hedging against commodity price risks are disclosed in detail on pages 175-180 in Note 30.

Generally, hedging of translation risks arising from currency conversion does not take place.

Sale of real estate/companies and restructurings

To hedge against processing risks from the disposal of real estate, companies or other business activities and for restructuring measures in the Group, such risks that are probable are accounted for.

Information security

THE SECURITY OF THE INFORMATION TECHNOLOGIES USED IS OF GREAT IMPORTANCE.

To ensure the safe processing of IT-assisted business processes, the information technologies in use are continuously evaluated and adjusted. Measures to improve information security are being developed continuously to eliminate or at least minimize the risks relating to business processes between Group subsidiaries and with customers, suppliers and business partners.

Pension and healthcare measures

The fund assets for the financing of pension liabilities are exposed to capital market risks. Pension obligations are subject to risks from increased life expectancies of beneficiaries and from obligations to adjust pension amounts on a regular basis. In addition, cost increases for healthcare commitments in the USA and Canada cannot be ruled out. Furthermore, in some countries there is a risk of significantly higher payments having to be made to finance pension plans due to increased statutory requirements.

Litigation and claims for damages

A report on pending litigation and claims for damages can be found on pages 174-175 in Note 29.

Real estate and environmental protection

THE GROUP HAS ADEQUATE PROVISIONS FOR RISKS FROM CONTAMINATED SITES AND MINING SUBSIDENCE.

The former use and continued ownership of real estate gives rise in particular to risks from contaminated sites and mining subsidence. ThyssenKrupp counteracts these risks with appropriate preventive measures and the scheduled fulfillment of remediation obligations. Insofar as the measures cannot be completed within a fiscal year, we recognize accrued liabilities in the requisite volume.

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

Volatility of steel prices and dependency on the automotive industry

The volatility of steel prices and the dependency on the economic situation in the automotive industry have a significant influence on the economic development of the Group. However, the broad business portfolio, both productwise and geographically, has a stabilizing effect.

Volatility on the energy markets

To counter the risk resulting from the continuous rise in electricity and gas prices since the beginning of 2005, the Group applies a structured procurement system on the electricity market and concludes or renews long-term gas supply contracts.

Personnel risks

To safeguard and strengthen the competencies and commitment of management personnel within the Group, ThyssenKrupp will continue to position itself as an attractive employer and strive for long-term retention of senior executives in the Group. 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 IN THE ECONOMY

For 2007 we expect continuing growth of the world economy. World GDP is expected to increase by 4.5%, slightly lower than the year before. For 2008, too, we expect the growth to continue, albeit at a slightly slower rate. This forecast is based on a number of assumptions. It is assumed that the geopolitical and economic situation will remain largely stable, in particular in respect of developments on the capital, foreign currency and raw materials markets and in international trade.

Prices of crude oil and other energy raw materials are not expected to increase significantly in 2007. A marked rise in the price of oil would slow down global economic growth, increase our procurement costs and negatively impact sales prospects on the international markets. We expect supplies of energy and other raw materials to remain secure.

Against the background of the slight slowdown in world economic growth and the limited inflation risks, we expect at most only isolated interest rate increases by the central banks. In particular in the USA the central bank is unlikely to introduce further interest rate rises. As a result we do not expect any major changes in the US dollar/euro exchange rate. An interest and exchange rate risk would occur if the capital markets were to significantly change their positive stance toward the financial feasibility of the US trade deficit. This would lead to an increase in the value of the euro with negative effects on the competitiveness of European businesses.

MARKET RISKS IN THE SEGMENTS

THE AREAS OF ACTIVITY OF THE SEGMENTS GIVE RISE TO DIFFERENT MARKET RISKS.

In the steel business we counter the risks arising from cyclical trends by optimizing costs, adjusting production in a timely manner and concentrating on exacting market segments. Quality and delivery deadline risks are minimized through continuing optimization of the value chains.

In the Steel segment there are major opportunities as well as risks on the market side regarding the implementation and development of sales prices and volumes. Disproportionate increases in raw materials prices pose risks on the cost side. We therefore keep a constant eye on developments and influential factors. In addition, potential damage events could negatively impact earnings even though organizational and technical measures are implemented on an ongoing basis to prevent such events.

Despite our special market position, there remains a risk of surplus capacities arising particularly in China in the coming years which would disturb the balance on the world markets and could lead to inadequate price structures. This poses significant risks for ThyssenKrupp Steel and its competitors. Developments in Asia are therefore being closely monitored.

In addition to the general risks affecting the steel business, the Stainless segment also faces risks mainly from existing or anticipated overcapacities at the stainless producers in Asia, in particular China. Stainless counters these market risks by expanding its business with end customers, providing local customer services, enhancing quality and strengthening its delivery performance. In addition, the segment develops new applications for stainless steels and nickel alloys, innovative products from these materials as well as modern and cost-saving process technologies.

We minimize the risks arising from the availability and prices of raw materials, especially for nickel, chromium and alloyed scrap, by means of adequate contracts and hedging mechanisms. In addition, the Stainless segment prepares for possible substitution risks for stainless flat products due to consistently high alloying element prices by developing alternative material concepts.

Declining demand from the auto industry has led to a sharp reduction in earnings in the Automotive segment. In the future we will therefore focus the automotive activities on the components business and tailored product innovations. These measures could lead to further financial burdens. Increasing steel prices, which experience shows can only be partly passed on to customers on account of the market situation, place a sustained burden on earnings for the automotive activities concerned. To compensate for the increasing cost pressure on the procurement side and the increasing price pressure from automotive manufacturers on the sales side, ambitious segment-wide cost-reduction programs have been implemented and are being further accelerated.

TECHNOLOGIES RELIES ON PROJECT CONTROLS TO CONTAIN RISKS.

The market for production facilities for the auto industry is currently characterized by a sharp fall in prices, making extensive restructuring measures and capacity cutbacks necessary. In the past fiscal year sales and earnings were also negatively impacted by exchange rate developments in foreign currency transactions, e.g. the US dollar-based supplies from Brazil to the USA.

Possible risks arising from the discontinuation of currently manufactured automotive products are offset through research and development and by cooperation with partners or acquisition of investments. The increasing complexity of products and underlying production processes in some cases carry the risks of higher start-up costs and earnings charges.

In the Technologies segment, the Plant Technology and Marine Systems business units both continue to curb risks arising from the processing of long-term contracts and technological innovations, e.g. by intensified project controls, increased use of project management measures and the speedy implementation of efficiency enhancement and organization optimization measures. Marine Systems offsets competitive disadvantages vis-à-vis Asian competitors in merchant shipbuilding by concentrating on market niches and increasingly initiating performance-enhancing and cost-reducing measures. The Mechanical Engineering business unit aims to swiftly continue the development of new sales markets by establishing/expanding production capacities in growth regions such as India and China to counter risks resulting from declining demand in core markets.

In the Transrapid business unit, a concrete follow-up project for the Shanghai line and the government contract for the manufacture and testing of a prototype vehicle under the further development program will further reduce the market risk. The extent to which delays will be caused as a result of the tragic accident on the test track in Lathen operated by third parties cannot yet be assessed with any certainty.

The risk structure within the Elevator segment reflects not only the different business activities but also the wide regional presence. While the service and modernization activities are relatively unaffected by cyclical fluctuations and thus have a stabilizing effect on earnings, the new installation business is dependent upon the cyclical situation in the construction sectors of the various countries. Activity on the American construction market is expected to slow. However, stable growth will continue in Asia and the Eastern European region. Risks also arise from the processing of major projects, and risk management methods are already in operation here. The service activities counter risks relating to the loss of maintenance units by developing and implementing customer retention strategies.

Financial hedges are used to limit dependency on exchange-rate effects. In addition, the billing of sales and costs is largely congruent.

The Services segment focuses on materials trading and services. Services counters the price risks in procurement and sales through the systematic further development of logistics and logistics control systems, in particular the expansion of the centralized warehousing concept to optimize inventories and expand the service business, which does not depend on the price of materials. Risks from the cyclical development on the markets as a whole and in specific sectors are reduced by a worldwide presence, a broad customer base and a high degree of diversification. The resultant wide spread of risks also applies to the risks from potentially uncollectible receivables, which are additionally limited by the use of hedging instruments.

Risks for the Industrial Services unit result from the considerable competition and price pressure. We counter this pressure by continuous capacity adjustments on the one hand and new service offerings and sales initiatives directed at specific sectors and customers on the other. An ongoing project controlling system is in place to manage risks from the final completion of projects.

SUMMARY: NO THREAT TO EXISTENCE OF COMPANY

THE RISKS TO THE THYSSENKRUPP GROUP ARE CONTAINED AND MANAGEABLE.

The overall evaluation of the risks shows that the Group is affected principally by market risks; these include economic price and volume developments in particular, as well as the dependency on the performance of major customers and industries. Business processes are well controlled in general and, therefore, less subject to risks. Overall, the risks at ThyssenKrupp 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.

SUBSEQUENT EVENTS, OPPORTUNITIES AND OUTLOOK

Despite the slight weakening of the global economy, the market environment will remain generally favorable. Against this general background, ThyssenKrupp will maintain its positive performance. For 2006/2007 we expect sales in the region of €47 billion and earnings before taxes in the region of €2.5 billion.

SUBSEQUENT EVENTS

There were no significant events requiring disclosure after the balance sheet date.

FOCUS OF THE GROUP IN THE NEXT TWO FISCAL YEARS

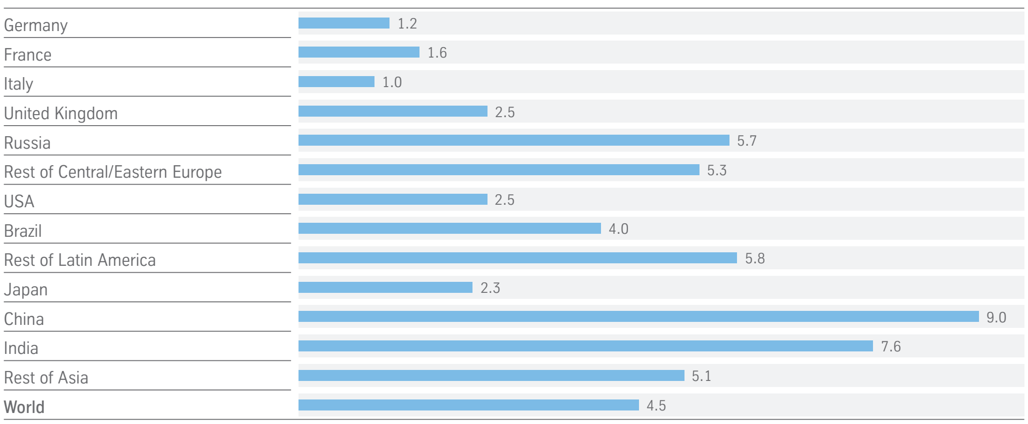
ThyssenKrupp will maintain its general focus as a worldwide supplier of steel, capital goods and services. We have outstanding expertise and profound market knowledge in these areas. Our highly qualified employees and international network of production operations and sales establishments justify our focus on these established business activities. The upward trend of the world economy is expected to promote further growth in our business.

Global growth slightly weaker

The global economic upswing will continue in 2007, albeit at a slightly slower rate. With a 4.5% increase in world GDP, growth will be only slightly lower than in 2006 at 5.2%. Beyond this forecast horizon we expect slightly slower growth of the world economy. In view of the high raw material and oil prices worldwide, the risks to economic growth remain undiminished.

GLOBAL GROWTH WILL SLOW SLIGHTLY TO 4.5% IN 2007.

Gross domestic product* change compared to previous year in %



* Forecast

Continuing high growth momentum is expected in the countries of Asia. In China in particular, the economic upswing will continue thanks to strong investment. In India, too, the pace of growth is not expected to slacken in 2007. Above-average growth rates are also forecast for most countries of Latin America and Central and Eastern Europe.

In the industrialized countries, economic growth is expected to cool. Higher interest rates and the weakness of the property market are dampening growth prospects in the USA. Weaker growth is forecast for Japan, too, due to slowing investment and exports. A similar pattern is expected in the euro zone. In Germany in particular, economic growth is likely to weaken at least temporarily, slowed above all by a tight fiscal policy and stagnating private consumption.

Predominantly positive trend on key customer markets

We expect a predominantly favorable trend on the customer markets of importance to ThyssenKrupp. The prospects for the world steel market in particular remain generally positive. World demand for rolled steel will grow by around 5% in 2007, driven mainly by the emerging countries of Asia and Latin America and the CIS states. In Europe and the NAFTA region demand is expected to remain steady or fall slightly due to the somewhat subdued economic outlook and the expected reduction of stocks. However, steel consumption is expected to increase further. Output will rise primarily in the emerging countries – especially China, India and Brazil – as major new capacities go into operation. The situation on the raw material and energy markets will remain tight on the whole, keeping steel production costs at a high level or pushing them even higher.

We expect demand for stainless steel and the high-performance materials nickel alloys and titanium to continue to rise in 2007, both in Europe and North America and also in Asia, in particular China. While in China most producers have been operating below capacity due to strong capacity growth in recent years, producers in Europe and the USA are barely able to keep up with demand.

VEHICLE PRODUCTION REMAINS A GLOBAL GROWTH SECTOR WITH NEW CAPACITIES BEING INSTALLED.

We expect the automotive market to remain a growth market overall. For 2007 we expect worldwide production to grow by 2% to 70.5 million vehicles. However, the new production capacities are increasingly being installed in the emerging Asian countries and in Central and Eastern Europe. These countries could once again significantly expand their vehicle production in 2007. In the NAFTA region, Western Europe and Japan, volumes will decrease slightly. As a result of weaker domestic demand, German auto production is expected to fall to 5.7 million cars and trucks.

Due to the slightly reduced pace of global expansion, growth in the mechanical engineering sector in 2007 is not expected to be as strong as the year before. There are signs of cooling in the USA and Western Europe in particular. In China, continuing high investment will continue to ensure strong growth.

The international construction market will remain characterized by large regional differences in 2007. In the euro zone growth will be weaker, and in Germany a slight rise in construction output is expected. However, a significant downturn in construction activity is likely in the USA. Growth will remain focused on the countries of Eastern Europe as well as India and China.

OPPORTUNITIES THROUGH INNOVATION AND INTERNATIONALIZATION

Under a systematic forward strategy, ThyssenKrupp sees significant growth opportunities for the coming years. We aim to further increase the innovativeness and competitiveness of our products and services. Innovative processes and products open up opportunities to secure and build on our top positions on numerous markets. This applies not only to our range of materials but also to our complete system solutions, for example in plant technology and marine systems. We also see good prospects in the industrial services business. Its unique profile with innovative service offerings can make an even greater contribution to the Company’s success in the future.

In the area of opportunity management, further internationalizing the activities of all segments is a key priority. Above all, we intend to step up our involvement in the up-and-coming countries of Asia, Latin America and Eastern Europe and participate in their growth. To this end we are building our own local production plants. However, we also see diverse opportunities for strategic acquisitions.

In the Steel segment, the new steel mill in the Brazilian state of Rio de Janeiro will open up new opportunities. The low-cost, high-quality slabs supplied from Brazil will allow us to exploit growth opportunities in our core market of Europe and in the NAFTA region. The planned strengthening of our presence in North America with the establishment of our own rolling capacities for both carbon and stainless steel flat products will enhance our credentials on this key market as a flexible materials manufacturer with a local presence capable of responding quickly to the requirements of customers.

THE NEW STEEL MILL IN BRAZIL WILL OPEN UP NEW GROWTH OPPORTUNITIES.

Details of our corporate strategy aimed at exploiting our future opportunities are provided on pages 87-90.

EARNINGS SITUATION EXPECTED TO REMAIN POSITIVE

If the economic forecasts prove accurate, we anticipate a continued positive performance in 2006/2007 and 2007/2008.

Sales: We currently expect sales in 2006/2007 to be in the region of €47 billion.

- **Steel** is aiming for an increase in sales of flat-rolled carbon steel, with prices rising slightly for structural reasons.

- **Stainless** forecasts moderate sales growth mainly as a result of volume and structural improvements in stainless steel flat products and higher base prices.

- **Technologies** anticipates an increase in sales for the segment's previous activities, with a strong order backlog in the project business and order intake expected to be high. Excluding the disposals (mainly the North American body and chassis business, ThyssenKrupp Plastics, ThyssenKrupp Stahl Company), sales at the Automotive activities are expected to be unchanged from the prior year.

- **Elevator** once again expects a significant increase in sales in the coming fiscal year, secured by a high level of orders in hand. All regions are expected to contribute to this improvement.

- **Services** anticipates slightly lower sales due to the expected decline in prices. Improvements are forecast in the service activities and in the Eastern European market.

Based on a continued positive performance, we expect the Group's sales to remain strong in 2007/2008.
We continue to intensively pursue our sales target of €50 billion.

Earnings and dividend: Our sustainable target for pre-tax earnings over the economic cycles is €2.5 billion. Having achieved this target in 2005/2006, we are confident we can repeat our performance in 2006/2007. We aim to achieve earnings of a similar magnitude in 2007/2008.
We will continue to pay a dividend based on our earnings performance.

THE NUMBER OF EMPLOYEES WILL RISE IN 2006/2007 – MAINLY OUTSIDE GERMANY.

Employees: We plan to have around 191,000 employees at September 30, 2007, an increase of 2%. In 2007/2008 the headcount is expected to increase by a further 2%. Despite the anticipated increases, the workforce in Germany is likely to decrease because for market- and cost-related reasons the growth in employment will take place almost exclusively outside Germany. Training young people will remain a high priority in the future and for this reason we will continue to provide apprentice training beyond our own requirements. In view of the shortage of apprenticeship places on the market, we aim to give as many young people as possible a sound start to their working lives. The Group's total personnel expense in 2006/2007 is expected to be around €9.5 billion; in the subsequent year it could increase further.

Procurement: In the next two fiscal years, materials expense is again expected to amount to significantly more than 50% of sales due to persistently high raw material prices and the increasing proportion of purchased products and services. In view of our long-term, international supplier relationships, we do not anticipate any bottlenecks in the procurement of raw materials, components, operating materials or services in 2006/2007 or 2007/2008.
In fiscal year 2006/2007 we will continue our successful purchasing initiative, which will not only further reduce overall costs but in the medium term also strengthen the quality of purchasing. One aspect of this will be the expansion of our strategic supplier management system, under which we identify the best suppliers worldwide so that we can focus on them more strongly and build long-term partnerships with them. In this way we can limit or in some cases even reduce purchasing prices.

OUR SPENDING ON RESEARCH AND DEVELOPMENT WILL RISE TO OVER €800 MILLION.

Research and development: In the current fiscal year we plan to spend over €800 million on the development of new products and processes including quality assurance. This represents an increase of over €50 million. A further increase is planned in the following fiscal year. One key area is the development of new carbon and stainless steel materials which can be easily processed by our customers, e.g. in the auto industry, while at the same time displaying high strength. In the marine systems business we aim to optimize the building of naval ships and the integration of the various electronic control systems. Our plant technology business will further develop several of its production processes with the aim of reducing energy consumption. For the planned increase in development activities, our research centers will recruit more employees; in addition, cooperation with external universities will be intensified. Individual projects may be carried out under international research contracts to shorten development times. The Group's development centers will work on a cross-segment basis as far as possible in order to pool resources and enhance efficiency.

Environmental protection: Spending on ongoing environmental protection programs is expected to total over €400 million in both fiscal 2006/2007 and fiscal 2007/2008. Most of this will go towards reducing air and water pollution. In the Steel and Stainless segments, significant investments in pollution control equipment may be incurred for the construction projects in Brazil and the USA. We will expand our recycling activities in all segments to make better use of materials and conserve natural resources. Efforts aimed at saving energy in our operations will also be continued.

EXPECTED FINANCIAL SITUATION

At €7 billion, the volume of investment approved by the Supervisory Board is significantly higher than the previous year due to the investments in Brazil. In 2006/2007 – excluding any influences from the Dofasco project – we plan to invest €3.2 billion in tangible, intangible and financial assets, €1.7 billion above depreciation. The Group has adequate funds to finance the planned capital expenditures in 2006/2007, and our ambitious investment program for the following fiscal year is also on a solid financial basis.

ARE THERE LIMITS THAT CAN'T BE EXCEEDED?

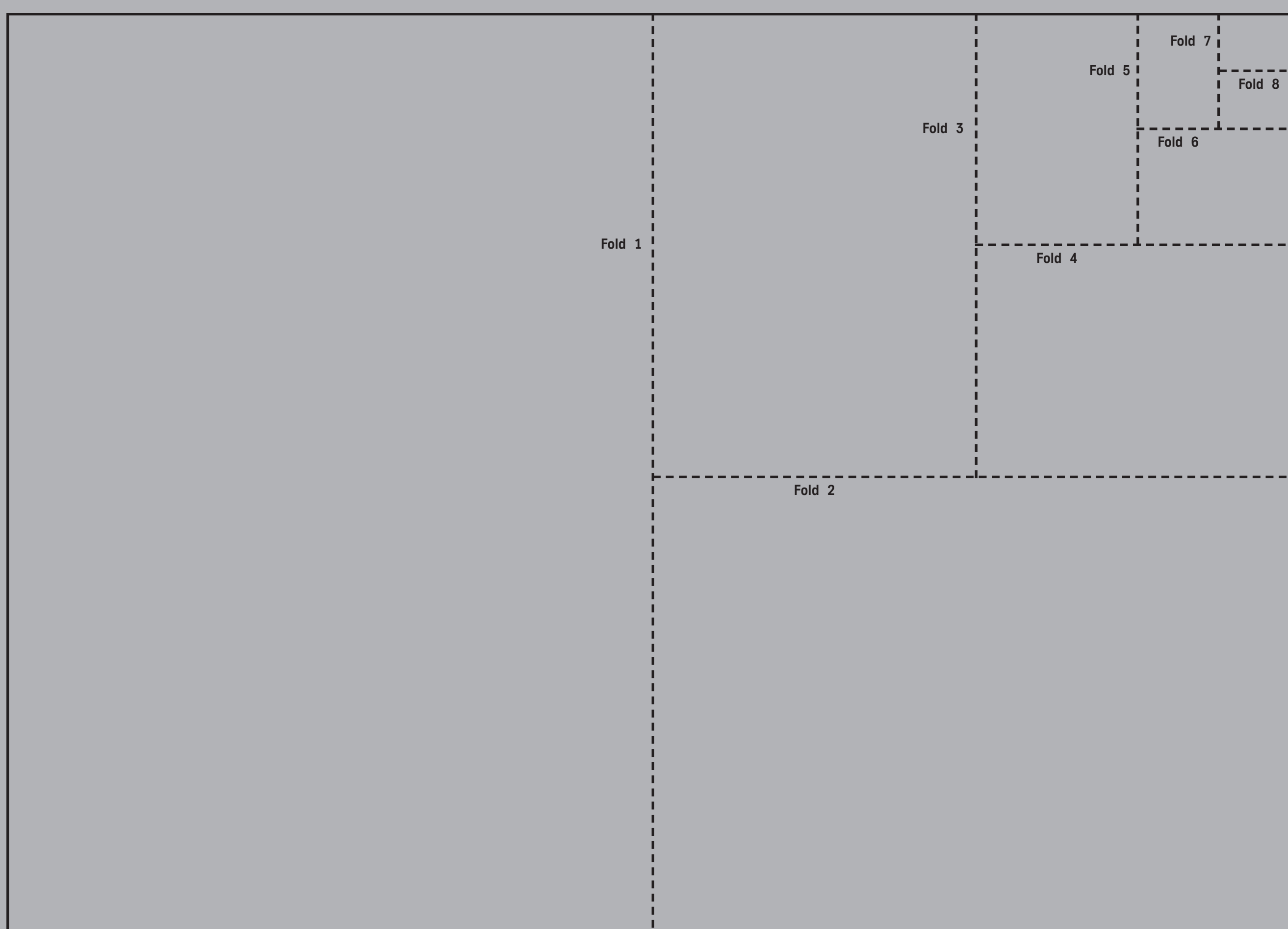
TURN THE PAGE AND JOIN IN.

IFRS RECONCILIATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

In fiscal 2005/2006, ThyssenKrupp changed its accounting from US GAAP (Generally Accepted Accounting Principles) to IFRS (International Financial Reporting Standards). To improve comparison, the prior-year figures are also presented on the basis of IFRS. The following reconciliations and the explanations in the Notes make the changeover easier to understand.

ANSWER: IT IS ONLY POSSIBLE TO FOLD A PIECE OF PAPER IN HALF SEVEN TIMES, REGARDLESS OF HOW BIG OR THIN IT IS.

ARE THERE LIMITS THAT CAN'T BE EXCEEDED?



CAN YOU FOLD A SHEET OF PAPER IN HALF EIGHT TIMES? TAKE A SHEET OF PAPER AND TRY.

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 International Financial Reporting Standards (IFRS) 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 disclosures 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, including 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 2005/2006 of ThyssenKrupp AG. They have audited the Group annual consolidated financial statements prepared in accordance with IFRS and have issued the following auditors‘ report.

The Group annual consolidated financial statements, the management report on the Group, auditors’ report and risk management system have been discussed in depth with the auditors in both the Audit Committee of the Supervisory Board, and in the annual consolidated financial statement meeting of the entire Supervisory Board.

Dr.-Ing. Ekkehard D. Schulz

Dr. A. Stefan Kirsten

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the ThyssenKrupp AG comprising the balance sheet, the income statement, statement of recognised income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2005 to September 30, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer - IDW) and in accordance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, November 13, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Reinke	Nunnenkamp
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

IFRS RECONCILIATIONS

First-time adoption of international financial reporting and accounting standards

The Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards (IAS) was adopted on July 19, 2002. This regulation requires companies, publicly traded and domiciled in the European Union (EU), to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for fiscal years starting on or after January 01, 2005. Accordingly, ThyssenKrupp AG, as a publicly traded corporation domiciled in Germany, is required to prepare its consolidated financial statements for the fiscal year 2005/2006 under IFRS. ThyssenKrupp AG has decided to adopt the recommendation of the Committee of European Securities Regulators (CESR) to prepare its interim reports in the current fiscal 2005/2006 in accordance with IFRS.

The Group has applied IFRS 1 "First time adoption of International Financial Reporting Standards" to provide a starting point for reporting under International Financial Reporting and Accounting Standards. The date of transition to International Financial Reporting and Accounting Standards was selected as October 01, 2004. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided hereafter including reconciliations from previously applied accounting principles US GAAP to IFRS for equity as of October 01, 2004 and as of September 30, 2005 as well as profit or loss for fiscal year 2004/2005.

The opening balance sheet has been prepared in accordance with the Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards applying the Standards and Interpretations effective within the EU as of September 30, 2006. A detailed presentation of the applicable accounting policies is provided on pages 133 and following. The IFRS opening balance sheet as of October 01, 2004 and the consolidated financial statements for the fiscal year ending September 30, 2005 form the basis for the first full set of consolidated financial statements for the fiscal year ending September 30, 2006.

The Group has taken the following exemptions granted by IFRS 1 when preparing its opening balance sheet:

- **Business combinations**
  The Company opted for the retention of the presentation of company acquisitions from the period before October 01, 2004, in place of an accounting treatment in accordance with the provisions of IFRS 3 "Business Combinations". The goodwill arising from those acquisitions contained no intangible assets that should have been shown separately under IFRS and has been taken on to the IFRS opening balance sheet without modifications other than those resulting from the required review of the carrying amounts of goodwill for impairment as of the opening balance sheet date and the required accounting for put options in connection with existing minority interest.

- **Employee benefits**
  As of October 01, 2004, all unrecognized actuarial gains and losses that arose in the period from the granting of the entitlement up to the date of transition to IFRS have been recognized directly in retained earnings ("fresh start").

- **Cumulative currency translation gains and losses**
  Cumulative currency translation gains and losses resulting from the translation of subsidiary and associated company financial statements up to the date of transition to IFRS have been directly recognized in retained earnings and have not been reported separately in equity. The recognition in retained earnings does not affect the reported equity. Currency translation adjustments arising after the transition are shown separately in equity and are recognized in income when the respective operations are disposed of.

The adoption of International Financial Reporting and Accounting Standards has resulted in the following changes to the Group's significant accounting policies:

Consolidation

Upon acquisition of a subsidiary the interest of minority shareholders under US GAAP is stated at the minority's proportion of the carrying amount of assets and liabilities of the subsidiary at the date of acquisition. Under IFRS, this minority interest is stated at the minority's proportion of fair values of identifiable assets, liabilities and contingent liabilities recognized at the date of acquisition and reported within equity.

Revenue recognition

Under US GAAP, the Group accounted for construction contracts using the percentage-of-completion method of accounting, if the performance of those contracts took 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. In accordance with IFRS, all construction contracts are accounted for using the percentage-of-completion method of accounting regardless of the length of the performance period.

Development costs

Development costs have been expensed as incurred in accordance with US GAAP. IFRS requires the recognition of development costs as an intangible asset, if certain requirements are met.

Components approach

Where under US GAAP no specific rules exist, IFRS requires a "component approach" when accounting for property, plant and equipment. Where fixed assets are comprised of significant parts those parts are accounted for as separate units and are depreciated accordingly.

Investment property

Investments in land and buildings held to earn rental income or for capital appreciation are recorded as part of property, plant and equipment under US GAAP. Those investment properties are shown as a separate line item under non current assets in accordance with IFRS. Furthermore, the fair values of investment properties are included in the notes to the consolidated financial statements where investment properties are recorded at amortized cost.

Goodwill

Under US GAAP, the Group tested goodwill for impairment on Reporting Unit level which corresponded to the reporting one level below its segments. If the first step of such an impairment test resulted in a carrying value of the reporting unit including goodwill that exceeded the fair value of that unit, the goodwill was deemed to be impaired. In a second step, the fair value of the goodwill was determined and compared with its carrying value which then served as a basis of calculation for the amount to be recorded as impairment charge. IFRS requires testing of goodwill for impairment on Cash Generating Unit (CGU) level. The group of Cash Generating Units to which goodwill has been allocated represents the lowest level within the Group that is monitored for internal management purposes. The IFRS requirement leads to testing levels below the Reporting Unit level in certain segments of the Group. The one-step impairment test under IFRS compares the carrying amount of a CGU including goodwill to its recoverable amount with any excess recorded as impairment charge against goodwill. In cases where the carrying amount of goodwill is less than the determined amount of the impairment charge, the difference is generally allocated proportionally to the remaining non-current assets of the CGU to reduce their carrying amounts accordingly.

Intangible assets, property, plant and equipment and investment property

If facts and circumstances indicate that intangible assets with finite useful lives, property, plant and equipment or investment property may have suffered an impairment loss, US GAAP requires a comparison of the carrying amount of those assets with the sum of undiscounted cash flows that are expected to be generated with these assets. If the carrying amount exceeds the sum of undiscounted cash flows, these assets are impaired. The necessary impairment charge is the amount by which the carrying amount of assets exceeds their fair values. Under IFRS, the assets are impaired if the carrying amounts of assets exceed the higher of a fair value less cost to sell or the sum of discounted cash flows that are expected to be generated with these assets (the recoverable amount). The excess carrying amount also represents the necessary impairment charge. Where under US GAAP the impairment creates a new cost basis for the asset, IFRS requires the carrying amount of the asset to be increased to a revised estimate of its recoverable amount if all or a portion of an impairment charge subsequently reverses.

Inventories

US GAAP requires inventories to be stated at the lower of cost or market whereas under IFRS inventories are stated at the lower of cost and net realizable value with a net realizable value being the estimated selling price in the ordinary course of business less estimated costs of completion and selling cost. Where under US GAAP the impairment creates a new cost basis for the asset, IFRS requires the carrying amount of the asset to be increased to a revised estimate of its net realizable value if all or a portion of an impairment charge subsequently reverses.

Receivables

Under US GAAP, receivables sold under the "true sale" concept are derecognized from the balance sheet at the time of the sale. In determining whether sold receivables can be derecognized from the balance sheet, IFRS is based primarily on a risk and rewards approach which in certain cases results in a treatment of the sale that differs from the one under US GAAP.

Accrued pension and similar obligations

The measurement date of accrued pension and similar obligations under US GAAP is allowed to differ from the year end balance sheet date of a company. The Group therefore measured its obligations using the assumptions determined as of June 30 of each fiscal year. Under IFRS the measurement date must correspond to a company's year end. Accordingly, the Group measures its obligations using the assumptions determined as of September 30 of each fiscal year.

As of September 30, 2004/October 01, 2004 and September 30, 2005, the following assumptions were used to determine the pension obligations:

in %

	Sept. 30, 2004/Oct. 01, 2004				**Sept. 30, 2005**			
	US GAAP		IFRS		US GAAP		IFRS	
Weighted-average assumptions:	Germany	Outside Germany	Germany	Outside Germany	Germany	Outside Germany	Germany	Outside Germany
Discount rate	5.50	6.10	5.00	5.53	4.00	5.08	4.00	4.88
Expected return on plan assets	6.00	7.81	6.00	7.57	6.00	7.83	6.00	7.53
Rate of compensation increase	3.00	4.12	3.00	3.76	2.50	2.37	2.50	2.36

As of September 30, 2004/October 01, 2004 and September 30, 2005, the following assumptions were used to determine the health care obligations:

in %

	Sept. 30, 2004/Oct. 01, 2004		**Sept. 30, 2005**	
	US GAAP	IFRS	US GAAP	IFRS
Weighted-average assumptions:	USA/Canada	USA/Canada	USA/Canada	USA/Canada
Discount rate	6.25	5.75	5.20	5.20
Health care cost trend rate for the following year	10.01	10.01	8.39	8.39
Ultimate health care cost trend rate (expected in 2009)	5.45	5.46	5.44	5.45

When recording an additional minimum pension liability as required under US GAAP, the recognition of an intangible asset is obligatory if certain conditions are met. IFRS has no rules regarding the recognition of an additional minimum pension liability or the related intangible asset.

Starting with balance sheet date September 30, 2005 the Group will no longer apply the corridor approach, but use the so-called "third option" in accordance with IAS 19 amendment (December 2004). Under the provisions of this amendment all actuarial gains and losses are recognized immediately and directly in equity.

The interest cost component and expected rate of return component of pension and health care cost have been included in income from operations under US GAAP. The Group elected to present those components of pension and health care costs within IFRS in net financial income/(expense) for its IFRS reporting.

Share-based compensation

Under US GAAP, the Group had valued its share-based compensation programs using the intrinsic value method until July 01, 2005. Subsequent to the adoption of SFAS 123(R) as of July 01, 2005, the Group valued its plans at fair value. Under IFRS, these programs are also recorded at fair value.

Embedded derivative financial instruments

US GAAP requires the recognition of an embedded derivative where parties conclude a contract that is not denominated in the functional currency of one of the parties to the contract. Under IFRS an embedded derivative is not recognized separately if the contract is denominated in a currency that is commonly used in business transactions in the environment in which the transaction takes place.

Discontinued operations

The Group reports the results of a disposal group that qualifies as component of the Group under US GAAP as discontinued operations if its cash flows can be clearly distinguished operationally and for financial reporting from the rest of the Group and the Group does not have significant continuing involvement with the component subsequent to its disposal. In addition to the identification of a component, IFRS requires that the disposed component must also represent a major line of business or all operations within a geographical area. Therefore, certain disposals may qualify as discontinued operations under US GAAP but not under IFRS.

Balance sheet classification

In previously published consolidated financial statements the balance sheet classification followed the 4th and 7th directive of the EU with additional disclosures required by US GAAP included in the notes to the consolidated financial statements. Under IFRS, assets and liabilities are classified as current or non-current in the balance sheet.

To simplify the reconciliations of the consolidated balance sheets, the US GAAP presentation has been adjusted to the IFRS current/non-current classification.

The effect of the changes to the Group's accounting policies on the reported financial position, results of operations and cash flows of the Group is presented in the following.

RECONCILIATION OF THE CONSOLIDATED OPENING BALANCE SHEET AS OF OCTOBER 01, 2004

Deviating from the balance sheet classification included in the interim reports for fiscal year 2005/2006 liabilities in an amount of €220 million originally classified as current liabilities are now classified as current provisions due to an altered assessment regarding the nature of such liabilities.

Moreover, a modified interpretation of IFRS regarding certain special tax law regulations in Italy and in the US resulted in a decrease of deferred tax liabilities by €66 million and a corresponding increase of equity in the IFRS opening balance sheet as of October 01, 2004.

Assets in million €

	Note	US GAAP Sept. 30, 2004	IFRS adjustments	IFRS Oct. 01, 2004
Intangible assets, net	A1, B1, C1	3,554	(385)	3,169
Property, plant and equipment, net	D1, E1, F1, G1	10,574	(1,856)	8,718
Investment property	H1, I1	—	1,618	1,618
Investments accounted for using the equity method	J1	341	(9)	332
Financial assets		679	0	679
Deferred tax assets	K1	1,148	(272)	876
Total non-current assets		**16,296**	**(904)**	**15,392**
Inventories	L1, M1	6,274	(368)	5,906
Trade accounts receivable, net	N1, O1	5,764	653	6,417
Other receivables	P1, Q1	1,049	(75)	974
Current income tax assets		189	0	189
Cash and cash equivalents		1,350	0	1,350
Assets held for sale	R1, S1	219	37	256
Total current assets		**14,845**	**247**	**15,092**
Total assets		**31,141**	**(657)**	**30,484**

Equity and Liabilities in million €

	Note	US GAAP Sept. 30, 2004	IFRS adjustments	IFRS Oct. 01, 2004
Equity attributable to ThyssenKrupp AG's stockholders		**8,327**	**(1,218)**	**7,109**
Minority interest	A2	—	360	360
Total equity		**8,327**	**(858)**	**7,469**
Minority interest	A2	**410**	**(410)**	—
Accrued pension and similar obligations	B2, C2, D2	7,189	1,095	8,284
Other provisions	E2, F2	510	5	515
Deferred tax liabilities	G2	977	(823)	154
Financial liabilities	H2	3,618	60	3,678
Other liabilities	I2	0	42	42
Total non-current liabilities		**12,294**	**379**	**12,673**
Other provisions	J2	1,811	(632)	1,179
Current income tax liabilities		538	0	538
Financial liabilities	K2	614	238	852
Trade accounts payable	L2	3,644	(13)	3,631
Other liabilities	M2, N2, O2, P2	3,312	611	3,923
Liabilities associated with assets held for sale	Q2	191	28	219
Total current liabilities		**10,110**	**232**	**10,342**
Total liabilities		**22,814**	**201**	**23,015**
Total equity and liabilities		**31,141**	**(657)**	**30,484**

Intangible assets, net

A1 DEVELOPMENT COSTS

Development costs that satisfied the criteria for recognition under IFRS resulted in an increase of intangible assets of €77 million.

B1 GOODWILL

The IFRS one-step goodwill impairment test applied on Cash Generating Unit level as of October 01, 2004, resulted in an impairment charge against goodwill in the amount of €437 million.

The recognition of a put option in connection with an existing minority interest of the Dongyang group resulted in an increase of goodwill by €32 million.

C1 INTANGIBLE PENSION ASSET

The US GAAP intangible pension asset of €53 million was derecognized to account for pension obligations in accordance with IAS 19.

Property, plant and equipment, net

D1 INVESTMENT PROPERTY

Based on the IFRS requirement to present investment property separately in the consolidated balance sheet, property, plant and equipment of €1,688 million were reclassified.

E1 COMPONENTS APPROACH

Under IFRS, property, plant and equipment is required to be separated into significant accounting parts and depreciated over the expected useful lives of the corresponding units. As a result, the Group recognized an increase of property, plant and equipment of €19 million.

F1 IMPAIRMENT

The IFRS one-step impairment test of property, plant and equipment based on discounted cash flows resulted in an impairment charge against those assets of €247 million as the corresponding carrying values where no longer supported by the respective recoverable amounts.

G1 LEASES

Under US GAAP, the classification of a lease as either operating lease or capital (finance) lease is based on formal criteria. IFRS however, does not use such formal quantitative thresholds to determine the type of a lease. Therefore, the application of IAS 17 “Leases” can result in a different classification of lease transactions. Accordingly, a lease transaction accounted for as an operating lease under US GAAP (whereby the lease payments were expensed as incurred), was accounted for as a finance lease under IFRS (with the related asset and liabilities recognized in the Group’s balance sheet). As a result, property, plant and equipment increased by €60 million.

Investment property

H1 SEPARATE BALANCE SHEET LINE ITEM

Based on the IFRS requirement to present investment property separately in the consolidated balance sheet, property, plant and equipment of €1,688 million was reclassified.

I1 IMPAIRMENT

The IFRS one-step impairment test of investment property based on discounted cash flows resulted in an impairment of €70 million.

Investments accounted for using the equity method

J1 ASSETS HELD FOR SALE

Under US GAAP, apart from a disposal group only long-lived assets can be classified as held for sale if certain criteria are met, while under IFRS, all non-current assets can qualify for classification as held for sale. As a result, the Group reclassified an investment accounted for using the equity method in the amount of €9 million in assets held for sale.

Deferred tax assets

K1 IFRS ADJUSTMENTS

Deferred taxes are recognized generally due to different accounting under IFRS/US GAAP and the applicable national income tax calculation methods. As described above and in the following, the transition from US GAAP to IFRS accounting resulted in significant changes of various balance sheet items, but the national statutory income tax calculation methods remained unchanged. The transition therefore altered the afore-mentioned relationship with corresponding impacts on the balance sheet recognition of deferred taxes.

Regulations specifying different rules for the recognition of deferred taxes, under US GAAP and IFRS, as well as goodwill impairment and balance sheet reclassifications (e.g. the reclassification of minority interest to shareholders' equity) did not materially affect deferred taxes.

Compared to US GAAP, there are extended possibilities for balancing deferred taxes at single entity level. Because of this deferred tax assets and liabilities respectively are reduced compared to US GAAP. The netted amount of deferred tax assets and liabilities results in a deferred tax asset under IFRS, while there was a net deferred tax liability under US GAAP. This is in general due to the increased accrued pensions and similar obligations and due to the decreased property, plant and equipment under IFRS.

The IFRS adjustments resulted in a decrease of deferred tax assets of €272 million.

Inventories

L1 PERCENTAGE-OF-COMPLETION METHOD

Under US GAAP, the balance sheet item „Work in progress“ included construction contracts accounted for under the percentage-of-completion method. Under IFRS, these construction contracts are included in trade accounts receivable. In this context, €370 million were reclassified.

M1 LOWER OF COST AND NET REALIZABLE VALUE

The measurement of inventories under IFRS at the lower of cost and net realizable value resulted in an increase of inventories of €2 million.

Trade accounts receivable, net

N1 PERCENTAGE-OF-COMPLETION METHOD

Under US GAAP, the balance sheet item „Work in progress“ included construction contracts accounted for under the percentage-of-completion method. Under IFRS, these construction contracts are included in trade accounts receivable. In this context, €370 million were reclassified (ref. L1).

Moreover under IFRS, the percentage-of-completion method is applied to construction contracts which have not been accounted for using the percentage-of-completion method under US GAAP due to their performance duration of less than one year resulting in an increase of trade accounts receivable ("Future receivables from construction contracts") of €47 million.

O1 SALE OF RECEIVABLES

Under IFRS, a risks and rewards approach and an assessment of control are applied to determine whether receivables sold can be derecognized. The application of this approach to receivables sold as of October 01, 2004, under existing programs resulted in an increase of the respective balance sheet caption by €238 million.

Other receivables

P1 EMBEDDED DERIVATIVES

Under IFRS, several transactions do not qualify for a separate accounting as an embedded derivative because they are denominated in a currency that is commonly used in such business transactions. As a result, the Group derecognized assets of €3 million.

Q1 PREPAID PENSION COST

The IFRS pension accounting resulted in a reduction of the prepaid pension cost of €72 million primarily due to different discount rates and different fair values of plan assets as a result of different measurement dates.

Assets held for sale

R1 ADDITIONAL ASSETS HELD FOR SALE UNDER IFRS

Under US GAAP, apart from a disposal group only long-lived assets can be classified as held for sale if certain criteria are met, while under IFRS, all non-current assets can qualify for classification as held for sale. As a result, the Group reclassified an investment accounted for using the equity method in the amount of €9 million in assets held for sale (ref. J1).

S1 IFRS ADJUSTMENTS

Under IFRS, assets held for sale increased by €28 million resulting from IFRS adjustments of asset-backed transactions (ref. O1) of €18 million, separate accounting of significant parts (ref. E1) of €1 million and deferred tax assets (ref. K1) of €8 million. Moreover, the reclassified amount of an investment accounted for using the equity method was increased by €1 million because the basis of presentation of the financial statements of the respective associate has also been changed from US GAAP to IFRS.

Minority interest

A2 RECLASSIFICATION

Under US GAAP, minority interest is presented as a separate item between equity and liabilities in the consolidated balance sheet. Under IFRS, minority interest is required to be presented as part of equity. This reclassification resulted in an increase of equity of €410 million. Thereof, €50 million refer to IFRS adjustments in the financial statements of the single entities with minority shareholders due to IFRS 1 and the recognition of the put option in connection with the Dongyang group (ref. B1).

Accrued pensions and similar obligations

B2 PENSION OBLIGATIONS

A reduced discount rate as of October 01, 2004, compared to the rate used at the early measurement date June 30, 2004 under US GAAP, and the allowed recognition of all actuarial gains and losses in equity in the opening balance sheet resulted in an increase of pension obligations by €484 million.

C2 POSTRETIREMENT OBLIGATIONS OTHER THAN PENSIONS

A reduced discount rate as of October 01, 2004 compared to the rate used at the early measurement date June 30, 2004 under US GAAP and the allowed recognition of all actuarial gains and losses in equity in the opening balance sheet resulted in an increase of health care obligations other than pensions by €540 million.

D2 VOLUNTARY EARLY RETIREMENT AGREEMENTS

Under US GAAP, obligations for voluntary early retirement agreements are only recorded for employees who have actually entered into retirement agreements and are accrued on a pro-rata basis. Under IFRS, obligations for voluntary early retirement benefits are recorded based upon management’s best estimate of the number of employees expected to enter into early retirement agreements and are accrued on an actuarial basis. As a result, the provisions increased by €71 million.

Other provisions – non-current –

E2 EMPLOYEES’ ANNIVERSARY BONUSES

Based on the early measurement option of US GAAP, the Group’s provisions for anniversary bonuses were calculated using the assumptions as of June 30, 2004. Under IFRS, the calculation has to be based on the assumptions as of October 01, 2004. Because of the reduced discount rate as of October 01, 2004, the provision for anniversary bonuses increased by €2 million.

F2 SHARE-BASED COMPENSATION

The IFRS accounting of the Group's cash settled management incentive plans using the fair value method resulted in an increase of the provision of €3 million.

Deferred tax liabilities

G2 IFRS ADJUSTMENTS

Deferred taxes are generally recognized due to different accounting under IFRS/US GAAP and the applicable national income tax calculation methods. As described above and in the following, the transition from US GAAP to IFRS accounting resulted in significant changes of various balance sheet items, but the national statutory income tax calculation methods remained unchanged. The transition therefore altered the afore-mentioned relationship with corresponding impacts on the balance sheet recognition of deferred taxes.

Regulations specifying different rules for the recognition of deferred taxes, under US GAAP and IFRS, as well as goodwill impairment and balance sheet reclassifications (e.g. the reclassification of minority interest to shareholders' equity) did not materially affect deferred taxes.

Compared to US GAAP, there are extended possibilities for balancing deferred taxes at single entity level. Because of this deferred tax assets and liabilities respectively are reduced compared to US GAAP. The netted amount of deferred tax assets and liabilities results in a deferred tax asset under IFRS, while there was a net deferred tax liability under US GAAP. This is in general due to the increased accrued pensions and similar obligations and due to the decreased property, plant and equipment under IFRS.

The IFRS adjustments resulted in a decrease of deferred tax liabilities of €823 million.

Financial liabilities – non-current –

H2 LEASES

As described in G1, certain lease contracts that qualified as an operating lease under US GAAP are treated as a finance lease under IFRS. As a result, financial liabilities increased by €60 million.

I2 OTHER LIABILITIES – NON-CURRENT –

The accounting for the put option at the Dongyang group (ref. B1) resulted in a recognition of a liability of €42 million.

Other provisions – current –

J2 RECLASSIFICATION

In previously published consolidated financial statements the balance sheet classification followed the 4th and 7th directive of the EU with additional disclosures required by US GAAP included in the notes to the consolidated financial statements. Under this classification, certain liabilities were shown as provisions. Under IFRS, €632 million formerly recorded as other provisions are reclassified into other liabilities as they do not fulfill the definition of a provision under IFRS.

Financial liabilities – current –

K2 SALE OF RECEIVABLES

The determination whether receivables sold can be derecognized based on the IFRS risk and reward approach and control (ref. O1) resulted in a corresponding increase of financial liabilities of €238 million.

Trade accounts payable

L2 PERCENTAGE-OF-COMPLETION METHOD

Under IFRS, the percentage-of-completion method is applied on all construction contracts (ref. N1). As a result, the Group reclassified €13 million from trade accounts payable into other liabilities.

Other liabilities

M2 RECLASSIFICATION

The adoption of the IFRS definitions regarding the classification of provisions and liabilities (ref. J2) resulted in a reclassification of other provisions of €632 million into other liabilities.

N2 EMBEDDED DERIVATIVES

Under IFRS, several foreign currency based transactions do not require separate accounting for an embedded derivative component because these transactions are denominated in a currency that is commonly used in such business transactions. As a result, the Group derecognized liabilities of €10 million.

O2 PERCENTAGE-OF-COMPLETION METHOD

Under IFRS, the percentage-of-completion method is applied on all construction contracts (ref. N1). As a result, the Group's other liabilities increased by €43 million due to excess amounts of advances received or progress billings compared to corresponding attributable revenues.

P2 SALE-AND-LEASE-BACK TRANSACTIONS

Under US GAAP, gains resulting from sale-and-lease-back transactions are deferred over the contract period. Under IFRS, these gains are recognized immediately on the date of sale if the sale-and-lease-back transaction results in an operating lease and the transaction was established at fair value. This resulted in a decrease of deferred income of €63 million.

Liabilities associated with assets held for sale

Q2 IFRS ADJUSTMENTS

Under IFRS, liabilities associated with assets held for sale increased by €28 million resulting from IFRS adjustments of asset-backed transactions (ref. K2) of €18 million, pension obligations (ref. B2) of €4 million and deferred tax liabilities (ref. G2) of €6 million.

RECONCILIATION OF EQUITY AS OF OCTOBER 01, 2004

million €

	Note	
Stockholders' equity under US GAAP as of Sept. 30, 2004		**8,327**
Intangible assets, net	A1, B1, C1	(417)
Property, plant and equipment, net	D1, E1, F1, G1	(168)
Investment property	H1, I1	(70)
Deferred tax assets	K1	(272)
Inventories	L1, M1	2
Trade accounts receivable, net	N1, O1	47
Other receivables	P1, Q1	(75)
Assets held for sale	R1, S1	11
Accrued pensions and similar obligations	B2, C2, D2	(1,095)
Other provisions	E2, F2	(8)
Deferred tax liabilities	G2	823
Financial liabilities	H2	(60)
Other liabilities	N2, O2, P2	33
Liabilities associated with assets held for sale	Q2	(10)
Minority interest	A2	50
Other adjustments		(9)
Equity attributable to ThyssenKrupp AG's stockholders under IFRS as of Oct. 01, 2004		**7,109**
Minority interest under IFRS as of Oct. 01, 2004		**360**
Total equity under IFRS as of Oct. 01, 2004		**7,469**

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF INCOME FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

million €

	Note	US-GAAP fiscal year ended Sept. 30, 2005	IFRS 5 adjustments	Other IFRS adjustments	IFRS fiscal year ended Sept. 30, 2005
Net sales	A1, B1	42,064	888	(25)	42,927
Cost of sales	C1, D1, E1, F1	(35,063)	(875)	243	(35,695)
Gross margin		**7,001**	**13**	**218**	**7,232**
Selling expenses	G1, H1	(2,544)	(97)	(4)	(2,645)
General and administrative expenses	I1, J1	(2,360)	(93)	198	(2,255)
Other operating income	K1	259	9	8	276
Other operating expenses	L1, M1	(391)	(32)	(29)	(452)
Gain/(loss) on the disposal of subsidiaries, net		3	14	(1)	16
Income from operations		**1,968**	**(186)**	**390**	**2,172**
Income from companies accounted for at equity		37	0	0	37
Other financial income/(expense), net		(169)	(4)	(359)	(532)
Financial income/(expense), net	N1	**(132)**	**(4)**	**(359)**	**(495)**
Income from continuing operations before income taxes		**1,836**	**(190)**	**31**	**1,677**
Non-recurring losses related to RAG investment		(474)	0	0	(474)
Provisions for income taxes	O1	(735)	10	(12)	(737)
Minority interest	P1	(46)	0	46	—
Income from continuing operations		**581**	**(180)**	**65**	**466**
Discontinued operations (net of tax)		442	180	(9)	613
Cumulative effects of changes in accounting principles (net of tax)		(4)	0	4	0
Net income		**1,019**	**0**	**60**	**1,079**
Thereof:					
ThyssenKrupp AG's stockholders		1,019	0	19	1,038
Minority interest		—	0	41	41
Net income		**1,019**	**0**	**60**	**1,079**
Basic earnings per share					
Income from continuing operations (attributable to ThyssenKrupp AG's stockholders)		1.17	(0.36)	0.04	0.85
Net income (attributable to ThyssenKrupp AG's stockholders)		**2.05**	**0.00**	**0.03**	**2.08**

IFRS 5 adjustments

Based on the differences in the definition of a discontinued operation under US GAAP and IFRS, the following disposals qualified for reporting as discontinued operations under US GAAP but do not under IFRS:

Segment Steel (structure until Sept. 30, 2005):
- Edelstahl Witten-Krefeld GmbH
- Hoesch Contecna Systembau GmbH

Segment Automotive:
- Alu Castings
- European truck spring businesses
- ThyssenKrupp Stahl Company

Segment Technologies:
- ThyssenKrupp Stahlbau business
- Turbine components operating group

Segment Services:
- Hommel group
- Krupp Druckereibetriebe GmbH

In addition, expenses resulting from disposals of discontinued operations incurred in fiscal year 2003/2004 qualified for reporting as discontinued operations under US GAAP but do not under IFRS.

As a result, only the disposals of the MetalCutting business unit and of the Residential Real Estate business qualify for reporting as discontinued operations under US GAAP and under IFRS as well.

The adjustments to present the disposals as part of continuing operations under IFRS are disclosed in column “IFRS 5 adjustments”

Other IFRS adjustments

These adjustments primarily result from the roll forward of the corresponding adjustments due to the transition from US GAAP to IFRS as of October 01, 2004.

Net sales

A1 PERCENTAGE-OF-COMPLETION METHOD (POC)

Under IFRS, the percentage-of-completion method is applied to all construction contracts. As a result, the Group’s net sales decreased by €8 million mainly due to the fact that part of the result of these contracts has been realized up front in the opening balance sheet as of October 01, 2004 as a result of the extended application of the percentage-of-completion method.

B1 EMBEDDED DERIVATIVES

Under IFRS, for several transactions denominated in foreign currencies separate accounting for embedded derivatives is not required because they are denominated in a currency that is commonly used in such business transactions. As a result, net sales decreased by €17 million due to the elimination of the foreign currency embedded derivative effects.

Cost of sales

C1 PERCENTAGE-OF-COMPLETION METHOD (POC)

Under IFRS, the percentage-of-completion method is applied on all construction contracts. As a result, the Group’s cost of sales decreased by €4 million mainly due to the fact that less revenue was recognized in the fiscal year 2004/2005 as a result of the extended application of the percentage-of-completion method.

D1 EMBEDDED DERIVATIVES

Under IFRS, for several transactions denominated in foreign currencies separate accounting for embedded derivatives is not required because they are denominated in a currency that is commonly used in such business transactions. As a result, cost of sales decreased by €27 million due to the elimination of the foreign currency embedded derivative effects.

E1 PERSONNEL EXPENSES

Personnel expenses included in cost of sales decreased by €159 million. This was primarily due to the absence of amortization of actuarial losses stemming from pension and other postretirement benefit plans under IFRS as the result of the application of the fresh start method in the opening balance sheet. Moreover, cost of sales decreased because of the reclassification of pension interest cost to net financial income/(expense). Cost of sales increased by the reclassification of the expected return on plan assets to net financial income/(expense).

F1 AMORTIZATION AND DEPRECIATION

Amortization and depreciation included in cost of sales decreased by €55 million primarily resulting from impairment charges recognized for non-current assets in the IFRS opening balance sheet.

Selling expenses

G1 PERSONNEL EXPENSES

Personnel expenses included in selling expenses decreased by €18 million. This was primarily due to the absence of the amortization of pension and pension-related actuarial losses under IFRS as the result of the application of the fresh start method in the opening balance sheet. Moreover, selling expenses decreased due to the reclassification of pension interest cost to net financial income/(expense). Selling expenses increased due to the reclassification of the expected return on plan assets to net financial income/(expense).

H1 OTHER SELLING EXPENSES

Other selling expenses increased by €9 million. This was due to increased allocations to provisions mainly as a result of the valuation of provisions based on the expected value out of a range of equally probable values.

General and administrative expenses

I1 PERSONNEL EXPENSES

Personnel expenses included in general and administrative expenses decreased by €220 million. This was primarily due to the reversal of amortization of pension and pension-related actuarial losses under IFRS as the result of the application of the fresh start method in the opening balance sheet. Moreover, personnel expenses decreased due to the reclassification of pension interest cost to net financial income/(expense). Personnel expenses increased due to the reclassification of the expected return on plan assets to net financial income/(expense).

J1 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses increased by €6 million. This is due to increased allocations to provisions mainly as a result of the valuation of provisions based on the expected value out of a range of equally probable values.

Other operating income

K1 GAIN FROM DISPOSAL OF ASSETS

The increase of miscellaneous other operating income was mainly due to increased gains from disposals as a result of recognized impairment charges in the opening balance sheet.

Other operating expenses

L1 DEVELOPMENT COSTS

The recognition of certain development costs as intangible assets resulted in a reduction of other operating expenses of €20 million.

M1 COSTS OF VOLUNTARY SETTLEMENTS

Additional provisions of €66 million for voluntary settlements were recognized in accordance with the expected claim rate.

Financial income/(expense), net

N1 ACCRUED PENSION AND SIMILAR OBLIGATIONS

Net financial income/(expense) increased by €(359) million primarily due to the recognition of pension interest cost of €(478) million offset by the recognition of the expected return on plan assets of €117 million.

Provisions from income taxes

O1 IFRS ADJUSTMENTS

The increase of provisions from income taxes by €12 million relates to deferred taxes resulting from IFRS adjustments.

Minority interest

P1 RECLASSIFICATION

Under US GAAP, net income is presented after reduction of minority interest. Under IFRS, net income is inclusive of minority interest. This reclassification resulted in an increase of net income of €46 million.

RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2005

Deviating from the balance sheet classification included in the interim reports for fiscal year 2005/2006 provisions in an amount of €188 million originally classified als current provisions are now classified as non-current provisions due to a changed assessment regarding the maturity structure of such provisions. Moreover, liabilities in an amount of €537 million originally classified as current liabilities are now classified as current provisions due to an altered assessment regarding the nature of such liabilities.

Additionally, a modified interpretation of IFRS regarding certain special tax law regulations in Italy and in the US resulted in a decrease of deferred tax liabilities by €66 million and a corresponding increase of equity in the IFRS consolidated balance sheet as of September 30, 2005.

Assets in million €

	Note	US GAAP Sept. 30, 2005	IFRS adjustments	IFRS Sept. 30, 2005
Intangible assets, net	A1	4,766	(177)	4,589
Property, plant and equipment, net	B1	9,469	(726)	8,743
Investment property	C1		557	557
Investments accounted for using the equity method		329	8	337
Financial assets		190	(9)	181
Deferred tax assets	D1	1,431	(686)	745
Total non-current assets		**16,185**	**(1,033)**	**15,152**
Inventories	E1	7,439	(577)	6,862
Trade accounts receivable, net	F1	5,966	702	6,668
Other receivables		1,172	(39)	1,133
Current income tax assets		270	0	270
Cash and cash equivalents		4,625	0	4,625
Assets held for sale		582	9	591
Total current assets		**20,054**	**95**	**20,149**
Total assets		**36,239**	**(938)**	**35,301**

Equity and Liabilities in million €

	Note	US GAAP Sept. 30, 2005	IFRS adjustments	IFRS Sept. 30, 2005
Equity attributable to ThyssenKrupp AG's stockholders		**8,771**	**(1,216)**	**7,555**
Minority interest		—	389	389
Total equity		**8,771**	**(827)**	**7,944**
Minority interest		**481**	**(481)**	—
Accrued pension and similar obligations	A2	7,954	938	8,892
Other provisions		586	19	605
Deferred tax liabilities	B2	1,495	(1,121)	374
Financial liabilities		3,028	57	3,085
Other liabilities	C2	0	207	207
Total non-current liabilities		**13,063**	**100**	**13,163**
Other provisions	D2	2,325	(807)	1,518
Current income tax liabilities		459	6	465
Financial liabilities	E2	1,643	130	1,773
Trade accounts payable		3,981	(5)	3,976
Other liabilities	F2	4,931	901	5,832
Liabilities associated with assets held for sale		585	45	630
Total current liabilities		**13,924**	**270**	**14,194**
Total liabilities		**27,468**	**(111)**	**27,357**
Total equity and liabilities		**36,239**	**(938)**	**35,301**

A1 INTANGIBLE ASSETS, NET

Primarily due to the following reasons the decrease of intangible assets as of September 30, 2005 was reduced by €208 million compared to October 01, 2004:

- The recognition of a put option in connection with an existing minority interest of the Howaldtswerke-Deutsche Werft (HDW) and a corresponding reconsideration of the purchase price calculation resulted in an increase of goodwill by €100 million.

- Under US GAAP, an impairment charge against goodwill in an amount of €45 million was recognized in fiscal year 2004/2005 which under IFRS already had been accounted for in the opening balance sheet in accordance with the criteria of IAS 36.
- Capitalized development cost increased by €15 million.

B1 PROPERTY, PLANT AND EQUIPMENT, NET

Primarily due to the following reason the decrease of property, plant and equipment as of September 30, 2005 was reduced by €1,130 million compared to October 01, 2004:

- In the opening balance sheet the Group reclassified property from property, plant and equipment into investment property. As a result of the disposal of the Residential Real Estate business in the 2nd quarter ended March 31, 2005 the amount of reclassification decreased by €1,061 million.

C1 INVESTMENT PROPERTY

Due to the disposal of the Residential Real Estate business during the 2nd quarter ended March 31, 2005 the increase of investment property as of September 30, 2005 was reduced by €1,061 million compared to October 01, 2004.

D1 DEFERRED TAX ASSETS

The reduction of deferred tax assets as of September 30, 2005 increased by €414 million compared to October 01, 2004.

This is due to, compared to US GAAP, extended possibilities for balancing deferred taxes at single entity level.

E1 INVENTORIES

The decrease of inventories as of September 30, 2005 increased by €209 million compared to October 01, 2004. This is primarily due to the necessary reclassification from inventories into trade accounts receivable in connection with the percentage-of-completion method.

F1 TRADE ACCOUNTS RECEIVABLE, NET

Primarily due to the following reasons the increase of trade accounts receivable as of September 30, 2005 increased by €49 million compared to October 01, 2004:

- The necessary reclassification from inventories into trade accounts receivable in connection with the percentage-of-completion method increased by €207 million.
- Adjustments of asset-backed programs to achieve an off balance treatment and disposals from the scope of consolidation resulted in an increase of derecognized trade accounts receivables of €108 million as of September 30, 2005.

A2 ACCRUED PENSION AND SIMILAR OBLIGATIONS

Primarily due to the following reasons the increase of accrued pension and similar obligations as of September 30, 2005 decreased by €157 million compared to October 01, 2004:

- Regarding accrued pension obligations the necessary amount of adjustments decreased by €325 million, due to a lesser reduction of the discount rate under US GAAP compared to IFRS as of September 30, 2005.
- Regarding postretirement obligations other than pensions (healthcare obligations) the necessary amount of adjustments increased by €176 million, due to a reduction of the discount rate and resulting actuarial losses in the fiscal year 2004/2005 which were not immediately recognized under US GAAP. Under IFRS, however, the Group opted to apply the so called “third option” of IAS 19 and therefore all actuarial losses resulting from a reduction of the discount rate were recognized and immediately charged against equity.

B2 DEFERRED TAX LIABILITIES

The reduction of deferred tax liabilities as of September 30, 2005 increased by €298 million compared to October 01, 2004. This is due to, compared to US GAAP, extended possibilities for balancing deferred taxes at single entity level.

C2 OTHER LIABILITIES – NON CURRENT –

The increase of non current other liabilities as of September 30, 2005 increased by €165 million compared to October 01, 2004. An increase of €160 million is due to the recognition of the put option in connection with a minority interest of the Howaldtswerke-Deutsche Werft (HDW).

D2 OTHER PROVISIONS – CURRENT –

Primarily due to the following reasons the current other provisions as of September 30, 2005 increased by €175 million compared to October 01, 2004:

- Under IFRS, the reclassification from provisions into other liabilities increased by €241 million.
- Under IFRS, provisions for voluntary early retirement agreements are recorded for upon an expected number of employees entering into early retirement agreements. As a result, in the fiscal year 2004/2005 additional provisions of €66 million were recognized under IFRS only.

E2 FINANCIAL LIABILITIES – CURRENT –

Adjustments of asset-backed programs to achieve an off balance treatment and disposals from the scope of consolidation resulted in a decrease of current financial liabilities by €108 million as of September 30, 2005.

F2 OTHER LIABILITIES – CURRENT –

Primarily due to following reason the increase of current other liabilities as of September 30, 2005 increased by €290 million compared to October 01, 2004.

- Under IFRS, the reclassification from provisions into other liabilities increased by €241 million.

RECONCILIATION OF EQUITY AS OF SEPTEMBER 30, 2005

million €

	Note	
Stockholders' equity under US GAAP as of Sept. 30, 2005		**8,771**
Intangible assets, net	A1	(347)
Property, plant and equipment, net	B1	(98)
Investment property	C1	(70)
Deferred tax assets	D1	(686)
Trade accounts receivable, net	F1	(3)
Other receivables		(42)
Assets held for sale		10
Accrued pensions and similar obligations	A2	(938)
Other provisions	D2	(91)
Deferred tax liabilities	B2	1,121
Financial liabilities		(57)
Other liabilities		(22)
Liabilities associated with assets held for sale		(47)
Minority interest		92
Other adjustments		(38)
Equity attributable to ThyssenKrupp AG's stockholders under IFRS as of Sept. 30, 2005		**7,555**
Minority interest under IFRS as of Sept. 30, 2005		**389**
Total equity under IFRS as of Sept. 30, 2005		**7,944**

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2004/2005

The free cash flow, i.e. the difference between the operating cash flow and the cash flow from investing activities, increased by €126 million. This is due to the recognition of increases or decreases of liabilities resulting from the disposals of trade accounts receivables which are not derecognized from the balance sheet as cash flows from financing activities. As a consequence, the cash inflow resulting from the disposal of a trade account receivable is only recognized as operating cash flow if and at the time the corresponding customer payments are transferred to the bank.

THYSSENKRUPP AG
CONSOLIDATED STATEMENT OF INCOME

million €, earnings per share in €

	Note	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Net sales	4, 32	42,927	47,125
Cost of sales	12, 13	(35,695)	(39,142)
Gross margin		**7,232**	**7,983**
Selling expenses		(2,645)	(2,723)
General and administrative expenses		(2,255)	(2,389)
Other operating income	5	276	709
Other operating expenses	6, 12	(452)	(586)
Gain/(loss) on the disposal of subsidiaries, net		16	40
Income from operations*		**2,172**	**3,034**
Income from companies accounted for using the equity method		37	28
Interest income		168	284
Interest expense		(741)	(705)
Other financial income/(expense), net		41	(18)
Financial income/(expense), net*	7	**(495)**	**(411)**
Income from continuing operations before income taxes*		**1,677**	**2,623**
Non-recurring losses related to RAG investment	8	(474)	—
Income tax expense	9	(737)	(919)
Income from continuing operations		**466**	**1,704**
Discontinued operations (net of tax)	3	613	—
Net income		**1,079**	**1,704**
Thereof:			
ThyssenKrupp AG's stockholders		**1,038**	**1,643**
Minority interest		41	61
Net income		**1,079**	**1,704**
Basic and diluted earnings per share	10		
Income from continuing operations (attributable to ThyssenKrupp AG's stockholders)		0.85	3.24
Net income (attributable to ThyssenKrupp AG's stockholders)		**2.08**	**3.24**

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

See accompanying notes to consolidated financial statements.

THYSSENKRUPP AG
CONSOLIDATED BALANCE SHEET

Assets million €

	Note	Sept. 30, 2005	Sept. 30, 2006
Intangible assets, net	12	4,589	4,703
Property, plant and equipment, net	13	8,743	8,397
Investment property	14	557	501
Investments accounted for using the equity method	15	337	445
Financial assets	17	181	178
Deferred tax assets	9	745	695
Total non-current assets		**15,152**	**14,919**
Inventories, net	18	6,862	7,337
Trade accounts receivable, net	19	6,668	7,105
Other receivables	20	1,133	1,444
Current income tax assets		270	93
Cash and cash equivalents		4,625	4,446
Assets held for sale	3	591	386
Total current assets		**20,149**	**20,811**
Total assets		**35,301**	**35,730**

Equity and Liabilities million €

	Note	Sept. 30, 2005	Sept. 30, 2006
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		2,237	3,358
Cumulative income and expense directly recognized in equity		(315)	(149)
thereof relating to disposal groups (Sept. 30, 2005: (1); Sept. 30, 2006: (34))			
Treasury stock		(368)	(697)
Equity attributable to ThyssenKrupp AG's stockholders		**7,555**	**8,513**
Minority interest		389	414
Total equity	21	**7,944**	**8,927**
Accrued pension and similar obligations	23	8,892	8,018
Other provisions	24	605	652
Deferred tax liabilities	9	374	818
Financial liabilities	25	3,085	2,946
Other liabilities	27	207	50
Total non-current liabilities		**13,163**	**12,484**
Other provisions	24	1,518	1,598
Current income tax liabilities		465	560
Financial liabilities	25	1,773	842
Trade accounts payable	26	3,976	4,571
Other liabilities	27	5,832	6,449
Liabilities associated with assets held for sale	3	630	299
Total current liabilities		**14,194**	**14,319**
Total liabilities		**27,357**	**26,803**
Total equity and liabilities		**35,301**	**35,730**

See accompanying notes to consolidated financial statements

THYSSENKRUPP AG
CONSOLIDATED CASH FLOW STATEMENT

million €

	Year ended Sept. 30, 2005	**Year ended Sept. 30, 2006**
Operating:		
Net income	1,079	1,704
Adjustments to reconcile net income to operating cash flows:		
Deferred income taxes (net)	371	320
Depreciation, amortization and impairment of non-current assets	2,107	1,655
Reversals of impairment losses of non-current assets	0	(7)
(Earnings)/losses from companies accounted for using the equity method, net of dividends received	(30)	(21)
(Gain)/loss on disposal of assets	(2)	(35)
(Gain)/loss on disposal of discontinued operations	(877)	0
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
- inventories	(1,314)	(595)
- trade accounts receivable	(219)	(603)
- accrued pensions and similar obligations	(2)	(17)
- other accrued liabilities	156	130
- trade accounts payable	397	717
- other assets/liabilities not related to investing or financing activities	685	219
Operating cash flows	**2,351**	**3,467**
Investing:		
Purchase of investments accounted for using the equity method and financial assets	(42)	(214)
Expenditures for acquisitions of consolidated companies	(294)	(242)
Cash acquired from acquisitions	344	37
Capital expenditures for property, plant and equipment and investment property	(1,463)	(1,473)
Capital expenditures for intangible assets	(104)	(148)
Proceeds from disposals of investments accounted for using the equity method and financial assets	106	59
Proceeds from disposals of previously consolidated companies	2,229	119
Cash of disposed businesses	(11)	(27)
Proceeds from disposals of property, plant and equipment and investment property	147	172
Proceeds from disposals of intangible assets	9	21
Cash flows from investing activities	**921**	**(1,696)**
Financing:		
Proceeds from issuance of bonds	754	0
Repayment of bonds	(9)	(810)
Proceeds from liabilities to financial institutions	692	697
Repayments of liabilties to financial institutions	(885)	(963)
Repayments on notes payable and other loans	(19)	(2)
Increase/(decrease) in bills of exchange	(24)	3
Decrease of liabilities due to sales of receivables not derecognized from the balance sheet	(126)	(90)
Decrease/(increase) in current securities	(61)	5
Proceeds from treasury shares sold	12	268
Payments to repurchase shares	0	(697)
Payment of ThyssenKrupp AG dividend from the preceding year	(299)	(412)
Profit distributions to entities outside the Group	(36)	(27)
Other financing activities	(2)	16
Cash flows from financing activities	**(3)**	**(2,012)**
Effect of exchange rate changes on cash and cash equivalents	51	(27)
Net increase/(decrease) in cash and cash equivalents	**3,320**	**(268)**
Cash and cash equivalents at beginning of year	1,395	4,715
Cash and cash equivalents at end of year	**4,715**	**4,447**
[thereof cash and cash equivalents within the disposal groups/discontinued operations]	[90]	[1]

See Note (35) to the consolidated financial statements.

THYSSENKRUPP AG
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

million €

	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Foreign currency translation adjustment:		
Change in unrealized gains/(losses), net	162	(92)
Net realized (gains)/losses	0	2
Net unrealized gains/(losses)	**162**	**(90)**
Unrealized gains/(losses) from available-for-sale securities:		
Change in unrealized holding gains/(losses), net	1	5
Net realized (gains)/losses	0	0
Net unrealized holding gains/(losses)	**1**	**5**
Actuarial gains/(losses) from pensions and similar obligations	**(760)**	**385**
Change in actuarial (gains)/losses from pensions and similar obligations due to plan settlements and disposals	**0**	**15**
Not recognized as an asset due to asset ceiling	**0**	**2**
Unrealized gains/(losses) on derivative financial instruments:		
Change in unrealized gains/(losses), net	80	(21)
Net realized (gains)/losses	(18)	(11)
Net unrealized gains/(losses)	**62**	**(32)**
Tax effect	**255**	**(126)**
Income and expense directly recognized in equity (net of tax)	**(280)**	**159**
Net income	**1,079**	**1,704**
Total recognized income and expense for the period	**799**	**1,863**
Thereof:		
ThyssenKrupp AG's stockholders	**733**	**1,809**
Minority interest	66	54
Cumulative actuarial gains/(losses) from pensions and similar obligations as of year-end	(760)	(342)

See accompanying notes to consolidated financial statements.

THYSSENKRUPP AG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Corporate Information

ThyssenKrupp Aktiengesellschaft ("ThyssenKrupp AG" or "Company") is a publicly traded corporation domiciled in Germany. The consolidated financial statements of ThyssenKrupp AG and subsidiaries, collectively the "Group", for the year ended September 30, 2006, were authorized for issuance in accordance with a resolution of the Executive Board on November 13, 2006.

Statement of compliance

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are stated at fair value. The consolidated financial statements are presented in Euros since this is the currency in which the majority of the Group's transactions are denominated, with all amounts rounded to the nearest million except when otherwise indicated; this may result in differences compared to the unrounded figures.

Consolidation

The Group's consolidated financial statements include the accounts of ThyssenKrupp AG and all significant entities which are directly or indirectly controlled by ThyssenKrupp AG. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognized.

All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Included in the Group consolidated financial statements are 241 (2004/2005: 243) domestic and 438 (2004/2005: 427) foreign-controlled entities that are consolidated. During fiscal year 2005/2006, 68 entities were consolidated for the first time. During the same period, the scope of consolidation was reduced by 59 entities of which 16 resulted from the internal merging of Group entities.

Investments in associates are accounted for using the equity method of accounting. An associate is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policies. Significant influence is presumed when the Group holds 20% or more of the voting rights ("Associated Companies"). Where a Group entity transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

The Group has 49 (2004/2005: 50) Associated Companies and 26 (2004/2005: 24) Joint Ventures that are accounted for using the equity method of accounting.

A complete listing of the Group's shareholdings has been filed with the Commercial Registers of the Duisburg (HR B 9092) and the Essen (HR B 15364) District Courts. Major subsidiaries and equity interests are listed in Note 38.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is recognized as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

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

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign currency translation

The functional and reporting currency of ThyssenKrupp AG and its relevant European subsidiaries is the Euro (€). Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

Financial statements of the foreign subsidiaries included in the Group consolidated financial statements where the functional currency is other than the Euro are translated using their functional currency which is generally the respective local currency. The translation is performed using the current rate method, in which balance sheet amounts are translated to the reporting currency using the rates of exchange prevailing on the balance sheet date, while income statement amounts are translated using the period's average exchange rates. Net exchange gains or losses resulting from the translation of foreign financial statements are accumulated and included in equity. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

Non-U.S. 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 non-current assets, including scheduled depreciation, and equity to US dollar using the average exchange rates of the respective year of addition. All other balance sheet line items are translated using the exchange rate as of the balance sheet date and all other income statement line items are translated using the period's average exchange rates. The resulting translation differences are included in the consolidated statement of income as "Other operating income or expenses". Thereafter, the US dollar financial statements are translated into the reporting currency using the current rate method.

The exchange rates of those currencies significant to the Group have developed as follows:

Currencies

	Exchange rate as of (Basis €1)			Annual average exchange rate for the year ended (Basis €1)	
	Oct. 01, 2004	Sept. 30, 2005	**Sept. 30, 2006**	Sept. 30, 2005	**Sept. 30, 2006**
US Dollar	1.23	1.21	1.27	1.27	1.23
Canadian Dollar	1.57	1.41	1.41	1.56	1.41
Pound Sterling	0.69	0.68	0.68	0.69	0.68
Brazilian Real	3.51	2.67	2.75	3.28	2.70

Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably. Revenue from services is recognized when services are rendered. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue is recognized net of applicable provisions for discounts and allowances.

Construction contract revenue and expense are accounted for using the percentage-of-completion method, which recognizes revenue as performance of the contract progresses. The contract progress is determined based on the percentage of costs incurred to date to total estimated cost for each contract after giving effect to the most recent estimates of total cost. Contracts where the Group provides engineering services are also accounted for like construction contracts. Construction contracts under the percentage-of-completion method are measured at construction cost plus profits earned based on the percentage of the contract completed. Revenues net of advance payments received are recognized as trade accounts receivable in the balance sheet. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the income of a construction contract cannot be estimated reliably, contract revenue that is probable to be recovered is recognized to the extent of contract costs incurred. Contract costs are recognized as expenses in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenues from contracts with multiple element arrangements, such as those including both goods and services, are recognized as each element is earned based on objective evidence of the relative fair value of each element.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Research and development costs

Research costs are expensed as incurred.

Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible, there is a market for the output of the intangible asset, the attributable expenditure can be measured reliably, and the Group has sufficient resources to complete development. Other development costs are expensed as incurred. Capitalized development costs of completed projects are stated at cost less accumulated amortization. Capitalized development costs of projects not yet completed are reviewed for impairment annually or more frequently when an indicator of impairment arises during the reporting year.

Earnings per share

Basic earnings per share amounts are computed by dividing net income attributable to ThyssenKrupp AG's shareholders 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

Intangible assets with finite useful lives are capitalized at cost and amortized on a straight-line basis generally over a period of 3 to 15 years, depending on their estimated useful lives. Useful lives are examined on an annual basis and adjusted when applicable on a prospective basis. Amortization expense of intangible assets is primarily included in the "cost of sales" line item in the consolidated statement of income.

Goodwill is stated at cost and tested for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation. Capitalized production costs for self constructed assets include costs of material, direct labor, and allocable material and manufacturing overhead. Borrowing costs directly attributable to the production of assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Administrative costs are capitalized only if such costs are directly related to production. Maintenance and repair costs (day-to-day servicing) are expensed as incurred. The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing parts and major inspection of such an item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. Where fixtures and equipment comprise of significant parts having different useful lives those parts are accounted for as separate units and depreciated accordingly.

Fixtures and equipment are 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:

Usefull lives of property, plant and equipment

Buildings (incl. investment properties)	10 to 50 years
Building and land improvements	15 to 25 years
Technical machinery and equipment	8 to 25 years
Factory and office equipment	3 to 10 years

Investment property

Investment property consists of investments in land and buildings that are held to earn rental income or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. Investment property is stated at cost less accumulated depreciation. The fair value of the Group's investment property is stated in the Notes to the consolidated financial statements.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets, property, plant and equipment and investment property to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the greater of the fair value less cost to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit to which the asset belongs.

Goodwill arising on acquisition is allocated to Cash Generating Units. Those groups of Cash Generating Units represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of the Cash Generating Unit is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

In case of impairment losses related to Cash Generating Units the carrying amount of any goodwill allocated to the Cash Generating Unit is reduced first. If the amount of impairment losses exceeds the carrying amount of goodwill, the difference is generally allocated proportionally to the remaining non-current assets of the Cash Generating Unit to reduce their carrying amounts accordingly.

Where an impairment loss subsequently reverses, the carrying amount of the asset (Cash Generating Unit) is increased to the revised estimate of its recoverable amount. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (Cash Generating Unit) in prior years. A reversal of an impairment loss is recognized as income immediately. However, impairment losses relating to goodwill may not be reversed.

Leases

Leases are classified as either finance or operating. Lease transactions whereby the Group is the lessee and bears substantially all the risks and rewards incidental to ownership of an asset are accounted for as a finance lease. Accordingly, the Group capitalizes the leased asset at the lower of the fair value or the present value of the minimum lease payments and subsequently depreciates the leased asset over the shorter of the lease term and its useful life. In addition, the Group records a corresponding lease obligation on the balance sheet which is subsequently settled and carried forward using the effective interest method. All other lease agreements entered into by the Group, as a lessee, are accounted for as operating leases whereby the lease payments are expensed on a straight-line basis.

Lease transactions whereby the Group is the lessor and transfers substantially all of the benefits and risks incident to the ownership of property, are accounted for as a sale and financing of the leased asset. The Group recognizes a receivable at an amount equal to the net investment in the lease and includes interest income in the consolidated income statement. All other lease agreements entered into by the Group, as a lessor, are accounted for as operating leases whereby the leased asset remains on the Group's balance sheet and is depreciated. Scheduled lease payments are recorded as income when earned.

Inventories

Inventories are stated at the lower of acquisition/manufacturing cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs. In general, inventories are valued using the average cost method. Manufacturing cost includes direct material, labor and allocable material and manufacturing overhead based on normal operating capacity.

Receivables

Receivables are stated at their cost less impairment losses.

Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortized to interest income over the term of the receivable.

The Group sells undivided interests in certain trade accounts and notes receivable both on an ongoing and one-time basis to special purpose entities, which are not required to be consolidated, or to other lending institutions. Financial assets sold under these arrangements are excluded from accounts receivable in the Group's balance sheet at the time of sale if it is assured that the cash flows related to those receivables will be passed through to the acquirer and substantially all risks and rewards have been transferred. If substantially all risks and rewards have neither been transferred nor retained, financial assets are excluded from the books at the time of the sale if it is assured that the cash flows of the receivables will be passed through to the acquirer and the acquirer has gained control over the receivables. If substantially all risks and rewards have been retained financial assets remain in the Group's balance sheet as collateral for borrowings.

Securities

Investments in securities are recognized on a settlement-date basis and are initially measured at cost.

Investments held by the Group are classified as available-for-sale and are measured at subsequent reporting dates at fair value. Unrealized gains and losses are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, checks, and bank deposits with an original maturity of three months or less.

Deferred income taxes

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit as well as for unused tax losses or credits. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are also recognized on temporary differences arising from business combinations except to the extent they arise from goodwill.

Deferred taxes are calculated at the enacted or substantially enacted tax rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recognized directly in equity.

Cumulative income and expense directly recognized in equity

The equity line item "Cumulative income and expense directly recognized in equity" includes changes in the equity of the Group that were not recognized in the consolidated statement of income of the period, except those resulting from investments by owners and distributions to owners. Cumulative income and expense directly recognized in equity includes foreign currency translation adjustments, recognized actuarial gains and losses relating to pensions and other postretirement obligations as well as unrealized holding gains and losses on available-for-sale securities and on derivative financial instruments.

Accrued pension and similar obligations

The Group's net obligation for defined benefit and other postretirement benefit plans have been calculated for each plan using the projected unit credit method. All actuarial gains and losses as of October 01, 2004, the date of transition to IFRS, were recognized in equity. Actuarial gains and losses that arise subsequent to October 01, 2004, are recognized directly in equity and presented in the Statement of Recognized Income and Expense.

Where the plan calculation results in a benefit to the Group, the recognized prepaid benefit cost is limited to the net total of unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

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

The Group maintains multi-employer plans. Where the required information is available these plans are accounted for as defined benefit plans, otherwise as defined contribution plans.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event which will result in a probable outflow of economic benefits that can be reasonably estimated. Where the effect of the time value of money is material, provisions are discounted using a risk adjusted market rate.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring and has notified the affected parties.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Share-based compensation

The Group has management incentive plans which grant stock appreciation rights/stock rights to executive and senior employees. The fair value of these rights is calculated on the date of grant and recognized as expense on a straight-line basis over the vesting period with a corresponding increase in provisions. The provision is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the provision are recognized as part of income from operations.

The Group set up an Employee Share Purchase Plan for selected executive employees that grants purchase of shares at a discount. Services received are recognized on a straight-line basis based on the estimated discount with regard to the shares during the period from the offer of the Employee Share Purchase Plan until the grant date which is the date when the employees accept the offer.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign currency exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are used exclusively to hedge existing or anticipated underlying transactions. Such derivative financial instruments and derivative financial instruments that are embedded within other contractual arrangements and have to be separated are recognized initially and subsequently at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

If derivatives are used to hedge risks, IAS 39 permits, under certain conditions, the application of special regulations in hedge accounting.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction or, regarding currency risks, a firm commitment (so-called cash flow hedges), the effective part of any gain or loss on the derivative financial instrument is recognized in equity. The reclassification from equity into earnings occurs in the same period as the underlying transaction affects earnings. When measuring the effectiveness between the underlying hedged transaction and the hedging instrument the ineffective part of the hedge and adjustments due to time value changes are recognized immediately in the income statement.

When the hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealized gain or loss recognized in equity is recognized immediately in the income statement.

For derivatives which serve to hedge the fair value of recognized assets and liabilities or firm commitments (so-called fair value hedges), the hedging instrument is shown at fair value, with changes in its fair value appearing in the income statement. Any changes in the fair value of the hedged asset, liability or firm commitment resulting from the hedged risk are also recognized in the income statement. Given a perfect hedge, the changes in measurement recognized in the income statement for the hedge and the hedged transaction will largely balance one another. If the asset or liability is recognized at amortized cost according to the general regulations, the book value has to be adjusted for the accumulated changes in fair value resulting from the hedged risk. However, if the asset is recognized at fair value (e.g. an available-for-sale security), the changes in fair value resulting from the hedged risk have to be recognized, contrary to the general rule, in the income statement.

In order to hedge its exposure to foreign currency, the variability in interest rates and commodity risks, the Group mostly applies the Cash Flow Hedge Accounting Model.

Trade accounts payable and other liabilities

Trade accounts payable and other liabilities are stated at amortized cost.

Disposal Groups and Discontinued Operations

The Group reports as a disposal group non-current 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 as specified in IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The Group reports the assets and liabilities of a disposal group separately in the balance sheet line item “assets held for sale” 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 it represents a separate major line of business or geographical area of operations. The Group reports the results of discontinued operations in the period in which they occur separately within the consolidated statement of income as “discontinued operations (net of tax)”. All prior period consolidated statements of income are adjusted to report the results of the component within discontinued operations.

On initial classification as held for sale, non-current assets are recognized at the lower of the carrying amount and fair value less costs to sell. A disposal group is initially measured in line with the respective IFRS standards to determine the carrying amount of the disposal group which is then compared to the fair value less costs to sell of the group in order to recognize the group at the lower of both amounts. Impairment losses on initial classification as held for sale are included in profit or loss, as are gains and losses on subsequent remeasurement.

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 year presentation to conform to that of the current year.

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

Use of estimates

The preparation of the Group consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Management in the application of IFRS that have a significant effect on the consolidated financial statements are presented in Note 33.

Newly published accounting standards not early adopted

The IASB published the following Standards, Interpretations and Amendments to already existing Standards which are potentially relevant for ThyssenKrupp AG but not yet compulsory. An early application is not intended by ThyssenKrupp AG:

IFRIC 5 “Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”

This Interpretation governs the accounting method applied to interest from funds in which entities, having obligations to decommission or recultivate assets, accumulate assets either alone or together with other obliged entities. Such funds are established to finance the resulting costs when they are incurred. The application of IFRIC 5 is compulsory for fiscal years beginning on or after January 01, 2006. Currently, Management does not expect the adoption of the Interpretation to have a material impact on the Group’s consolidated financial statements.

IFRIC 8 "Scope of IFRIC 2"

In IFRIC 8, the IASB comments on the Scope of IFRS 2 "Share-based Payment" applicable to transactions in which the entity receives goods or services as consideration for its share-based payments. According to IFRIC 8, IFRS 2 also has to be applied if the entity can not clearly identify the goods or services received. The application of IFRIC 8 is compulsory for fiscal years beginning on or after May 01, 2006. Currently, Management does not expect the adoption of the Interpretation to have a material impact on the Group's consolidated financial statements.

Amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures"

According to the changes made in IAS 1, the financial statements have to include disclosures enabling the reader of financial statements to evaluate the objectives, methods and processes of the capital management. The application of this amendment is compulsory for fiscal years beginning on or after January 01, 2007. The initial application will lead to additional disclosures in the Notes.

IFRS 7 "Financial Instruments: Disclosures"

This Standard summarizes the information on financial instruments which have previously been governed by IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and IAS 32 "Financial Instruments: Disclosure and Presentation". In IFRS 7, individual disclosure requirements were changed or amended. The application of IFRS is compulsory for fiscal years beginning on or after January 01, 2007. The initial application will lead to additional disclosures in the Notes.

2 SIGNIFICANT ACQUISITIONS

During the fiscal year 2005/2006 the Group completed the following transaction:

On August 03, 2006, the acquisition of Atlas Elektronic GmbH located in Bremen and its subsidiaries was consummated. ThyssenKrupp acquired at first a 60% interest in Atlas at a purchase price of €88 million plus incidental acquisition costs of €5 million. EADS aquired a 40% interest. Due to the fact that the two shareholders ThyssenKrupp and EADS agreed upon joint control of Atlas, the entity is treated as a joint venture which has to be accounted for using the equity method of accounting in accordance with the ThyssenKrupp accounting principles.

During the fiscal year 2004/2005 the Group completed the following transaction:

On January 05, 2005 the merger of ThyssenKrupp Werften and Howaldtswerke-Deutsche Werft (HDW) was formally consummated. The newly formed group is managed by ThyssenKrupp Marine Systems AG which is headquartered in Hamburg and represents a sales volume of approximately €2.2 billion. The agreement stipulates that in return for the 100% in HDW , the seller (One Equity Partners) received a 25% stake in ThyssenKrupp Marine Systems AG plus a payment of €220 million to be funded from the cash resources of the new shipyard group. The agreement provides a call option to ThyssenKrupp and a put option to the minority holder for the remaining 25% share in ThyssenKrupp Marine Systems AG. Both options are exercisable in the period January 01, 2007 to December 31, 2008. The exercise price is dependent on future events and differs for the two option holders. Because of the existing put option, 100% of HDW has been consolidated. For the minority stake a purchase price liability was recognized, so that the acquisition as a whole does not include a non-monetary component. The purchase price liability is measured at fair value and amounts to €160 million as of January 05, 2005. This resulted in a total purchase price of €393 million, including incidental acquisition costs of €13 million. As of September 30, 2006, the purchase price liability is unchanged with an amount of €160 million.

The reason for the merger with HDW was to retain and enhance naval engineering expertise within Germany and thus securing Germany's role as a shipbuilding location. The competence centers in the core businesses of submarines and naval ships will be strengthend and expanded while in the megayacht sector, the acquisition will serve as a catalyst for increasing market share. The results of the HDW-operations have been included in the consolidated financial statements since January 01, 2005. For the nine months in 2004/2005, €0.5 million income of HDW are included in the Group's net income.

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

million €

	Jan. 01, 2005
Intangible assets	279
Goodwill	1,064
Property, plant and equipment	251
Financial assets	10
Deferred tax assets	16
Inventories	314
Trade accounts receivable, net	240
Other receivables	109
Cash and cash equivalents	699
Other current assets	27
Total assets acquired	**3,009**
Accrued pension and similar obligations	181
Other non-current provisions	109
Deferred tax liabilities	35
Other current provisions	91
Current financial payables	361
Trade accounts payable	138
Amounts due to customers for construction work	1,245
Other current liabilities	456
Total liabilities assumed	**2,616**
Net assets acquired	**393**

Substantially all of the intangible assets were assigned to technology which is subject to amortization and has a weighted average useful life of approximately 40 years. The final purchase price allocation resulted in goodwill of €1,064 million. No goodwill is deductible for tax purposes. Contingent liabilities resulting from legal risks of €46 million are recognized as part of non-current provisions. In subsequent periods no significant income impacts resulted from the business combination.

The following table shows the carrying amounts of the assets and liabilities immediately before the combination:

million €

Intangible assets	6
Goodwill	701
Property, plant and equipment	243
Financial assets	10
Deferred tax assets	57
Inventories	314
Trade accounts receivable, net	240
Other receivables	109
Cash and cash equivalents	699
Other current assets	27
Total assets	**2,406**
Accrued pension and similar obligations	142
Other non-current provisions	59
Deferred tax liabilities	49
Other current provisions	91
Current financial payables	361
Trade accounts payable	138
Amounts due to customers for construction work	1,245
Other current liabilities	456
Total liabilities	**2,541**

The following unaudited pro forma information presents the results of operations of ThyssenKrupp as if the transaction with HDW had taken place on October 01, 2004:

million €

	Year ended Sep. 30, 2005	**Year ended Sep. 30, 2006***
Net sales	43,179	47,125
Income from continuing operations before income taxes	1,585	2,623
Net income	995	1,704
Basic earnings per share (in €):		
Income from continuing operations (attributable to ThyssenKrupp AG's stockholders)	0.68	3.24
Net income (attributable to ThyssenKrupp AG's stockholders)	1.91	3.24

* actual

The unaudited pro forma information has been prepared for comparative purposes only and does not necessarily represent results which would have occurred if the transaction had taken place on October 01, 2004 nor is the information indicative of the results of future combined operations. The unaudited pro forma results have been adjusted to reflect the additional amortization related to the purchase price allocation. The unaudited pro forma amounts exclude material nonrecurring charges of approximately €21 million related to a restructuring provision recorded by HDW prior to the acquisition. The unaudited pro forma information gives effect only to the adjustments described above and does not reflect management's estimate of anticipated cost savings or other benefits as a result of the acquisition.

3 DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

As part of the portfolio optimization program, the Group has sold or has initiated the disposal of several businesses during the current and prior year. The majority of these transactions have not met the requirements of IFRS 5 for discontinued operation reporting. Therefore, revenues and expenses will continue to be presented as income from continuing operations until the date of the disposal. Only the disposals of the MetalCutting business unit and the Real Estate business were classified as discontinued operations and accordingly the results as well as the gain or loss on the disposal had to be presented separately in the consolidated statement of income in the line item "Discontinued operations (net of tax)". For entities for which the disposal has not been completed as of September 30 of the respective year, the assets and liabilities of the disposal groups have been disclosed separately in the consolidated balance sheet of the respective reporting period as "assets held for sale" and "liabilities associated with assets held for sale".

Year ended September 30, 2006

The Automotive segment has initiated the disposal of the following activities in the year ended September 30, 2006:

In September 2006, the disposal of the ThyssenKrupp Fundicoes Ltda. was initiated and consummated in the meanwhile. The Brazilian company is a manufacturer of cast crankshafts. The assets and liabilities of the disposal group as of September 30, 2006 are disclosed in the balance sheet table of the Automotive segment.

Furthermore the disposal of the North American body and chassis operations in the Automotive segment was initiated in September 2006; on October 16, 2006, signing took place. The assets and liabilities of the disposal group as of September 30, 2006 are disclosed in the balance sheet table of the Automotive segment.

million €

	ThyssenKrupp Fundicoes Sept. 30, 2006	North American body and chassis operations Sept. 30, 2006
Property, plant and equipment	14	109
Deferred tax assets	2	10
Inventories	8	65
Trade accounts receivable	17	136
Other receivables	12	4
Current income tax assets	1	0
Assets held for sale	**54**	**324**
Accrued pension and similar obligations	0	93
Other provisions (current)	4	2
Current income tax liabilties	0	2
Financial liabilities (current)	11	0
Trade accounts payable	6	150
Other liabilities	2	19
Liabilities associated with assets held for sale	**23**	**266**

In September 2006, the disposal of the ThyssenKrupp Servicios Técnicos S.A. was initiated in the Services segment and consummated in the meanwhile. The Spanish company provides industrial maintenance service. The assets and liabilities of the disposal group as of September 30, 2006 are disclosed in the following table:

million €

	ThyssenKrupp Servicios Técnicos S.A. Sept. 30, 2006
Trade accounts receivable	6
Other receivables	1
Cash and cash equivalents	1
Assets held for sale	**8**
Financial liabilities (current)	5
Trade accounts payable	2
Other liabilities	3
Liabilities associated with assets held for sale	**10**

Year ended September 30, 2005

The Steel segment has initiated the disposal of the following activities in the year ended September 30, 2005:

In September 2005, the disposal of Hoesch Contecna Systembau GmbH was initiated. The company is involved in the design and installation of steel roof and wall cladding elements. The assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of the Steel segment. The disposal was consummated in the 1st quarter ended December 31, 2005 at a selling price of €0 million with the disposal of €0.1 million in cash and cash equivalents.

Also in September 2005, the disposal of the Schwerte production location of Hoesch Hohenlimburg GmbH was initiated where special steel profiles made of steel are produced. The assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of the Steel segment. The disposal was consummated in the 1st quarter ended December 31, 2005 at a selling price of €18 million paid in cash without any disposals of cash and cash equivalents.

The following table shows the assets and liabilities of the disposal groups of the Steel segment:

million €

	Hoesch Contecna Sept. 30, 2005	Hoesch Hohenlimburg, Plant Schwerte Sept. 30, 2005
Property, plant and equipment	0	15
Deferred tax assets	1	1
Inventories	0	25
Trade accounts receivable	0	16
Other receivables	1	2
Cash and cash equivalents	8	0
Assets held for sale	**10**	**59**
Accrued pension and similar obligations	3	10
Deferred tax liabilities	1	0
Current income tax liabilities	3	8
Trade accounts payable	3	5
Other liabilities	0	1
Liabilities associated with assets held for sale	**10**	**24**

In the Automotive segment, the disposal of the ThyssenKrupp Stahl Company was initiated in September 2005. ThyssenKrupp Stahl is a permanent mold aluminium foundry in the US. The assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the following table. The disposal was consummated in the 3rd quarter ended June 30, 2006 at a selling price of €23 million paid in cash and the disposal of €0.4 million of cash and cash equivalents.

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

million €

	ThyssenKrupp Stahl Sept. 30, 2005
Property, plant and equipment	9
Deferred tax assets	20
Inventories	14
Trade accounts receivable	19
Other receivables	1
Assets held for sale	**63**
Accrued pension and similar obligations	14
Deferred tax liabilities	1
Financial liabilities (non-current)	88
Financial liabilities (current)	3
Current income tax liabilities	1
Trade accounts payable	4
Other liabilities	6
Liabilities associated with assets held for sale	**117**

The Technologies segment has initiated the disposal of the following activities in the year ended September 30, 2005:

In August 2005, the disposal of the Turbine Components operation group was initiated. The Turbine Components group is a manufacturer of components for the international aero engine and power generation industry. The assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of the Technologies segment. The disposal was consummated in the 1st quarter ended December 31, 2005 at a selling price of €12 million paid in cash and the disposal of €0.2 million of cash and cash equivalents.

Also in August 2005, the disposal of the MetalCutting business unit of the Technologies segment was initiated. MetalCutting offers application-driven solutions for metal-cutting machines dedicated to individual user needs. The products offered range from standardized machinery incorporated into production systems to application machinery. MetalCutting met the requirements for discontinued operation reporting and accordingly the results as well as the loss on the disposal had to be presented separately in the consolidated statement of income in the line item "Discontinued operations (net of tax)". The results from the discontinued operation are disclosed in the income statement table of the discontinued operations, the assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of the Technologies segment. At the beginning of the 1st quarter ended December 31, 2005, the disposal was consummated at a selling price of €11 million resulting in a loss on the disposal of €212 million (€174 million net of tax) which had already been recognized as a disposal loss in fiscal 2004/2005 in conjunction with the initiated sale. In the context of the disposal €77 million of cash and cash equivalents were disposed of.

The following table shows the assets and liabilities of the disposal groups of the Technologies segment:

million €

	Turbine Components Sept. 30, 2005	MetalCutting Sept. 30, 2005
Deferred tax assets	8	8
Inventories	21	71
Trade accounts receivable	16	191
Other receivables	0	3
Current income tax assets	4	1
Cash and cash equivalents	0	77
Assets held for sale	**49**	**351**
Accrued pension and similar obligations	10	56
Other provisions (non-current)	1	2
Deferred tax liabilities	2	24
Financial liabilities (non-current)	38	0
Other provisions (current)	3	52
Current income tax liabilities	6	24
Trade accounts payable	7	31
Other liabilities	9	146
Liabilities associated with assets held for sale	**76**	**335**

The Services segment has initiated the disposal of the following activities in the year ended September 30, 2005:

In September 2005, the disposal of the Hommel Group was initiated. Hommel distributes a manufacturer-overlapping range of CNC machine tools, including pre- and after-sales services for new and pre-owned machines. The assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of the Services segment. The disposal was consummated in the 3rd quarter ended June 30, 2006 at a selling price of €0 million without any disposals of cash and cash equivalents.

Also in September 2005, the disposal of the Krupp Druckereibetriebe GmbH was initiated. The company offers a complete package of advertising consultancy and design services, integrated data-processing activities and a comprehensive publishing service. The assets and liabilities of the disposal group as of September 30, 2005, are disclosed in the balance sheet table of the Services segment. The disposal was consummated in the 1st quarter ended December 31, 2005 at a selling price of €14 million paid in cash and without any disposals of cash and cash equivalents.

The following table shows the assets and liabilities of the disposal groups of the Services segment:

million €

	Hommel Group Sept. 30, 2005	Krupp Druckereibetriebe Sept. 30, 2005
Intangible assets	0	4
Property, plant and equipment	0	5
Financial assets	1	0
Deferred tax assets	2	4
Inventories	13	3
Trade accounts receivable	11	9
Other receivables	2	0
Cash and cash equivalents	0	5
Assets held for sale	**29**	**30**
Accrued pension and similar obligations	3	6
Other provisions (non-current)	0	1
Deferred tax liabilities	3	3
Financial liabilities (non-current)	13	0
Other provisions (current)	2	3
Current income tax liabilities	1	1
Trade accounts payable	19	3
Other liabilities	4	6
Liabilities associated with assets held for sale	**45**	**23**

In December 2004, in Corporate the disposal of ThyssenKrupp's Residential Real Estate business which manages approximately 48,000 housing units in Germany's Rhine-Ruhr region was initiated and consummated in the 2nd quarter ended March 31, 2005. The disposal met the requirements for discontinued operation reporting. The selling price of €1,940 million paid in cash resulted in a gain on disposal in the amount of €871 million (€788 million net of tax). The following table shows the results from the discontinued operation.

Results from the discontinued operations of MetalCutting of the Technologies segment and of Residential Real Estate business are as follows:

million €

	MetalCutting* Year ended Sept. 30, 2005	Residential Real Estate* Year ended Sept. 30, 2005
Net sales	506	56
Cost of sales	(472)	(28)
Gross margin	*34*	*28*
Selling expenses	(59)	0
General and administrative expenses	(42)	(2)
Other operating income	6	4
Other operating expenses	(154)	(2)
Gain/(loss) on the disposal of subsidiaries, net	0	871
Income/(loss) from operations	*(215)*	*899*
Income from companies accounted for using the equity method	0	0
Interest income	6	0
Interest expense	(13)	(2)
Sundry financial income/(expense), net	(4)	0
Financial expense, net	*(11)*	*(2)*
Income/(loss) from discontinued operations before taxes	*(226)*	*897*
Provisions for income taxes	35	(93)
Income/(loss) from discontinued operations (net of tax)	**(191)**	**804**
thereof:		
Ordinary income/(loss) from discontinued operations before taxes	(14)	26
Provisions for income taxes	(3)	(10)
Ordinary income/(loss) from discontinued operations (net of tax)	*(17)*	*16*
Gain/(loss) on the disposal of discontinued operations before taxes	(212)	871
Provisions for income taxes	38	(83)
Gain/(loss) on the disposal of discontinued operations (net of tax)	*(174)*	*788*
Discontinued operations (net of tax)	**(191)**	**804**

* Contribution to the Group's consolidated financial statements

The above mentioned "assets held for sale" and "liabilities associated with assets held for sale" as well as the "income/(loss) from discontinued operations" are included in the amounts disclosed in the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME

4 NET SALES

Net sales include revenues resulting from the rendering of services of €20,611 million (2004/2005: €18,178 million).

5 OTHER OPERATING INCOME

Other operating income includes gains on the disposal of property, plant and equipment and intangible assets in the amount of €44 million (2004/2005: €34 million), gains of €0 million (2004/2005: €1 million) resulting from currency exchange differences recognized in the income statement as well as insurance compensation in the amount of €213 million (2004/2005: €29 million) which mainly results from two bigger fire damages. In addition other operating income includes €153 million resulting from the break-up fee which had to be paid by Dofasco in accordance with the terms of the Support Agreement.

6 OTHER OPERATING EXPENSES

Other operating expenses include losses on the disposal of property, plant and equipment and intangible assets in the amount of €47 million (2004/2005: €39 million), restructuring charges in the amount of €99 million (2004/2005: €88 million), other provisions (excluding restructuring) in the amount of €22 million (2004/2005: €139 million) and goodwill impairment of €34 million (2004/2005: €35 million). Additional expenses in connection with non-customer related research and development activities are shown here in the amount of €188 million (2004/2005: €166 million).

7 FINANCIAL INCOME/(EXPENSE), NET

Borrowing costs in the amount of €13 million (2004/2005: €16) were capitalized during the period. If financing is directly allocable to a certain investment, the actual borrowing costs are capitalized. If no direct allocation is possible, the Group's average borrowing interest rate of the current period is taken into account to calculate the borrowing costs.

million €

	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Income from companies accounted for using the equity method	**37**	**28**
Interest income from financial receivables	54	140
Expected return on plan assets	120	144
Interest income	**174**	**284**
Interest expense from financial liabilities	(278)	(264)
Interest cost of pensions and health care obligations	(478)	(441)
Interest expense	**(756)**	**(705)**
Income from investments	9	6
Write-down of financial assets	(7)	(3)
Gain/(loss) from disposals of financial assets	(23)	(33)
Accretion of other provisions	(2)	(5)
Miscellaneous, net	60	17
Other financial income/(expense), net	**37**	**(18)**
Financial income/(expense), net	**(508)**	**(411)**

8 INVESTMENT IN RAG AKTIENGESELLSCHAFT

The change of the political environment concerning the extraction of coal has necessitated an impairment of the Group's cost investment in RAG Aktiengesellschaft. This resulted in an impairment loss of €442 million which has been reported in a separate line within the consolidated statement of income together with a €32 million increase of the Group's decommissioning liabilities stemming from its former mining business prior to 1969. The estimate regarding the carrying amount of the investment is unchanged.

9 INCOME TAXES

Income tax expense/(benefit) for the year ended September 30, 2006 and the previous year consists of the following:

million €

	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Current income tax expense for the reporting period	381	601
Current income tax expense/(benefit) for prior periods	4	(2)
Deferred income tax expense for the reporting period	380	351
Deferred income tax benefit for prior periods	(28)	(31)
Total	**737**	**919**

The German corporate income tax law applicable for 2005/2006 sets a statutory income tax rate of 25% (2004/2005: 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% (2004/2005: 13.04%). Therefore, at year-end September 30, 2006, deferred taxes of German companies are calculated with a combined income tax rate of 39.42% (2004/2005: 39.42%). The respective country-specific tax rates employed for companies outside Germany range from 5.7% to 42.3% (2004/2005: 5.7% to 42.3%). In fiscal year 2005/2006, changes in foreign tax rates resulted in deferred tax expense in the amount of €14 million (2004/2005: €16 million).

The components of income taxes recognized in equity are as follows:

million €

	Year ended Sept. 30, 2005	**Year ended Sept. 30, 2006**
Income tax expense as presented on the income statement	737	919
Income tax expense/(benefit) on cumulative income and expense directly recognized in equity	(255)	126
Income tax expense/(benefit) from discontinued operations	58	0
Total	**540**	**1,045**

Deferred tax assets are recognized only to the extent that the realization of such tax benefits is probable. In determining the related valuation allowance, all positive and negative factors, also including prospective results, are taken into consideration in estimating whether sufficient taxable income would be generated to realize deferred tax assets. These estimates can change depending on the future course of events. As of September 30, 2006, tax loss carryforwards for which no deferred tax asset is recognized amount to €1,045 million (2005: €1,101 million). According to tax legislation as of September 30, 2006, an amount of €580 million (2005: €646 million) of these tax losses may be carried forward indefinitely and in unlimited amounts whereas an amount of €465 million (2005: €455 million) of these tax loss carryforwards will expire over the next 20 years if not utilized. In addition, as of September 30, 2006, no deferred tax asset is recognized for deductible temporary differences in the amount of €376 million (2005: €274 million).

Dividend distributions for fiscal year 2005/2006 will not entail corporate income tax relief or additional corporate income tax payments at ThyssenKrupp AG. No deferred tax liabilities were recorded on undistributed profits of foreign subsidiaries, 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.

Significant components of the deferred tax assets and liabilities are as follows:

million €

	Deferred tax assets		Deferred tax liabilities	
	Sept. 30, 2005	**Sept. 30, 2006**	Sept. 30, 2005	**Sept. 30, 2006**
Intangible assets	46	59	277	345
Property, plant and equipment	149	209	998	997
Financial assets	20	13	49	55
Inventories	128	115	860	1,154
Other assets	131	200	483	337
Accrued pension and similar obligations	1,673	1,186	17	65
Other provisions	340	500	270	127
Other liabilities	704	848	186	280
Tax loss carryforwards	765	541	—	—
Gross value	**3,956**	**3,671**	**3,140**	**3,360**
Valuation allowance	(435)	(422)	—	—
Offset	(2,732)	(2,542)	(2,732)	(2,542)
Balance sheet amount*	**789**	**707**	**408**	**818**

* Gross of deferred tax assets and liabilities included in "assets held for sale" or "liabilities associated with assets held for sale", respectively.

Deferred tax assets and liabilities are offset if they pertain to future tax effects for the same taxable entity towards the same taxation authority.

For fiscal year 2005/2006, the income tax expense of €919 million (2004/2005: €737 million) presented in the financial statements is €115 million lower (2004/2005: €76 million higher) than the expected income tax expense of €1,034 million (2004/2005: €661 million) which would result if the German combined income tax rate of 39.42% (2004/2005: 39.42%) were applied to the Group's income from continuing operations before income taxes. The following table reconciles the expected income tax expense to the income tax expense presented in the financial statements.

million €

	Year ended Sept. 30, 2005	in %	**Year ended Sept. 30, 2006**	**in %**
Expected income tax expense	661	39.4	1,034	39.4
Foreign tax rate differential	(17)	(1.0)	(80)	(3.0)
Changes in tax rates or laws	16	1.0	14	0.5
Tax consequences of disposal of businesses	49	2.9	(2)	(0.1)
Permanent items	51	3.0	(7)	(0.3)
Change in valuation allowance	12	0.7	22	0.8
Tax expense for prior periods	(24)	(1.5)	(33)	(1.2)
Other, net	(11)	(0.6)	(29)	(1.1)
Income tax expense as presented on the income statement	**737**	**43.9**	**919**	**35.0**

10 EARNINGS PER SHARE

Basic earnings per share are computed as follows:

	Year ended Sept. 30, 2005		**Year ended Sept. 30, 2006**	
	Total amount in million €	Earnings per share in €	**Total amount in million €**	**Earnings per share in €**
Numerator:				
Income from continuing operations (net of tax)	425	0.85	1,643	3.24
Loss from discontinued operations (net of tax)	(1)	0.00	—	—
Gain on disposal of discontinued operations (net of tax)	614	1.23	—	—
Net income (attributable to ThyssenKrupp AG's stockholders)	**1,038**	**2.08**	**1,643**	**3.24**
Denominator:				
Weighted average shares	498,628,610		507,731,743	

Relevant number of common shares for the determination of earnings per share

Earnings per share have been computed by dividing income attributable to common stockholders of ThyssenKrupp AG (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Shares issued during the period and shares reacquired during the period have been weighted for the portion of the period that they were outstanding.

The weighted average number of outstanding shares was reduced by the reacquisition of shares on May 06, 2003 and increased by the sale of those shares in the 2nd quarter ended March 31, 2004, the 3rd quarter ended June 30, 2005 and the 1st quarter ended December 31, 2005. In the 4th quarter ended September 30, 2006, the weighted average number of outstanding shares was reduced again by the reacquisition of shares.

There were no dilutive securities in the periods presented.

11 ADDITIONAL DISCLOSURES TO THE CONSOLIDATED STATEMENTS OF INCOME

Personnel expenses included in the consolidated statements of income are comprised of:

million €

	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Wages and salaries	7,059	7,261
Social security taxes	1,278	1,259
Net periodic pension costs - defined benefit*	126	154
Net periodic pension costs - defined contribution	29	34
Net periodic postretirement benefit cost other than pensions*	16	8
Other expenses for pensions and retirements	104	125
Related fringe benefits	363	464
Total	**8,975**	**9,305**

* excluding expected return on plan assets and interest cost which are recognized as part of interest income/expense

The annual average number of employees is as follows:

	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Steel	30,383	30,683
Stainless	12,288	12,156
Special Materials	2,381	—
Automotive	44,386	41,749
Technologies	29,750	27,485
Elevator	33,139	35,164
Services	33,811	37,982
Corporate	1,078	1,353
Total	**187,216**	**186,572**
This total breaks down to		
Wage earners	119,150	119,312
Salaried employees	63,513	62,896
Trainees	4,553	4,364

Auditors' fees and services

For the services performed by the Group auditors KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft and the companies of the world-wide KPMG association in fiscal years 2004/2005 and 2005/2006 the following fees were recognized as expenses:

million €

	Year ended Sept. 30, 2005		Year ended Sept. 30, 2006	
	Total	thereof Germany	Total	thereof Germany
Audit fees	22	13	18	9
Audit-related fees	2	1	3	2
Tax fees	1	0	1	0
Fees for other services	1	0	1	1
Total	**26**	**14**	**23**	**12**

The audit fees include mainly fees for the year-end audit of the consolidated financial statements, the auditors' review of the interim consolidated financial statements, and the statutory auditing of ThyssenKrupp AG and the subsidiaries included in the consolidated financial statements. The audit-related fees essentially comprise the fees for due diligence services in connection with acquisitions and disposals and auditing of the internal control system. The tax fees include in particular fees for tax consulting services for current and planned transactions, for the preparation of tax returns, for tax due diligence services, for tax advice in connection with projects and Group-internal reorganizations as well as tax advice for employees sent to work abroad. The fees for other services are mainly fees for project-related consulting services.

NOTES TO THE CONSOLIDATED BALANCE SHEET

12 INTANGIBLE ASSETS

Changes in the Group's intangible assets were as follows:

million €

	Franchises, trademarks and similar rights and values as well as licenses thereto	Development costs, internally developed software and website	Goodwill	Advance payments on intangible assets	**Total**
Gross amounts					
Balance as of Oct. 01, 2004	706	184	4,001	26	4,917
Currency differences	10	0	103	0	113
Acquisitions/divestitures of businesses	261	(2)	1,059	0	1,318
Additions	49	36	11	27	123
Transfers	20	6	0	(16)	10
Disposals	(45)	(8)	(9)	0	(62)
Balance as of Sept. 30, 2005	**1,001**	**216**	**5,165**	**37**	**6,419**
Currency differences	(9)	(1)	(86)	0	(96)
Acquisitions/divestitures of businesses	25	(2)	(124)	0	(101)
Additions	57	54	0	35	146
Transfers	5	12	0	(15)	2
Disposals	(21)	(16)	0	0	(37)
Balance as of Sept. 30, 2006	**1,058**	**263**	**4,955**	**57**	**6,333**
Accumulated amortization and impairment losses					
Balance as of Oct. 01, 2004	401	76	1,267	0	1,744
Currency differences	5	0	27	0	32
Acquisitions/divestitures of businesses	(29)	0	(42)	0	(71)
Amortization expense	90	33	0	0	123
Impairment losses	4	2	35	0	41
Reversals of impairment losses	0	0	0	0	0
Transfers	3	0	0	0	3
Disposals	(41)	(5)	0	0	(46)
Balance as of Sept. 30, 2005	**433**	**106**	**1,287**	**0**	**1,826**
Currency differences	(4)	(1)	(35)	0	(40)
Acquisitions/divestitures of businesses	(16)	(2)	(268)	0	(286)
Amortization expense	86	28	0	0	114
Impairment losses	1	1	34	0	36
Reversals of impairment losses	(4)	0	0	0	(4)
Transfers	(1)	1	0	0	0
Disposals	(15	(1)	0	0	(16)
Balance as of Sept. 30, 2006	**480**	**132**	**1,018**	**0**	**1,630**
Net amounts					
as of Oct. 01, 2004	305	108	2,734	26	3,173
as of Sep. 30, 2005	**568**	**110**	**3,878**	**37**	**4,593**
as of Sep. 30, 2006	**578**	**131**	**3,937**	**57**	**4,703**

The balance as of Sept. 30, 2006 includes gross amounts of €82 million (2005: €294 million) as well as accumulated amortization and impairment losses of €82 million (2005: €290 million) resulting in net amounts of €0 million (2005: €4 million) which relate to disposal groups.

Goodwill impairment losses are in included in other operating expenses while impairment losses of other intangible assets are included in cost of sales.

Impairment losses recognized in 2004/2005 relate to the disposals of companies. In 2005/2006, a goodwill impairment loss of €34 million was recognized in the Body business unit of the Automotive segment as a result of a weakening economic situation.

On January 01, 2005, the Group began to participate in the European Union Emissions Trading Scheme (ETS). The Group received notification from the national emissions-trading agency that it is entitled to receive allowances to emit 56.0 million tons in CO_2 (one third is allocated to 2005) during the compliance period 2005 to 2007. The majority of the total allowances are allocated to the Steel segment. The rights are capitalized at cost as an intangible asset. If the emissions are expected to exceed the amount covered by the granted allowances, the Group records an obligation for the purchase of additional allowances.

Goodwill

Goodwill (excluding goodwill of equity method investments) has been allocated to cash generating units within all segments. The recoverable amount of each cash generating unit is determined based on a value in use calculation using after-tax cash flow projections based on bottom-up prepared financial budgets approved by ThyssenKrupp AG's management covering a five-year period. The cash flows beyond the five-year period are determined as the average of the five-year period. No growth rate is taken into account to extrapolate the five-year average. The following after-tax discount rate ranges have been applied to the cash flow projections by segment:

in %

	After tax discount rate ranges	
	Year ended Sept. 30, 2005	**Year ended Sept. 30, 2006**
Steel	7.7 - 8.3	7.5 - 7.8
Stainless	7.1 - 9.0	6.9 - 8.9
Automotive	6.7 - 8.0	7.1 - 7.8
Technologies	6.2 - 8.1	6.7 - 8.8
Elevator	5.8 - 6.6	5.6 - 6.2
Services	6.1 - 7.9	6.5 - 8.3
Corporate	8.2	7.9

The values in use for the CGUs are generally calculated on the basis of expected price inflation in the country in which the CGU is located and on the basis of estimated sales growth rates. These figures are determined based on both historical data and expected forecast market performance. The values assigned to the key assumptions are generally consistent with external information sources.

45 CGUs were identified in the ThyssenKrupp Group, of which 36 report goodwill. Total goodwill as of October 01, 2005 amounts to €3,878 million. 62% of this goodwill relates to the CGUs Steelmaking, Uhde, Marine and Americas, as shown in the following table:

Significant goodwill

CGU (Segment)	Carrying amount of goodwill allocated to CGU (million €)	Proportion of total goodwill (in %)	Description of key assumptions	Procedure used to determine key assumptions
Steelmaking (Steel)	228	6%	- Selling prices - Procurement prices - Business cycles	Internal estimates of sales and purchasing departments concerned and consideration of economic assumptions set by ThyssenKrupp AG (Economic Affairs and Market Research)
Uhde (Technologies)	218	6%	- Market growth rates - Technological position	Consideration of past experience, customer surveys and findings form active customer support, use of numerous internal and external market studies
Marine (Technologies)	1,068	27%	- Market growth rates - Technological position	Naval shipbuilding: Consideration of long-term budget plans of potential customers and if appropriate concrete negotiations with customers Container ships: Consideration of global economic trends and freight rates
Americas (Elevator)	879	23%	- Procurement prices - Business cycles	Consideration of economic assumptions set by ThyssenKrupp AG and external local market studies

In the case of the CGUs Bauelemente, ThyssenKrupp Nirosta and Chassis Structure, the recoverable amount exceeded the carrying amount of the CGU by less than 10%:

Critical goodwill

CGU (Segment)	Carrying amount of CGU (million €)	Recoverable amount of CGU (million €)	Description of key assumptions	Procedure used to determine key assumptions
Bauelemente (Steel)	116	127	- Selling prices - Business cycles	Internal estimates of sales and purchasing departments concerned taking into account the economic parameters specified by ThyssenKrupp AG (Economic Affairs and Market Research)
TK Nirosta (Stainless)	932	944	- Selling prices - Procurement prices	Internal estimates of sales and purchasing departments concerned
Chassis Structure (Automotive)	955	1,036	- Selling prices - Procurement prices	Consideration of contractual agreements with customers, agreements with key suppliers; forecast cost inflation based on economic assumptions set by ThyssenKrupp AG

A 10% increase in the discount rate would result in an impairment of goodwill in all three cases presented above. However, the Management of ThyssenKrupp believes in the case of all CGUs that no reasonably possible change in any of the key assumptions used in calculating the recoverable amount would cause the carrying amount of the CGU to exceed the respective recoverable amount.

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

million €

	Steel	Stainless	Special Materials	Automotive	Technologies	Elevator	Services	Corporate	Total*
Balance as of Oct. 01, 2004	**329**	**336**	**11**	**255**	**340**	**1,190**	**259**	**15**	**2,735**
Currency differences	1	2	0	8	2	61	1	0	75
Acquisitions/(divestitures)	2	10	(6)	3	1,063	34	(4)	1	1,103
Impairment	0	0	(5)	(16)	(9)	0	(5)	0	(35)
Balance as of Sept. 30, 2005	**332**	**348**	**0**	**250**	**1,396**	**1,285**	**251**	**16**	**3,878**
Currency differences	0	(5)	—	(3)	(5)	(36)	(2)	0	(51)
Acquisitions/(divestitures)	2	1	—	0	16	41	84	0	144
Impairment	0	0	—	(34)	0	0	0	0	(34)
Balance as of Sept. 30, 2006	**334**	**344**	—	**213**	**1,407**	**1,290**	**333**	**16**	**3,937**

* excluding goodwill of equity method investments

13 PROPERTY, PLANT AND EQUIPMENT

Changes in the Group's property, plant and equipment were as follows:

million €

	Land, leasehold rights and buildings including buildings on third-party land	Technical machinery and equipment	Other equipment, factory and office equipment	Assets under finance lease	Assets under operating lease	Construction in progress and advance payments on property, plant and equipment	**Total**
Gross amounts							
Balance as of Oct. 01, 2004	5,295	14,552	2,187	289	10	559	22,892
Currency differences	44	151	21	0	0	15	231
Acquisitions/divestitures of businesses	(42)	(600)	(60)	(5)	(1)	5	(703)
Additions	130	606	272	16	0	443	1,467
Transfers	(14)	299	12	(3)	1	(351)	(56)
Disposals	(57)	(380)	(192)	(16)	0	(33)	(678)
Balance as of Sept. 30, 2005	**5,356**	**14,628**	**2,240**	**281**	**10**	**638**	**23,153**
Currency differences	(37)	(98)	(21)	0	0	(8)	(164)
Acquisitions/divestitures of businesses	(134)	(276)	(18)	2	0	3	(423)
Additions	95	587	282	7	2	511	1,484
Transfers	81	412	28	(8)	17	(520)	10
Disposals	(109)	(461)	(216)	(21)	0	(14)	(821)
Balance as of Sept. 30, 2006	**5,252**	**14,792**	**2,295**	**261**	**29**	**610**	**23,239**
Accumulated depreciation and impairment losses							
Balance as of Oct. 01, 2004	2,421	10,034	1,557	99	7	29	14,147
Currency differences	15	96	11	1	0	1	124
Acquisitions/divestitures of businesses	(128)	(535)	(82)	2	0	0	(743)
Depreciation expense	159	841	211	24	1	0	1,236
Impairment losses	94	98	10	1	0	2	205
Reversals of impairment losses	0	0	0	0	0	0	0
Transfers	(26)	3	(3)	(2)	0	0	(28)
Disposals	(35)	(345)	(165)	(14)	0	(1)	(560)
Balance as of Sept. 30, 2005	**2,500**	**10,192**	**1,539**	**111**	**8**	**31**	**14,381**
Currency differences	(14)	(55)	(12)	0	0	(1)	(82)
Acquisitions/divestitures of businesses	(117)	(247)	(22)	(3)	0	(3)	(392)
Depreciation expense	161	851	216	24	1	0	1,253
Impairment losses	79	144	9	0	0	4	236
Reversals of impairment losses	(1)	(1)	0	0	0	0	(2)
Transfers	(2)	39	(3)	(5)	0	(28)	1
Disposals	(71)	(418)	(170)	(17)	0	0	(676)
Balance as of Sept. 30, 2006	**2,535**	**10,505**	**1,557**	**110**	**9**	**3**	**14,719**
Net amounts							
as of Oct. 01, 2004	2,874	4,518	630	190	3	530	8,745
as of Sep. 30, 2005	**2,856**	**4,436**	**701**	**170**	**2**	**607**	**8,772**
as of Sep. 30, 2006	**2,717**	**4,287**	**738**	**151**	**20**	**607**	**8,520**

The balance as of Sept. 30, 2006 includes gross amounts of €516 million (2005: €408 million) as well as accumulated depreciation and impairment losses of €393 million (2005: €379 million) resulting in net amounts of €123 million (2005: €29 million) which relate to the disposal groups.

Impairment losses of property, plant and equipment are included in cost of sales. Impairment losses recognized in 2004/2005 related mainly to initiated or completed disposals. In the Steel segment, impairment losses were recognized in the total amount of €57 million for the initiated sale of the Schwerte production site of Hoesch Hohenlimburg GmbH and the completed disposal of Edelstahl Witten Krefeld GmbH, of which €23 million related to land and buildings, €29 million to technical machinery and equipment and €5 million to other equipment. In the Automotive segment, impairment losses of €9 million for land and buildings and €15 million for technical machinery and equipment were recognized in connection with the initiated disposal of ThyssenKrupp Stahl Company. In the Technologies segment, impairment losses were recognized in the total amount of €88 million in connection with the initiated disposals of the MetalCutting business unit and the Turbine Components operating group, mainly relating to land and buildings with €48 million and technical machinery and equipment with €35 million. In all cases, the impairment losses were calculated by comparing the carrying amounts with the fair values less costs to sell. In addition, an impairment of €6 million was recognized in the Steel segment as a result of a fire, relating mainly to technical machinery and equipment. The level of impairment was calculated in cooperation with independent experts. In this context, the segment received insurance compensation of €20 million, calculated on the basis of replacement costs, which are reported in other operating income.

In 2005/2006, impairment losses of €35 million were recognized in the Stainless segment as a result of a fire, of which €12 million related to buildings and €23 million to technical machinery and equipment. The level of impairment was determined in cooperation with independent experts. In this context, the segment received insurance compensation of €45 million, calculated on the basis of replacement costs, which are reported in other operating income. In 2005/2006, impairment losses were recognized in the Body business unit of the Automotive segment as a result of the weakening economic situation in the amount of €25 million for buildings, €13 million for technical machinery and equipment and €1 million for other equipment, factory and office equipment; the recoverable amounts used to calculate the impairment losses correspond in each case to the values in use. A discount rate of 8.71% was used to calculate values in use. In addition, asset impairment losses in the total amount of €98 million were recognized in the Automotive segment in connection with the initiated disposal of the North American body and chassis business, relating mainly to technical machinery and equipment. The impairment losses were calculated by comparing the carrying amounts with the fair values less costs to sell. In this context, an impairment of €48 million had already been recognized on the assets of the Canadian Kitchener plant in the 2nd quarter 2005/2006, relating mainly to buildings (€9 million) and technical machinery and equipment (€34 million). The recoverable amount used to calculate the impairment loss is the value in use. Due to the fact that the expected future cash flows are solely negative, a value in use of zero was recognized.

Property, plant and equipment include leased buildings, technical machinery and equipment and other equipment that have been capitalized, where the terms of the lease require the Group, as lessee, to assume substantially all of the benefits and risks of use of the leased asset (“finance lease”).

million €

	Gross amounts		Accumulated depreciation and impairment losses		Net amounts	
	Sept. 30, 2005	**Sept. 30, 2006**	Sept. 30, 2005	**Sept. 30, 2006**	Sept. 30, 2005	**Sept. 30, 2006**
Land, leasehold rights and buildings including buildings on third-party land	102	91	36	34	66	57
Technical machinery and equipment	125	125	41	47	84	78
Other equipment, factory and office equipment	54	45	34	29	20	16
Assets under finance lease	**281**	**261**	**111**	**110**	**170**	**151**

Property, plant and equipment has been pledged as security for financial payables of €277 million (2005: €318 million).

14 INVESTMENT PROPERTY

Changes in the Group's investment property were as follows:

million €

	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Gross amounts		
Balance as of Oct. 01, 2004 and 2005, respectively	2,407	830
Currency differences	1	(1)
Acquisitions/divestitures of businesses	(1,619)	0
Additions	43	4
Transfers	45	(11)
Disposals	(47)	(68)
Balance as of Sept. 30, 2005 and 2006, respectively	**830**	**754**
Accumulated depreciation and impairment losses		
Balance as of Oct. 01, 2004 and 2005, respectively	785	273
Currency differences	0	0
Acquisitions/divestitures of businesses	(575)	(3)
Depreciation expense	21	7
Impairment losses	31	6
Reversals of impairment losses	0	(1)
Transfers	25	(1)
Disposals	(14)	(28)
Balance as of Sept. 30, 2005 and 2006, respectively	**273**	**253**
Net amounts		
as of Oct. 01, 2004	1,622	—
as of Sep. 30, 2005 and 2006, respectively	**557**	**501**

Investment property consists of investments in land and buildings that are held to earn rental income or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It is measured at cost and depreciated on a straight-line basis.

The fair value of the Group's investment property is determined using various internationally accepted valuation methods such as the gross rental method, discounted cash flow method, asset value method and comparison to current market prices of similar real estate. Investment property located in Germany is primarily determined based on internally prepared valuations using the gross rental method which is regulated in Germany by the "Verordnung über Grundsätze für die Ermittlung der Verkehrswerte von Grundstücken – WertV". Investment property located outside Germany is determined by independent external appraisers.

As of September 30, 2006, the total fair value of the Group's investment property is €677 million (2005: €720 million) of which €27 million (2005: €25 million) are based on valuations of independent external appraisers.

The lease of investment property resulted in rental income of €46 million (2004/2005: €94 million) and direct operating expense of €27 million (2004/2005: €54 million). Direct operating expense of €11 million (2004/2005: €29 million) resulted from investment property that does not generate rental income. The reduction of the amounts results from the disposal of the Residential Real Estate business in February 2005.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

As of September 30, 2006, the fair value of investments in associates accounted for using the equity method for which there are published price quotations was €28 million (2005: €24 million).

Summarized financial information of associates accounted for using the equity method is presented in the table below. The information given represents 100% and not the Group's interest in the associates.

million €

	Sept. 30, 2005	Sept. 30, 2006
Total assets	1,096	982
Total liabilities	862	799

	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Net sales	1,264	1,086
Net income	28	14

In 2005/2006, the unrecognized share of losses of an associate accounted for using the equity method amounts to €0.6 million (2004/2005: €0 million). The unrecognized losses cumulate to €0.9 million.

ThyssenKrupp has a significant investment of 20.56% in RAG Aktiengesellschaft. The Group is not able to exert significant influence over the operating and financial policies of RAG because of the Group's inability to obtain timely reviewed IFRS financial information on a quarterly basis.

Joint ventures

The following table shows the summarized financial information of the Group's joint ventures. The information given represents the Group's interest in the joint ventures.

million €

	Sept. 30, 2005	**Sept. 30, 2006**
Current assets	480	678
Non-current assets	338	385
Current liabilities	322	370
Non-current liabilities	109	212

	Year ended Sept. 30, 2005	**Year ended Sept. 30, 2006**
Net sales	1,287	1,457
Net income	30	41

The significant joint ventures are included in the list of the Group's major subsidiaries and equity interests which is presented in Note 38.

16 OPERATING LEASE AS LESSOR

The Group is the lessor of various commercial real estate under operating lease agreements. The gross value of the assets under lease is €685 million (2005: €710 million) and accumulated depreciation is €216 million (2004/2005: €212 million).

As of September 30, 2006, the future minimum lease payments to be received on non-cancelable operating leases are as follows:

million €

Not later than one year	54
Between one and five years	73
Later than five years	48
Total	**175**

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 2005/2006 (2004/2005: 0).

17 FINANCIAL ASSETS

million €

	Sept. 30, 2005	**Sept. 30, 2006**
Investments in non-consolidated subsidiaries	41	42
Loans to non-consolidated subsidiaries	4	4
Other investments	63	62
Loans to Associated Companies and other investees	2	2
Securities classified as financial assets	9	14
Other loans	63	54
Financial assets	**182**	**178**

Impairment losses of €3 million are recognized in the income statement.

18 INVENTORIES

million €

	Sept. 30, 2005	**Sept. 30, 2006**
Raw materials	1,782	1,606
Supplies	417	445
Work in process	1,723	1,990
Finished products, merchandise	3,233	3,498
Advance payments to suppliers	575	603
	7,730	**8,142**
Less advance payments received	(721)	(732)
Total	**7,009**	**7,410**

Inventories of €1 million (2005: €1 million) have a remaining term of more than 1 year. Inventories of €39,142 million (2005: €36,196 million) are recognized as an expense during the period. Included in cost of sales are write-downs of inventories of €7 million (2005: €5 million), while €5 million (2005: €1 million) of reversals of write-downs reduced cost of sales.

Advance payments received in the amount of €89 million (2005: €279 million) are collateralized by inventories.

19 TRADE ACCOUNTS RECEIVABLE

million €

	Sept. 30, 2005	Sept. 30, 2006
Receivables from sales of goods and services	5,599	6,077
Amounts due from customers for construction work	1,331	1,187
Total	**6,930**	**7,264**

Receivables from the sales of goods and services in the amount of €740 million (2005: €825 million) have a remaining term of more than 1 year. In the current period impairment losses of €327 million (2005: €325 million) are recognized for doubtful accounts.

Amounts due from customers for construction work are calculated as follows:

million €

	Sept. 30, 2005	Sept. 30, 2006
Contract costs incurred and recognized contract profits (less recognized losses)	3,174	2,488
Less advance payments received	(1,843)	(1,301)
Total	**1,331**	**1,187**

Sales from construction contracts of €4,829 million were recognized in the period (2004/2005: €4,780 million).

The Group regularly primarily sells credit insured trade accounts receivable under asset backed securitization programs and other programs as well as under one-time transactions.

As of September 30, 2006, sales of receivables in the amount of €40 million (2005: €130 million) did not result in a derecognition from the balance sheet because the Group retained substantially all the risks and rewards of ownership. The corresponding liability is included in financial liabilities (see Note 25). The sales resulted in net proceeds in the amount of €40 million (2004/2005: €128 million).

The amount of receivables sold and derecognized from the balance sheet as of September 30, 2006, was €989 million (2005: €945 million), resulting in net proceeds in the amount of €959 million (2004/2005: €920 million). In some cases, when the Group sells receivables it retains rights and immaterial obligations; these retained interests mainly consist of servicing as well as providing limited cash reserve accounts and dilution reserves. The recognized assets and provided guarantees which serve as a cash reserve account amounted to €68 million (2005: €58 million) as of September 30, 2006. Continuing involvement primarily resulting from the dilution reserve was €27 million (2005: €23 million) as of September 30, 2006.

20 OTHER RECEIVABLES

million €

	Sept. 30, 2005	Sept. 30, 2006
Receivables due from non-consolidated subsidiaries	45	49
Receivables due from Associated Companies and other investees	103	114
Other assets	886	1,194
Current securities	108	104
Total	**1,142**	**1,461**

Other assets include tax refund claims in the amount of €94 million (2005: €41 million) as well as the positive fair values of foreign currency derivatives including embedded derivatives, interest rate and commodity derivatives in the amount of €205 million (2005: €149 million) (see also Note 30).

Other receivables in the amount of €70 million (2005: €73 million) have a remaining term of more than 1 year. In the current period impairment losses of €141 million (2005: €127 million) are recognized.

21 TOTAL EQUITY

Total equity and the number of shares outstanding changed as follows:

million € (except number of shares)

		Equity attributable to ThyssenKrupp AG's stockholders								
	Number of shares outstanding	Capital stock	Additional paid in capital	Retained earnings	Cumulative income and expense directly recognized in equity	Treasury stock	Total	Minority interest	Total equity
Balance as of Oct. 01, 2004	**498,338,299**	**1,317**	**4,684**	**1,505**	**(10)**	**(387)**	**7,109**	**360**	**7,469**
Net income				1,038			1,038	41	1,079
Income and expense directly recognized in equity					(560)		(560)	25	(535)
Tax effects on income and expense directly recognized in equity					255		255	0	255
Profit attributable to minority interest							0	(35)	(35)
Dividend payment				(299)			(299)		(299)
Treasury stock sold	810,852			(7)		19	12	0	12
Other changes							0	(2)	(2)
Balance as of Sept. 30, 2005	**499,149,151**	**1,317**	**4,684**	**2,237**	**(315)**	**(368)**	**7,555**	**389**	**7,944**
Net income				1,643			1,643	61	1,704
Income and expense directly recognized in equity					292		292	(7)	285
Tax effects on income and expense directly recognized in equity					(126)		(126)	0	(126)
Profit attributable to minority interest							0	(27)	(27)
Dividend payment				(412)			(412)		(412)
Treasury stock purchased	(25,724,452)					(697)	(697)	0	(697)
Treasury stock sold	15,339,893			(100)		368	268	0	268
Share-based compensation				1			1	0	1
Other changes				(11)			(11)	(2)	(13)
Balance as of Sept. 30, 2006	**488,764,592**	**1,317**	**4,684**	**3,358**	**(149)**	**(697)**	**8,513**	**414**	**8,927**

€5 million, €6 million and €6 million of the balance of cumulative income and expense directly recognized in equity result from associates as of Oct. 01, 2004, Sept. 30, 2005 and Sept. 30, 2006, respectively. €0 million (2004/2005: €1 million) of the changes of cumulative income and expense directly recognized in equity result from associates.

The following table shows the changes of the foreign currency translation adjustment which is part of cumulative income and expense directly recognized in equity:

million €

	Foreign currency translation adjustment
Balance as of Oct. 01, 2004	**0**
Change in unrealized gains/(losses), net	137
Net realized (gains)/losses	0
Balance as of Sept. 30, 2005	**137**
Change in unrealized gains/(losses), net	(84)
Net realized (gains)/losses	2
Balance as of Sept. 30, 2006	**55**

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 488,764,592 and 499,149,151 outstanding as of September 30, 2006 and 2005, respectively. Each share of common stock has a stated value of €2.56.

The stockholders are entitled to receive dividends as declared and are entitled to one vote per share at the stockholders' meetings.

Treasury stock

On the basis of the authorization granted by the Annual Stockholders' Meeting on January 27, 2006, the Executive Board of ThyssenKrupp AG resolved on July 03, 2006, to acquire up to a total of 5% of the current capital stock issued. In the period from July 04, 2006 to August 21, 2006, ThyssenKrupp AG purchased a total of 25,724,452 treasury shares, representing almost 5% of the capital stock, at an average price of €27.09. This represents a total amount of €697 Mio €.

As of November 21, 2005, 15,339,893 treasury shares were sold at the market price of €17.44 to the Alfried Krupp von Bohlen and Halbach Foundation. This disposal has to be classified as a related party transaction. As a result of this transaction and the sale of employee shares in the 2nd quarter of 2003/2004 and the 3rd quarter of 2004/2005, ThyssenKrupp AG has sold all the treasury shares purchased from the IFIC Holding AG in May 2003.

Authorizations

By resolution of the Annual Stockholders' Meeting on January 23, 2004, the Executive Board is authorized, subject to the approval of the Supervisory Board, to issue bearer bonds with a total par value up to €500 million and to grant the bond holders the right to convert the bonds into bearer shares of the Company (convertible bonds). The authorization is valid until January 22, 2009. In addition, by resolution of the Annual Stockholders' Meeting on January 27, 2006, ThyssenKrupp is authorized through July 26, 2007, to purchase treasury stock for certain defined purposes up to a total of 10% of the current capital stock issued.

Dividend proposal

The Executive Board and Supervisory Board have agreed to propose to the stockholders' meeting a dividend in the amount of €1,00 per share entitled to dividend to be distributed from unappropriated net income of the stand-alone entity ThyssenKrupp AG for fiscal 2005/2006 as determined in conformity with the principles of the German Commercial Code (HGB). This would result in a dividend payout of €489 million in total.

22 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 were granted appreciation rights ("phantom stocks") annually with a performance period of approximately three years for each installment. These appreciation rights were remunerated in cash at the end of each performance period if certain performance hurdles are met. These performance hurdles required 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 was met, then remuneration was calculated based on the difference between the current market price and the base price of stock. The current market price was 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 was 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 was 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 was equal to one-half of the absolute change in ThyssenKrupp stock price during a particular performance period. The two deductions were combined and then deducted from the current stock price to obtain the base price. The remuneration per appreciation right during any performance period was limited to €25. If the performance hurdles were not met at the end of the performance period, the stock appreciation rights expired and no payment or expense was recorded by the Group.

In the 2nd quarter of 2004/2005, the 2.7 million appreciation rights granted in the fourth installment of the incentive plan were settled with a payment of €1.4 million and in the 2nd quarter of 2005/2006, the 2.4 million appreciation rights granted in the fifth installment of the incentive plan were settled with a payment of €40.8 million, both as result of the performance hurdles being met at the end of the specific performance period. In total in 2005/2006, the Group recorded compensation expense for the long-term management incentive plan in the amount of €11.5 million (2004/2005: €10.7 million). Because of the completion of the long-term management incentive plan program in 2005/2006, there are no outstanding obligations from the plan as of September 30, 2006, (2005: €29 million).

The fair value of the appreciation rights used to calculate the pro-rata liability as of the balance sheet date is based on the Black-Scholes option pricing model modified for the special features of the long-term management incentive plan. As of September 30, 2005, the fair value of the appreciation rights of the 5th installment was €13.09. The following assumptions were used for this calculation:

	5th installment
Risk-free interest rate	2.20%
Dividends assumed for 2003, 2004, 2005	€0.40; €0.50; €0.60
Expected stock price volatility	20.96%
Expected index volatility	11.75%

The risk-free interest rate is based on EURIBOR appropriate to the expiry of the installment being valued. Assumed dividends equal dividends paid. Expected volatilities are based on historical volatility of the ThyssenKrupp stock and the DJ STOXX.

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. Starting with 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. As of September 30, 2006, 253,823 stock rights were issued in the 2nd installment, 533,418 stock rights in the 3rd installment and 550,334 stock rights in the 4th installment.

The number of stock rights issued will be adjusted at the end of each performance period based on the average economic value added (EVA) over the three-year performance period, beginning October 01 of the year the stock rights were granted, compared to the average EVA over the previous three fiscal year period. At the end of the performance period the stock rights will be settled in cash based on the average price of ThyssenKrupp stock during the three month period immediately following the performance period.

To determine the fair value of the stock rights used to calculate the pro-rata liability as of the balance sheet date forward prices of the ThyssenKrupp stock are calculated. The forward calculation is carried out for predefined periods (averaging periods) taking into account the ThyssenKrupp stock price and the Euro interest rate curve as of the balance sheet date and the dividends assumed to be paid until the maturity of the stock rights. The following assumptions were used for the determination of the fair values as of September 30, 2006 and as of September 30, 2005:

	1st installment	2nd installment	3rd installment
Maturity	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007
Averaging period	Oct. 01 to Dec. 31, 2005	Oct. 01 to Dec. 31, 2006	Oct. 01 to Dec. 31, 2007
ThyssenKrupp stock price as of balance sheet date	€17.37	€17.37	€17.37
Assumed dividend payment(s) per stock until maturity	—	€0.70 on Jan. 30, 2006	€0.70 on Jan. 30, 2006 €0.70 on Jan. 29, 2007
Average dividend yield	—	3.74%	3.96%
Average interest rate (averaging period)	2.15%	2.32%	2.54%
Fair value as of Sept. 30, 2005	**€17.32**	**€16.62**	**€15.94**

	2nd installment	3rd installment	4th installment
Maturity	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
Averaging period	Oct. 01 to Dec. 31, 2006	Oct. 01 to Dec. 31, 2007	Oct. 01 to Dec. 31, 2008
ThyssenKrupp stock price as of balance sheet date	€26.57	€26.57	€26.57
Assumed dividend payment(s) per stock until maturity	—	€1.00 on Jan. 22, 2007	€1.00 on Jan. 22, 2007 €1.00 on Jan. 21, 2008
Average dividend yield	—	3.47%	3.64%
Average interest rate (averaging period)	3.27%	3.78%	3.80%
Fair value as of Sept. 30, 2006	**€26.45**	**€25.46**	**€24.52**

In the 1st quarter of 2005/2006, the 1st installment of the mid-term incentive plan was settled in cash with €17.26 per stock right resulting in a total payment of €4.4 million. In total in 2005/2006, the Group recorded compensation expense for the mid-term incentive plan in the amount of €43.4 million (2004/2005: €14.4 million). The liability arising from the mid-term incentive plan amounts to €58 million as of September 30, 2006 (2005: €20 million).

In February 2006, the Group implemented a Share Purchase Plan for selected executive employees. Under the plan the beneficiaries are entitled to purchase up to a fixed amount ThyssenKrupp shares at a discount. In 2005/2006 the Group recorded compensation expense from the plan of €2.7 million; €1.4 million were recognized in equity and the remaining amount as an obligation.

Employee share purchase program

In the 3rd quarter of 2004/2005 and in the 3rd quarter of 2005/2006, the Group offered eligible members of its domestic and French workforce the right to purchase up to €270 in ThyssenKrupp shares at a 50% discount as part of an employee share purchase program. The program resulted in the Group recording compensation expense of €6.3 million and €8.0 million, respectively.

23 ACCRUED PENSION AND SIMILAR OBLIGATIONS

million €

	Sept. 30, 2005	Sept. 30, 2006
Accrued pension liability	7,267	6,597
Accrued postretirement obligations other than pensions	1,308	1,137
Other accrued pension-related obligations	419	377
Total	**8,994**	**8,111**

Pensions and similar obligations in the amount of €7,374 million (2005: €8,250 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.

Defined benefit obligations and funded status

The reconciliation of the changes in the defined benefit obligations and the fair value of plan assets are as follows:

million €

	Sept. 30, 2005		Sept. 30, 2006	
	Germany	Outside Germany	Germany	Outside Germany
Change in defined benefit obligations (DBO):				
DBO at beginning of fiscal year	6,208	2,358	6,494	2,715
Service cost	68	53	79	60
Interest cost	293	125	249	127
Participant contributions	0	8	0	8
Past service cost	(1)	1	5	3
Actuarial (gain)/loss	544	199	(224)	(95)
Acquisitions/(divestitures)	(69)	45	(74)	(60)
Curtailments	(133)	(27)	0	(7)
Termination benefits	0	0	0	10
Currency differences	0	77	0	(60)
Benefit payments	(416)	(141)	(415)	(162)
Others	0	17	0	2
DBO at end of fiscal year	**6,494**	**2,715**	**6,114**	**2,541**
Change in plan assets:				
Fair value of plan assets at beginning of fiscal year	68	1,602	99	1,838
Expected return on plan assets	5	115	7	137
Actuarial gains/(losses)	9	87	0	(4)
Acquisitions/(divestitures)	0	1	0	(35)
Employer contributions	25	101	29	180
Participant contributions	0	8	0	8
Curtailments and settlements	0	(23)	0	0
Currency differences	0	57	0	(42)
Benefit payments	(8)	(126)	(8)	(143)
Others	0	16	0	1
Fair value of plan assets at end of fiscal year	**99**	**1,838**	**127**	**1,940**

As of the balance sheet date, defined benefit obligations related to plans that are wholly unfunded amount to €6,088 million (2005: €6,548 million) and defined benefit obligations that relate to plans that are wholly or partly funded amount to €2,567 million (2005: €2,661 million).

Actual return which amounts to €140 million (2005: €216 million) is calculated as the total of expected return on plan assets and actuarial gains and losses, respectively.

The following represents the funded status of these plans:

million €

	Sept. 30, 2005		Sept. 30, 2006	
	Germany	Outside Germany	Germany	Outside Germany
Funded status at end of fiscal year	(6,395)	(877)	(5,987)	(601)
Not recognized as an asset due to asset ceiling	0	0	0	(2)
Unrecognized past service cost	3	2	1	1
Net amount recognized	**(6,392)**	**(875)**	**(5,986)**	**(602)**
Amounts recognized in the consolidated balance sheets consist of:				
Other receivables	0	0	0	9
Accrued pension liability	(6,392)	(875)	(5,986)	(611)
Net amount recognized	**(6,392)**	**(875)**	**(5,986)**	**(602)**

Net periodic pension cost

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

million €

	Year ended Sept. 30, 2005		Year ended Sept. 30, 2006	
	Germany	Outside Germany	Germany	Outside Germany
Service cost	68	53	79	60
Interest cost	293	125	249	127
Expected return on plan assets	(5)	(115)	(7)	(137)
Past service cost	2	1	7	5
Settlement and curtailment loss/(gain)	7	(5)	0	(7)
Termination benefit expense	0	0	0	10
Net periodic pension cost	**365**	**59**	**328**	**58**

The interest cost and the expected return on plan assets components of net periodic pension cost are included in the line item “Interest expense” and “Interest income”, respectively in the Group’s consolidated statement of income.

Assumptions

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.

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

in %

	Sept. 30, 2005		Sept. 30, 2006	
	Germany	Outside Germany	Germany	Outside Germany
Weighted-average assumptions:				
Discount rate	4.00	4.88	4.50	5.29
Expected return on plan assets	6.00	7.53	6.00	7.54
Rate of compensation increase	2.50	2.36	2.50	2.52

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:

	Plan assets as of		Target allocation
	Sept. 30, 2005	**Sept. 30, 2006**	Sept. 30, 2007
Equity securities	67%	62%	55-70%
Debt securities	26%	35%	30-40%
Real estate/other	7%	3%	0-10%
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 2006/2007 is €127 million related to its funded plans, all of which is expected to be as cash contributions.

Pension benefit payments

In fiscal year 2005/2006, pension benefit payments to the Group's German and Non-German plans were €415 million (2004/2005: €416 million) and €162 million (2004/2005: €141 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)	Germany	Outside Germany
2006/2007	426	144
2007/2008	429	144
2008/2009	427	146
2009/2010	426	149
2010/2011	425	154
2011/2012-2015/2016	2,062	815
Total	**4,195**	**1,552**

Amounts recognized for the current and the previous periods for defined benefit pension plans are as follows:

million €

	Sept. 30, 2005	**Sept. 30, 2006**
Present value of defined benefit obligation	9,209	8,655
Fair value of plan assets	1,937	2,067
Surplus/(deficit) in the plan	(7,272)	(6,588)
Experience adjustments on plan liabilities	(43)	(52)
Experience adjustments on plan assets	112	13

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 €34 million. In addition, contributions paid to public/state pension insurance institutions amounted to €277 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 at least actuarially equivalent to the benefit established by the law. The Group accounts for these federal subsidies as reimbursement rights in accordance with IAS 19.

The changes in accumulated postretirement benefit obligations and reimbursement rights are as follows:

million €

	Sept. 30, 2005 US, Canada	Sept. 30, 2006 US, Canada
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of fiscal year	1,110	1,290
Service cost	21	22
Interest cost	60	65
Past service cost	0	(4)
Actuarial loss/(gain)	113	(70)
Acquisitions/(divestitures)	0	(67)
Curtailments	0	(39)
Termination benefits	0	37
Currency differences	37	(53)
Benefit payments	(51)	(56)
Others	0	(3)
Accumulated postretirement benefit obligation at end of fiscal year	**1,290**	**1,122**
Change in reimbursement rights relating to postretirement benefits:		
Fair value of reimbursement rights at beginning of fiscal year	56	79
Expected return on reimbursement rights	4	6
Actuarial gains	17	24
Acquisitions/(divestitures)	0	(12)
Employer contributions	2	3
Currency differences	2	(4)
Benefit payments	(2)	(3)
Others	0	(3)
Fair value of reimbursement rights at end of fiscal year	**79**	**90**

The following represents the unfunded status of these plans:

million €

	Sept. 30, 2005 US, Canada	Sept. 30, 2006 US, Canada
Unfunded status at end of fiscal year	(1,290)	(1,122)
Unrecognized past service cost	(18)	(15)
Net amount recognized for postretirement obligations other than pensions	**(1,308)**	**(1,137)**

Assumptions

The determination of the accumulated postretirement benefit obligations is based on the following weighted average assumptions:

in %

	Sept. 30, 2005 US, Canada	Sept. 30, 2006 US, Canada
Weighted-average assumptions:		
Discount rate	5.20	5.85
Health care cost trend rate for the following year	8.39	9.08
Ultimate health care cost trend rate (expected in 2012)	5.44	5.40

Net periodic postretirement benefit cost

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

million €

	Year ended Sept. 30, 2005 US, Canada	Year ended Sept. 30, 2006 US, Canada
Service cost	21	22
Interest cost	60	65
Expected return on reimbursement rights	(4)	(6)
Past service cost	(1)	(6)
Curtailment loss/(gain)	0	(39)
Termination benefit expense	0	37
Net periodic postretirement benefit cost	**76**	**73**

The interest cost component of net periodic postretirement benefit cost is included in the line item “Interest expense” in the Group’s consolidated statement of income.

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	16	(12)
Effect on postretirement benefit obligation	159	(131)

Amounts recognized for the current and the previous period for postretirement obligations others than pensions are as follows:

million €

	Sept. 30, 2005	Sept. 30, 2006
Present value of defined benefit obligation	1,290	1,122
Surplus/(deficit)	(1,290)	(1,122)
Experience adjustments on plan liabilities	(19)	(33)
Experience adjustments on reimbursement rights	1	31

Other pension related obligations

Some companies of the Steel segment 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 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. As of September 30, 2006, the liability was €4 million (2005: €45 million).

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 €271 million (2005: €259 million) were recognized in accordance with IAS 19 “Employee Benefits”.

24 OTHER PROVISIONS

million €

	Product warranties and product defects	Other contractual costs	Employee compensation and benefit costs	Restructurings	Decommis-sioning obligations	Environmental obligations	Other obligations	Total
Balance as of Sept. 30, 2005	370	175	620	144	251	27	600	**2,187**
Currency differences	(7)	(1)	(4)	(1)	0	0	(6)	**(19)**
Acquisitions/(divestitures)	(18)	67	16	20	5	(4)	14	**100**
Additions	125	123	292	134	19	1	263	**957**
Accretion	3	5	4	0	1	0	2	**15**
Amounts utilized	(42)	(91)	(226)	(96)	(12)	(2)	(214)	**(683)**
Reversals	(51)	(47)	(75)	(35)	(5)	0	(88)	**(301)**
Balance as of Sept. 30, 2006	380	231	627	166	259	22	571	**2,256**

As of September 30, 2006, €1,604 million (2005: €1,578 million) of the total of other provisions are current, while €652 million (2005: €609 million) are non-current. Provisions of €548 million (2005: €654 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).

Provisions for other contractual costs represent pending losses from uncompleted contracts.

Provisions for employee compensation and benefit costs primarily represent employment anniversary bonuses and obligations for the management incentive plans, while social plan and related costs pertaining to personnel related structural measures are reflected in the provision for restructuring activities. Pension related obligations for partial retirement agreements and early retirement programs are part of the provision for pensions and similar obligations.

The provision for restructurings consists of provisions for employee termination benefits and exit costs which have been established by operating divisions for costs incurred in connection with activities which do not generate any future economic benefits for the Group. Restructurings are being carried out in all segments. The balance as of September 30, 2006, consists of €96 million within the Automotive segment and €46 million within the Services segment.

The provision for decommissioning obligations mainly consists of obligations associated with mining activities and recultivating landfills. Obligations associated with mining activities and and recultivating landfills are generally handled over long periods of time, in some cases more than 30 years. The technical parameters are very complex. As a result, uncertainty exists with regard to the timing and concrete amount of the expenses.

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

25 FINANCIAL LIABILITIES

Carrying amounts in million €

	Sept. 30, 2005	Sept. 30, 2006
Bonds	1,994	1,995
Notes payable	300	150
Liabilities to financial institutions	743	639
Finance lease obligations	172	146
Other loans	15	16
Non-current financial liabilities	3,224	2,946
Bonds	806	0
Notes payable	10	150
Liabilities to financial institutions	748	584
Liabilities due to sales of receivables not derecognized from the balance sheet	130	40
Acceptance payables	21	22
Finance lease obligations	33	36
Other loans	28	26
Current financial liabilities	1,776	858
Financial liabilities	**5,000**	**3,804**

Current financial liabilities include financial liabilities with a remaining term up to one year, while the non-current financial liabilities have a remaining term of more than one year.

Financial liabilities in the amount of €277 million (2005: €318 million) are collateralized by real estate.

As of September 30, 2006, the financial liabilities reflect a total discount in the amount of €5 million (2005: €8 million) and did not contain any premiums (2005: €0 million). Amortization of discounts of financial liabilities is included in “Financial income/(expense), net”.

Bonds, Notes payable

	Carrying amount in million € Sept. 30, 2005	Carrying amount in million € Sept. 30, 2006	Notional amount in million € Sept. 30, 2006	Interest rate in %	Fair value in million € Sept. 30, 2006	Maturity Date
ThyssenKrupp Finance Nederland B.V. bond (DM 600 million) 98/06	306	—	—	5.250	—	07/14/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 01/06	500	—	—	5.750	—	04/05/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 02/09	499	499	500	7.000	533	03/19/2009
ThyssenKrupp AG bond (€750 million) 04/11	747	747	750	5.000	770	03/29/2011
ThyssenKrupp AG bond (€750 million) 05/15	748	749	750	4.375	735	03/18/2015
ThyssenKrupp Stahl AG note loan (DM 200 million) 93/05	10	—	—	7.050	—	10/15/2005
ThyssenKrupp AG note loan (€100 million) 00/07	100	100	100	6.000	104	02/21/2007
ThyssenKrupp AG note loan (€50 million) 00/07	50	50	50	5.800	52	03/16/2007
ThyssenKrupp AG note loan (€100 million) 01/07	100	100	100	5.450	106	10/25/2007
ThyssenKrupp AG note loan (€50 million) 04/09	50	50	50	4.500	52	01/19/2009
Total	**3,110**	**2,295**	**2,300**		**2,352**	

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.

All bonds and note loans are interest only with principle due at maturity.

As of September 30, 2006, the financing structure of liabilites to financial institutions and other loans comprise the following:

Liabilities to financial institutions, Other loans

	Carrying amount in million € Sept. 30, 2005	**Carrying amount in million € Sept. 30, 2006**	Amount thereof in Euro	Weighted average interest rate % Sept. 30, 2006	Amount thereof in USD	Weighted average interest rate % Sept. 30, 2006	Amount thereof in other currencies	Fair value in million € Sept. 30, 2006
Revolving bilateral bank loans (at variable interest rates)	36	36	36	3.69	—	—	—	36
Other loans at variable interest rates	1,216	980	168	3.95	438	5.93	374	980
At fixed interest rates (excluding real estate credits)	279	249	233	5.36	—	—	16	256
Real estate credits at fixed interest rates	3	—	—	—	—	—	—	—
Total	**1,534**	**1,265**	**437**	**4.68**	**438**	**5.93**	**390**	**1,272**

As of September 30, 2006, ThyssenKrupp has available a €2.5 billion syndicated joint credit multi-currency-facility agreement. The agreement fixed in November 2005 expires on July 01, 2011. Next year the facility can be extended by one year with mutual consent. The facility agreement was not utilized as of the balance sheet date.

Another component of financial liabilities are revolving credit agreements with banking institutions whereby ThyssenKrupp AG, ThyssenKrupp USA, Inc. or ThyssenKrupp Finance Nederland B.V. can borrow in Euros, U.S. dollars or in British pounds Sterling up to approximately €2,056 million. Of these facilities, 90% have a remaining term of more than 5 years and 10% a remaining term of up to 5 years. As of September 30, 2006, €36 million of cash loans were outstanding at a weighted average interest rate of 3.69%.

In total the Group has available unused, committed credit lines in an amount of €4.3 billion.

The Group's Commercial Paper Program also provides up to €1.5 billion in additional financing. As of September 30, 2006, the program was not used.

As of September 30, 2006, the future minimum lease payments reconcile to their present value (= finance lease obligation) as follows:

million €

	Sept. 30, 2006			Sept. 30, 2005
	Future minimum lease payments	Interest	Present value (finance lease obligation)	Present value (finance lease obligation)
Not later than one year	45	9	36	33
Between one and five years	109	29	80	89
Later than five years	77	11	66	83
Total	**231**	**49**	**182**	**205**

Maturities of financial liabilities are as follows:

million €

(for fiscal year)	Total financial liabilites	thereof: Liabilities to financial institutions
2006/2007	858	584
2007/2008	365	243
2008/2009	827	249
2009/2010	74	48
2010/2011	791	26
thereafter	889	73
Total	**3,804**	**1,223**

26 TRADE ACCOUNTS PAYABLE

Trade accounts payable in the amount of €23 million (2005: €31 million) have a remaining term of more than 1 year.

27 OTHER LIABILITIES

million €

	Sept. 30, 2005	**Sept. 30, 2006**
Liabilities to non-consolidated subsidiaries	18	21
Liabilities to Associated Companies and other investees	96	158
Amounts due to customers for construction work	3,059	3,050
Selling and buying market related liabilities	664	906
Liabilities from derivative financial instruments	220	242
Accrued interest liabilities	105	90
Liabilities due to put options	207	228
Liabilities to the employees	707	822
Liabilities for social security	208	109
Deferred income	126	180
Tax liabilities (without income taxes)	303	311
Miscellaneous liabilities	498	406
Other liabilities	**6,211**	**6,523**
thereof: non-current	207	50
current	6,004	6,473

Other liabilities in the amount of €1,229 million (2005: €1,362 million) have a remaining term of more than 1 year.

Other liabilities in the amount of €0 million (2005: €1 million) are collateralized by real property. The liabilities to non-consolidated subsidiaries originated mainly from intercompany financing and from profit and tax sharing agreements.

Amounts due to customers for construction work are calculated as follows:

million €

	Sept. 30, 2005	Sept. 30, 2006
Contract costs incurred and recognized contract profits (less recognized losses)	3,847	4,597
Less advance payments received	(6,906)	(7,647)
Total	**(3,059)**	**(3,050)**

Liabilities from 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 30).

28 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		Provision as of	
	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006
Advance payment bonds	20	246	0	1
Performance bonds	101	202	0	0
Third party credit guarantee	33	40	0	0
Residual value guarantees	31	45	1	1
Other guarantees	504	510	1	1
Total	**689**	**1,043**	**2**	**3**

Guarantees include €5 million (2005: €4 million) of contingent liabilities of associates and €400 million (2005: €90 million) of contingent liabilities of joint ventures.

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 are issued by or issued by instruction of ThyssenKrupp AG or the segment lead companies upon request of principal debtor obligated by the underlying contractual relationship and are subject to recourse provisions in case of default. Is such principal debtor a company owned fully or partially by a foreign third party, then such third party is generally requested to provide additional collateral in a corresponding amount.

ThyssenKrupp bears joint and several liability as a member of certain civil law partnerships, ordinary partnerships and consortiums.

Special purpose entities

ThyssenKrupp has leased a facility used in the production of coke. The application of the rules of this Interpretation SIC 12 "Consolidation – Special Purpose Entities" to the company acting as operator of this facility resulted in considering this company to be a special purpose entity under the scope of the Interpretation which has to be consolidated. The consolidation of this company does not have a material effect on the results of operations or the financial position of the Group. In addition, upon review of the owner company, that is also considered to be a special purpose entity under the scope of the Interpretation, it was determined that the Group does not control this company and consequently will not include this entity in the consolidated financial statements. The obligations of the Group existing under the leasing and purchasing agreement are included in the future minimum lease payments from operating lease as disclosed below. The Group's maximum exposure to loss from this facility amounts to approximately €45 million and results from the residual value guarantee for the asset at the end of the lease and purchasing agreement which is mainly covered by third parties.

Commitments and other contingencies

The Group is the lessee to property, plant and equipment classified as operating leases. Rental expense in the amount of €221 million (2004/2005: €240 million) resulting from rental contracts, long-term leases and leasing contracts classified as operating leases was incurred in fiscal 2005/2006. It comprises as follows:

million €

	Year ended Sept. 30, 2005	Year ended Sept. 30, 2006
Minimum rental payments	241	221
Contingent rental payments	0	0
less income from sublease agreements	(1)	0
Total	**240**	**221**

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, 2006, are (at face amounts):

million €

Not later than one year	208
Between one and five years	565
Later than five years	565
Total	**1,338**

The future minimum rental income from non-cancelable sublease contracts in the amount of €6 million (2004/2005: €14 million) is not included in the total of future minimum rental payments.

The commitment to enter into investment projects amounts to €1,029 million (2005: €281 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 €20 million (2005: €4 million). In addition, other financial commitments exist in the amount of €3,904 million (2005: €1,790 million), primarily from the commitments to purchase iron ore, coking coal and lime under long term supply contracts and obligations under ship-charter contracts in the Steel segment as well as purchasing commitments resulting from the outsourcing of IT services.

On October 11, 2005, the European Commission announced the initiation of administrative fine proceedings against companies of the elevator and escalator industry. This has also affected some European companies of the ThyssenKrupp Group. Previous to the initiation of the administrative fine proceedings, the European Commission had conducted pre-investigations in the beginning of 2004. As part of these pre-investigations, several revisions were carried out at the four major elevator manufacturers in the European Union and at the corresponding associations. Subject of the administrative fine proceedings is that the respective companies are accused of having violated the Euopean antitrust law in connection with the manufacturing and servicing of elevators and escalators as well as the selling of the respective spare parts in certain member states of the European Union. ThyssenKrupp is cooperating with the antitrust authorities. The EU-Commission has not yet declared the amount of any possible administrative fine and therefore ThyssenKrupp is not yet able to estimate the financial consequences of the administrative fine proceedings.

On January 26, 2006, ThyssenKrupp AG signed an agreement with Mittal Steel Company N.V. in which ThyssenKrupp has undertaken to acquire up to 100% of the shares in Dofasco if Mittal Steel takes over Arcelor. This may result in a purchase price obligation up to €4 billion.

29 PENDING LAWSUITS AND CLAIMS FOR DAMAGES

Former stockholders of Thyssen and of Krupp have petitioned per Art. 305 UmwG (Reorganization Act) for a judicial review of the share exchange ratios used in the merger of Thyssen AG and Fried. Krupp AG Hoesch-Krupp to form ThyssenKrupp AG. The proceedings are pending with the Düsseldorf Regional Court. Should a ruling be made in favor of the petitioners, the Court would require settlement to be made via an additional cash payment plus interest. The additional payment also would be required to all affected stockholders, even if they were not petitioners in the judicial proceedings. However, the Group believes, based on the facts of the case, that an unfavorable outcome is unlikely.

As a result of the integration of Thyssen Industrie AG into Thyssen AG, the Group is defendant to court proceedings from minority stockholders of Thyssen Industrie AG to examine the appropriateness of the merger consideration received. If the court rules that the consideration offered was inappropriate, the increased consideration will be granted to all outside stockholders by an additional cash payment.

The Group is involved in pending and threatened litigation in connection with the purchase and 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, consortium partners and subcontractors under performance contracts. Certain of these claims have proven unfounded or have expired under the statute of limitations. The Group believes, based upon consultation with relevant legal counsel, that the ultimate outcome of these pending and threatened lawsuits will not result in a material impact on the Group's financial condition or results of operations.

The Group is subject to various other lawsuits, claims and proceedings related to matters incidental to its business. Based upon the best knowledge of Management, the Group does not believe that the ultimate outcome of such other pending matters will have a material effect on the financial condition or results of operations of ThyssenKrupp AG or its subsidiaries.

30 FINANCIAL INSTRUMENTS

Besides the non-derivative financial instruments the Group uses a variety of derivative financial instruments, including foreign currency forward contracts, foreign currency options, interest rate swaps, cross currency swaps and commodity forward contracts. Derivative financial instruments are used exclusively to hedge existing or anticipated underlying transactions and serve to reduce its exposure to foreign currency, interest rates and commodity price risks.

Central foreign currency exchange management

The international orientation of the Group's business activities entails numerous cash flows in different currencies – in particular in US dollar. Hedging the resulting 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 in the major transaction currencies to the clearing office. The positions offered are, depending on the hedging purpose of the derivatives and the resulting treatment in the balance sheet, hedged under a portfolio-hedge approach or directly hedged with banks on a one-to-one basis. The hedging of financial transactions and the transactions undertaken by the Group's subsidiaries outside the euro zone are performed in close cooperation with central Group management. Compliance with the Group's requirements is regularly examined by our Central Internal Audit Department.

The intention of currency hedging is to fix prices on the basis of hedging rates as protection against unfavorable future exchange rate fluctuations. When hedging anticipated production related ore, coal and coke purchases, favorable developments of the €/US dollar exchange rate are also systematically exploited.

Hedge maturities are generally based on the maturity of the underlying transaction. Foreign currency derivatives usually have maturities of twelve months or less, in exceptional cases significantly longer. Specific hedge maturities apply for hedges of anticipated ore, coal and coke purchases. The specific hedge maturities were set on the basis of the theoretical fair exchange rate (purchasing power parity) and the fluctuation of the US dollar against the Euro according to historical data. In accordance with a set pattern, purchases anticipated for a specific period are hedged with their corresponding maturities whenever defined hedging rates are reached. The maximum period of anticipated ore, coal and coke purchases that can be hedged is 24 months.

In accordance with IAS 39, 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 IAS 39 regarding documentation and effectiveness. These derivatives are accounted for at their fair value. The fluctuations in fair value of these derivatives are directly recognized in equity in the cumulative income and expense position 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, 2006 affect the cumulative income and expense directly recognized in equity in the amount of €(14) million (2005: €33 million) (after tax). 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 €(11) million (2005: €18 million) was released from cumulative income and expense directly recognized in equity into earnings due to the realization of the corresponding underlying transactions. Additionally €13 million has been removed from cumulative income and expense directly recognized in equity and included in the initial cost of the inventories because the income affective realization of the corresponding underlying transaction is still outstanding.

As of September 30, 2006, a net result in the amount of €22 million (2005: €(3) 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 cumulative income and expense directly recognized in equity into earnings in the amount of €0 million (2005: €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 cumulative income and expense directly recognized in equity is expected to impact earnings within fiscal year 2006/2007 in the amount of €19 million, in fiscal year 2007/2008 in the amount of €(4) million and in fiscal year 2008/2009 in the amount of €2 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 IAS 39, 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 financial income/(expense), net.

Central management of the interest rate sensitivity

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 financial liabilities as well as our financial investments are partially exposed to risks from changing interest rates. The goal of the Group's central interest rate management is to manage and optimize the risk from changing interest rates. For this purpose, interest rate analyses are prepared regularly as part of the interest rate management. The interest rate analysis is presented in more detail later on. To hedge its interest rate risk the Group uses derivative financial instruments from case to case. 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 directly recognized in equity in the cumulative income and expense position and amount to €(5) million (2005: €12 million) (after tax) as of September 30, 2006. 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. The release of fair value fluctuations currently recognized in cumulative income and expense directly recognized in equity is expected to impact earnings within fiscal year 2006/2007 and fiscal year 2008/2009 in the amount of €(1) million.

Some of the interest rate derivatives are not specifically allocated to an individual loan, but rather hedge a portfolio of loans by means of a macro hedge approach. These macro hedges are also reported at fair value on the balance sheet. The changes in fair value of these interest derivatives are immediately recognized in earnings in the period of occurrence and amount to €0 million (2005: €0 million) as of September 30, 2006.

Cross currency swaps have been contracted basically in connection with the financing of the US dollar activities. These instruments are also reported at fair value on the balance sheet. The negative market value of these derivatives is basically a result of the €/US dollar exchange rate that occurred since the beginning of the transaction and is to a large extent compensated by existing foreign currency positions with an opposite effect on earnings (intragroup US dollar receivables) whose market value is also influenced by the €/US dollar exchange rate.

Interest rate analysis

Interest rate instruments can result in cash flow risks, opportunity effects as well as interest rate risks affecting balance sheet and earnings. Refinancing as well as instruments with variable interest rates are subject to a cash flow risk which expresses the uncertainty of future interest payments. The cash flow risk is measured with a cash flow sensitivity. Opportunity effects arise from non-derivative financial instruments, as these in contrast to interest rate derivatives are not reported at fair value, but at historical cost. This difference, the so-called opportunity effect, has no effect on either balance sheet or earnings. Interest rate risks affecting equity result from the valuation of interest rate derivatives designated as micro hedge. Interest rate risks that affect earnings arise from the remaining interest rate derivatives. Opportunity effects as well as interest rate risks with an effect on balance sheet and earnings are determined by calculating the sensitivity of the fair values and their changes.

The interest rate analysis assumes a parallel shift in the yield curves for all currencies by +100/(100) basis points as of September 30, 2006. Such a shift would result in the chances (positive values) and risks (negative values) disclosed in the following table.

million €

	Changes in all yield curves as of Sept. 30, 2006 by	
	+ 100 basispoints	(100) basispoints
Cash flow risk	38	(38)
Opportunity effects	101	(108)
Interest rate risks resulting from interest rate dervatives affecting balance sheet	4	(4)
Interest rate risks resulting from interest rate dervatives affecting earnings	1	(1)

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 liabilities. The changes in fair value are in the most cases recognized in sales/cost of sales. Some of the commodity derivatives are designated directly and immediately to a firm commitment (micro hedge). The changes in fair value of these commodity derivatives are directly recognized in equity in the cumulative income and expense position and amount to €5 million (2005: €3 million) (after tax) as of September 30, 2006. The fluctuations in fair value of these derivatives are released into earnings only when the underlying transaction affects earnings. Also in some cases the fair values of certain firm commitments and inventories are hedged by fair value hedges. These commodity derivatives as well as the underlying hedged transactions are reported at their fair value. Depending on the nature of the underlying hedged transactions, the changes in fair value of these commodity derivatives and underlying hedged items are recorded as sales or cost of sales.

Risk of default

With its financial instruments the ThyssenKrupp Group is subject to risk of default, which can result from possible failure of a counterparty. Therefore a risk of default exists up to the positive fair value of the respective financial instrument. Generally, within the ThyssenKrupp Group financial instruments are only closed with counterparties with very good credit quality, so that the risk of default can be considered low. This risk is taken into account by impairment losses for doubtful accounts.

Schemes of derivative and non-derivative financial instruments

The values of the Group's derivative financial instruments are as follows:

million €

Derivative financial instruments	Carrying amount at Sept. 30, 2005	Notional amount Sept. 30, 2006	Carrying amount at Sept. 30, 2006
Assets			
Qualifying foreign currency derivatives	64	1,830	39
Non-qualifying foreign currency derivatives	53	2,286	68
Embedded derivatives	10	346	11
Qualifying interest rate derivatives*	0	24	0
Non-qualifying interest rate derivatives*	0	5	0
Qualifying commodity derivatives	2	77	3
Non-qualifying commodity derivatives	20	725	84
Liabilities			
Qualifying foreign currency derivatives	8	477	11
Non-qualifying foreign currency derivatives	92	1,930	54
Embedded derivatives	28	709	7
Qualifying interest rate derivatives*	11	230	9
Non-qualifying interest rate derivatives*	72	750	49
Qualifying commodity derivatives	0	74	31
Non-qualifying commodity derivatives	8	684	81
Total	**368**	**10,147**	**447**

* inclusive of cross currency swaps

The carrying amounts of derivative financial instruments equal the fair values.

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.

Of all interest rate derivatives with a total carrying amount of €58 million (2005: €83 million) the Group itself values interest rate derivatives with a carrying amount of €49 million (2005: €75 million). In the year ended Sept. 30, 2006, the resulting effect on earnings was €(18) million (2004/2005: €19 million).

Derivative financial instruments that are not contracted in the functional currency are closed by more than 80 % in US dollar.

The values of the Group's non-derivative financial instruments are as follows:

million €

Non-derivative financial instruments	Carrying amount Sept. 30, 2005	Fair value Sept. 30, 2005	Carrying amount Sept. 30, 2006	Fair value Sept. 30, 2006
Assets				
Loans	69	69	60	60
Current and non-current securities	117	117	118	118
Trade accounts receivable	6,930	6,930	7,264	7,264
Cash and cash equivalents	4,715	4,715	4,447	4,447
Liabilities				
Financial liabilities	5,000	5,200	3,804	3,891
Trade accounts payable	4,048	4,048	4,729	4,729
Total	**20,879**	**21,079**	**20,422**	**20,509**

More than 75% of the financing of the Group is in functional currency. Financial liabilities not in functional currency are for the most part contracted in US dollar. The remaining financial liabilities are spread over more than 20 currencies.

Valuation of financial instruments

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 market conditions. 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 applied to determine the fair value of financial instruments:

Foreign currency derivatives including embedded derivatives

The fair value of foreign currency forward contracts is calculated on the basis of the average spot foreign currency rates applicable as of the balance sheet date, adjusted for time-related premiums or discounts for the respective remaining term of the contract, compared to the contracted forward rate.

The fair value of a currency option is determined using generally accepted option pricing models. The fair market value of an option is influenced not only by the remaining term of the option but also by further determining factors, such as the actual value and volatility of the foreign currency or the implied interest rate levels.

Interest rate derivatives

The fair value of interest rate swaps is determined by discounting the anticipated future cash flows. For this purpose, the market interest rates applicable for the remaining term of the contract are used as a basis. The fair value of an interest rate option is calculated in a similar way to the fair value of a foreign currency option.

The fair value of cross currency swaps is determined analogously to the fair value of interest rate swaps by discontinuing the future cash flows that result from the contract. Besides the interest rate applicable as of the balance sheet date, the valuation considers exchange rates for all foreign currencies in which cash flows take place.

Commodity forward contracts

The fair value of commodity derivatives is based on officially quoted prices of these instruments as well as on external valuations of our financial partners. The fair value represents the estimated amounts that the company would expect to receive or pay to terminate the agreements as of the reporting date.

Loans and financial liabilities

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 loans and financial liabilities 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 liabilities subject to variable interest approximate their carrying amounts as they reflect current market rates.

Trade accounts receivable, net and trade accounts payable

The carrying amounts equal the fair values.

Current and non-current securities

The fair value of securities is based on the stock quotation as of the balance sheet date

Cash and cash equivalents

The carrying amounts values equal the fair values.

Maturities of financial instruments

Disclosed below are the maturities of the derivative financial instruments on the basis of carrying amounts:

million €

(for fiscal year)	Foreign currency derivatives		Embedded derivatives		Interest rate derivatives		Commodity derivatives		**Total**	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	**Assets**	**Liabilities**
2006/2007	79	50	11	7	0	1	86	111	**176**	**169**
2007/2008	22	13	0	0	0	6	0	1	**22**	**20**
2008/2009	6	1	0	0	0	2	0	0	**6**	**3**
2009/2010	0	0	0	0	0	0	0	0	**0**	**0**
2010/2011	0	1	0	0	0	0	0	0	**0**	**1**
thereafter	0	0	0	0	0	49	1	0	**1**	**49**
Total	**107**	**65**	**11**	**7**	**0**	**58**	**87**	**112**	**205**	**242**

The maturities of non-derivative financial instruments are as follows: loans are classified as non-current while trade accounts receivable and trade accounts payable are classified as current. If trade accounts receivable or trade accounts payable comprise amounts that will be recovered or settled after more than twelve months after the balance sheet date, these amounts will be disclosed in the Notes to the consolidated financial statements. Maturities of financial liabilities are disclosed in Note 25.

Cash flows from foreign currency derivatives, interest rate derivatives and commodity derivatives which meet the requirements of IAS 39 regarding hedge accounting are expected to occur within fiscal year 2006/2007 amounting of €1,402 million and within the following years amounting of €995 million and €315 million.

31 RELATED PARTIES

The Alfried Krupp von Bohlen und Halbach Foundation holds an interest of 23.71% in ThyssenKrupp AG as of September 30, 2006. Outside the services and considerations provided for in the by-laws (Article 21 of the Articles of Association of ThyssenKrupp AG), there are no other significant delivery and service relations except for the sale of land and properties to the Alfried Krupp von Bohlen und Halbach Foundation in the amount of €2 million resulting in a gain of €0.2 million in fiscal year 2004/2005 and except for the sale of 15,339,893 treasury shares at the market price of €17.44 in fiscal year 2005/2006.

To a minor extent, the Group has business relations with non-consolidated subsidiaries. Transactions with these related parties result from the delivery and service relations in the ordinary course of business.

A related party of major importance is Hüttenwerke Krupp-Mannesmann (HKM), in which ThyssenKrupp holds a 50% interest as of September 30, 2005 and 2006 and which is accounted for under the equity method of accounting. Substantial business relations exist with HKM during the current and the previous fiscal year which include the purchase of crude steel (semi-finished continuous casting) and the sale of transport services and coke deliveries. The volume of the transactions is disclosed below:

million €

	Sept. 30, 2005	**Sept. 30, 2006**
Sales	171	166
Supplies and services	1,116	1,130
Receivables	27	23
Payables	69	107

Furthermore a related party of major importance is Atlas Elektronik, in which ThyssenKrupp holds a 60% interest since August 03, 2006 and which is accounted for under the equity method of accounting. The existing business relations with Atlas Elektronik include the purchase of sensor and sonar systems for conventional submarines. The volume of the transactions is disclosed below:

million €

	Sept. 30, 2006
Sales	0
Supplies and services	8
Receivables	87
Payables	8

Compensation of current Executive and Supervisory Board members

The Group's key management personnel compensation which has to be disclosed in accordance with IAS 24 comprises of the compensation of the current Executive and Supervisory Board members.

Compensation of the current Executive Board members is as follows:

Thousand €

	Sept. 30, 2005	Sept. 30, 2006
Short-term benefits (without share-based compensation)	12,273	21,231
Post-employment benefits	1,247	2,110
Share-based compensation	1,139	1,864

Service cost resulting from the pension obligations of the current members of the Executive Board is disclosed as post-employment benefits. The disclosure of share-based compensation refers to the fair value at grant date.

In addition, the Executive Board members received payments of €3,769 thousand from the 5th installment of the long-term management incentive plan (LTMI) and payments of €3,416 thousand from the 1st installment of the mid-term incentive plan (MTI) in fiscal 2005/2006.

As of September 30, 2006, no loans or advance payments were granted to members of the Executive Board.

Compensation of the current Supervisory Board members is as follows:

Thousand €

	Sept. 30, 2005	Sept. 30, 2006
Short-term benefits	1,976	2,123
Long-term benefits	350	587

In addition, members of the Supervisory Board of ThyssenKrupp AG received compensation of €153 thousand in fiscal 2005/2006 (2004/2005: €168 thousand) for supervisory board mandates at Group subsidiaries.

As of September 30, 2006, no loans or advance payments were granted to members of the Supervisory Board.

For individualized presentation and further details of Executive and Supervisory Board compensation refer to the presentation of the audited compensation report which is part of the "Corporate Governance" chapter on pages 21 and following of the annual report.

Compensation of former Executive and Supervisory Board members

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €15.5 million (2004/2005: €13.3 million). Under IFRS an amount of €157.8 million (2005: €159.1 million) is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

Former Supervisory Board members who left the Supervisory Board prior to October 01, 2005 receive a proportional payment from the long-term compensation component in the total amount of €98 thousand.

32 SEGMENT REPORTING

The segments provide the primary reporting format of the Group. They follow the internal organizational and reporting structure of the Group. As a result of the reorganization of the steel activities of the ThyssenKrupp Group as of October 01, 2005, the Steel and the Stainless segments were created from the former Steel segment. To ensure comparability, Edelstahl Witten-Krefeld GmbH (EWK) which has been disposed of in the meanwhile is presented within Special Materials in the previous year. Prior period presentation has been adjusted accordingly. Based on the products and services provided, the Group's segments are Steel, Stainless, Automotive, Technologies, Elevator and Services as well as the Corporate activities.

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 and electric strip.

Stainless

This segment combines all production and sales functions for flat-rolled stainless steel, nickel alloys and titanium.

Automotive

This segment produces parts, components, sub-assemblies and modules/systems for vehicle chassis, body and drive train/steering of passenger cars and trucks.

Technologies

The Technologies segment combines the Group's activities in systems business, plant construction, component manufacture, and associated services. These include Plant Technology, Marine Systems, Mechanical Engineering, and Transrapid. Plant Technology provides project management for the engineering and construction of specialized and large-scale plants for the chemical, petrochemical, cement, mining/handling, coke and energy sectors. Marine Systems specializes in building, repair, conversion and service in particular of naval ships, i.e. conventional submarines and surface vessels. Mechanical Engineering develops and manufactures components which are used mainly in the machine-building sector. These include large-diameter bearings and rings, undercarriages and undercarriage components for wind turbines and earthmoving machinery as well as general machine-building applications. The range also includes the development, engineering and production of assembly systems for engines, transmissions and axles. Transrapid is involved in engineering, project management and construction of high-speed maglev train systems.

Elevator

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

Services

The Services segment is a service provider for industrial materials, raw materials and industrial processes. Alongside the distribution and sale of rolled and specialty steel, tubular products, nonferrous metals and plastics, it offers services ranging from primary processing and logistics to warehouse and inventory management and supply chain management. The process services include production support as well as complex maintenance activities. Other capabilities include the worldwide supply of metallurgical raw materials and development of innovative technical system solutions.

Corporate

Corporate includes the Group's head office and internal service providers as well as inactive companies which could not be assigned to an individual segment. In addition, the non-operating property is managed and utilized centrally by Corporate.

Corporate loss before taxes consists of:

million €

	Year ended Sept. 30, 2005	**Year ended Sept. 30, 2006**
Corporate administration	(147)	(206)
Pension expenses	(26)	(21)
R&D promotion	0	(23)
Interest cost of financial liabilities/receivables	(90)	(28)
Interest cost of pensions	(144)	(114)
Miscellaneous financial income/(expense)	11	(10)
Insurance services	19	17
Special items	(9)	153
Other Corporate companies	(1)	1
Loss Corporate Headquarters	**(387)**	**(231)**
Income Corporate Real Estate	**5**	**1**
Loss Corporate before RAG non-recurring losses and income taxes	**(382)**	**(230)**
RAG non-recurring losses	(474)	—
Loss Corporate after RAG non-recurring losses before income taxes	**(856)**	**(230)**

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 €11 million (2004/2005: €22 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" line item presented in the consolidated statements of income.

Inter-segment pricing is determined on an arm's length basis.

Information by segments million €

	Steel	Stainless	Special Materials	Automotive	Technologies	Elevator	Services	Corporate	Consoli-dation	Group
For the fiscal year ended Sept. 30, 2005										
External sales	8,098	4,989	331	7,834	6,250	3,768	12,030	189	0	**43,489**
Internal sales within the Group	1,470	583	58	33	33	5	648	5	(2,835)	**0**
Total sales	9,568	5,572	389	7,867	6,283	3,773	12,678	194	(2,835)	**43,489**
Sales of continuing operations	9,568	5,572	389	7,867	5,765	3,773	12,678	138	(2,823)	**42,927**
Equity in the net income of investees accounted for using the equity method	19	2	0	3	1	0	33	0	(21)	**37**
Aggregate investment in investees accounted for using the equity method	204	16	0	48	15	1	53	0	0	**337**
Income from continuing operations before taxes	1,094	286	(69)	118	40	355	261	(382)	(26)	**1,677**
Discontinued operations (net of tax)	0	0	0	0	(191)	0	0	804	0	**613**
Segment assets	9,334	4,342	0	5,454	9,090	3,976	5,727	14,998	(18,684)	**34,237**
Depreciation and amortization expense	567	139	6	311	150	51	116	43	(3)	**1,380**
Impairment losses of intangible assets, property, plant and equipment and investment property	28	18	43	45	108	0	7	28	0	**277**
Impairment losses of investments accounted for using the equity method and of financial assets	0	0	0	0	8	0	1	441	0	**450**
Segment liabilities	5,116	2,911	0	5,935	8,103	2,632	4,187	16,147	(18,591)	**26,440**
Significant non-cash expenses	148	59	8	125	238	116	198	116	(3)	**1,005**
Capital expenditures (intangible assets, property, plant and equipment and investment property)	513	207	27	394	172	67	179	32	(24)	**1,567**
For the fiscal year ended Sept. 30, 2006										
External sales	9,348	5,803	—	8,026	5,999	4,293	13,537	119	0	**47,125**
Internal sales within the Group	1,399	634	—	19	13	5	667	29	(2,766)	**0**
Total sales	10,747	6,437	—	8,045	6,012	4,298	14,204	148	(2,766)	**47,125**
Sales of continuing operations	10,747	6,437	—	8,045	6,012	4,298	14,204	148	(2,766)	**47,125**
Equity in the net income of investees accounted for using the equity method	16	2	—	5	2	0	16	0	(13)	**28**
Aggregate investment in investees accounted for using the equity method	203	15	—	52	114	2	56	10	(7)	**445**
Income from continuing operations before taxes	1,417	423	—	(174)	357	391	482	(230)	(43)	**2,623**
Segment assets	9,888	5,096	—	5,284	8,749	3,899	7,312	14,215	(19,514)	**34,929**
Depreciation and amortization expense	571	142	—	323	134	52	128	26	(2)	**1,374**
Impairment losses of intangible assets, property, plant and equipment and investment property	3	36	—	224	5	1	2	9	(2)	**278**
Impairment losses of investments accounted for using the equity method and of financial assets	1	0	—	0	1	0	1	0	0	**3**
Reversals of impairment losses of intangible assets, property, plant and equipment and investment property	0	0	—	0	6	0	0	1	0	**7**
Segment liabilities	5,071	3,211	—	5,536	7,171	2,412	5,340	16,087	(19,405)	**25,423**
Significant non-cash expenses	178	40	—	197	212	135	147	64	(1)	**972**
Capital expenditures (intangible assets, property, plant and equipment and investment property)	468	221	—	414	158	95	244	30	(9)	**1,621**

Segment assets and segment liabilities reconcile to total assets and total liabilities (incl. disposal groups) as presented in the balance sheet as follows:

million €

	Sept. 30, 2005	Sept. 30, 2006
Segment assets	**34,237**	**34,929**
+ Current income tax assets (including disposal groups)	275	94
+ Deferred tax assets (including disposal groups)	789	707
Total assets as per balance sheet	**35,301**	**35,730**

	Sept. 30, 2005	Sept. 30, 2006
Segment liabilities	**26,440**	**25,423**
+ Current income tax liabilities (including disposal groups)	509	562
+ Deferred tax liabilities (including disposal groups)	408	818
Total liabilities as per balance sheet (including disposal groups)	**27,357**	**26,803**

The secondary reporting format of the Group is based on geographical areas. In presenting information for these geographical areas, allocation of sales is based on the location of the customer. Allocation of segment assets and capital expenditures is based on the location of the assets.

The geographical segment “Other EU” comprises of all member states of the European Union (besides Germany) as of the current reporting date. European countries which are currently not member of the European Union are part of the “Other countries” segment. The “Americas” segment includes the countries of the Nafta and of South America. The “Asia/Pacific” segment consists of Asia and Australia.

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.

Information by geographical area million €

	Germany	Other EU	Americas	Asia / Pacific	Other countries	Group
External sales (location of the customer)						
Year ended Sept. 30, 2005	14,166	12,106	10,002	4,164	2,489	**42,927**
Year ended Sept. 30, 2006	15,837	13,212	11,609	4,123	2,344	**47,125**
Segment assets (location of the assets)						
Sept. 30, 2005	19,821	5,505	6,862	1,557	492	**34,237**
Sept. 30, 2006	20,323	5,863	6,474	1,647	622	**34,929**
Capital expenditures (intangible assets, property, plant and equipment and investment property) (location of the assets)						
Sept. 30, 2005	886	254	267	112	48	**1,567**
Sept. 30, 2006	761	338	329	119	74	**1,621**

33 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management estimates and assumptions that affect reported amounts and related disclosures. All estimates and assumptions are made to the best of management's knowledge and belief in order to fairly present the Groups financial position and results of operations. The following accounting policies are significantly impacted by management's estimates and judgements.

Business combinations

As a result of acquisitions the Group recognized goodwill in its balance sheet. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair value. One of the most significant estimates relates to the determination of the fair value of these asset and liabilities. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market price. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Group either consults with an independent external valuation expert or develops the fair value internally, using an appropriate valuation technique which is generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Goodwill

As stated in the accounting policy in Note 1, the Group tests annually and in addition if any indicators exist, whether goodwill has suffered an impairment. If there is an indication, the recoverable amount of the cash-generating unit has to be estimated which is the greater of the fair value less costs to sell and the value in use. The determination of the value in use involves making adjustments and estimates related to the projection and discounting of future cash flows (see Note 12). Although management believes the assumptions used to calculate recoverable amounts are appropriate, any unforeseen changes in these assumptions could result in impairment charges to goodwill which could adversely affect the future financial position and operating results.

Recoverability of assets

At each balance sheet date, the Group assesses whether there is any indication that the carrying amounts of its property, plant and equipment, investment property or intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In assessing the value in use, discounted future cash flows from the related assets have to be determined. Estimating the discounted future cash flows involves significant assumptions, including particularly those regarding future sale prices and sale volumes, costs and discount rates. Although management believes that its estimates of the relevant expected useful lives, its assumptions concerning the economic environment and developments in the industries in which the Group operates and its estimations of the discounted future cash flows are appropriate, changes in the assumptions or circumstances could require changes in the analysis. This could lead to additional impairment charges in the future or to reversal of impairments if the trends identified by management reverse or the assumptions or estimates prove incorrect.

Revenue recognition on construction contracts

Certain Group entities, particularly in the Technologies and Elevator segments, conduct a portion of their business under construction contracts which are accounted for using the percentage-of-completion method, recognizing revenue as performance on the contract progresses. This method requires accurate estimates of the extent of progress towards completion. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements. The managements of the operating companies continually review all estimates involved in such construction contracts and adjust them as necessary.

Income taxes

The Group operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within the countries. Significant judgements are necessary in determining the worldwide income tax liabilities. Although management believes they have made reasonable estimates about the ultimate resolution of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the income tax liabilities and deferred tax liabilities in the period in which such determinations are made.

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group's ability to utilize future tax benefits. See Note 9 for further information on potential tax benefits for which no deferred tax asset is recognized.

Employee benefits

The Group accounts for pension and other postretirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. These factors include key actuarial assumptions including the discount rate, expected return on plan assets, expected salary increases, mortality rates and health care cost trend rates. These actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in postretirement employee benefit obligations and the related future expense. (See Note 23 for further information regarding employee benefits).

Legal Contingencies

ThyssenKrupp companies are parties to litigations related to a number of matters as described in Notes 28 and 29. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. For the assessments internal and external lawyers are used. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against ThyssenKrupp companies or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

34 SUBSEQUENT EVENTS

No reportable events occurred.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

35 ADDITIONAL INFORMATION TO THE CONSOLIDATED CASH FLOW STATEMENT

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 operating cash flows were the following amounts of interest received and paid as well as income taxes paid:

million €

	Year ended Sept. 30, 2005	**Year ended Sept. 30, 2006**
Interest received	52	128
Interest paid	291	279
Income taxes paid, net	235	405

The following cash flows resulted from discontinued operations:

million €

	Year ended Sept. 30, 2005	**Year ended Sept. 30, 2006**
Operating cash flows	(1)	—
Cash flows from investing activities	31	—
Cash flows from financing activities	(11)	—

Non-cash investing activities

In fiscal 2005/2006, the acquisition and first-time consolidation of companies created an increase in fixed assets of €0.1 billion (2004/2005: €1.4 billion).

The non-cash addition of assets under capital leases in fiscal 2005/2006 amounts to €7 million (2004/2005: €16 million).

Non-cash financing activities

In fiscal 2005/2006, the acquisition and first-time consolidation of companies resulted in an increase in gross financial payables in the amount of €4 million (2004/2005: €102 million).

OTHER INFORMATION

36 DECLARATIONS OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH ART. 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

On October 01, 2006, the Executive Board and the Supervisory Board of ThyssenKrupp AG issued the declaration of conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) and posted it on the company’s website. ThyssenKrupp AG complies with all recommendations of the German Corporate Governance Code as amended on June 12, 2006.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on September 13, 2006 and is now available to the shareholders.

37 APPLICATION OF ART. 264 PAR. 3 AND ART. 264b OF GERMAN COMMERCIAL CODE (HGB)

The following domestic subsidiaries in the legal form of a capital corporation or a commercial partnership as defined in Art. 264b partly made use of the exemption clause included in Art. 264 Par. 3 and Art. 264b of German Commercial Code.

A	
Aloverzee Handelsgesellschaft mbH,	Essen
Aluminiumfeinguss Soest GmbH & Co. KG,	Bochum
B	
Becker & Co. GmbH,	Neuwied
BERCO Deutschland GmbH,	Ennepetal
BIS Blohm + Voss Inspection Service GmbH,	Hamburg
Bleuel & Röhling GmbH,	Burghaun
Blohm + Voss GmbH,	Hamburg
Blohm + Voss Repair GmbH,	Hamburg
C	
Cadillac Plastic GmbH,	Viernheim
Christian Hein GmbH,	Langenhagen
Cryotrans Schiffahrts GmbH,	Emden
D	
Deutsche Gesellschaft für Verkehrsmittelwartung Pura mbH,	Cologne
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
DWR - Deutsche Gesellschaft für Weißblechrecycling mbH,	Andernach
E	
EBOR Edelstahl GmbH,	Sachsenheim
EGM Entwicklungsgesellschaft für Montagetechnik GmbH,	Langenhagen
EH Güterverkehr GmbH,	Duisburg
Eisen und Metall GmbH,	Stuttgart
Eisenbahn und Häfen GmbH,	Duisburg
Eisenmetall Handelsgesellschaft mbH,	Gelsenkirchen
ELEG Europäische Lift + Escalator GmbH,	Neuhausen a.d.F.
ems Isoliersysteme GmbH,	Pansdorf/Holstein
F	
Freiburger Stahlhandel GmbH & Co. KG,	Freiburg
G	
GKI-OFU Industrieofenbau GmbH,	Oberhausen
GMT Aufzug-Service GmbH,	Ettlingen
Grundstücksverwaltungsgesellschaft Presta SteerTec GmbH & Co.oHG,	Duesseldorf
GVD Gesellschaft für Verpackungstechnik und Dienstleistungen mbH,	Duisburg
GWH Aufzüge GmbH,	Himmelstadt
H	
Haisch Aufzüge GmbH,	Gingen/Fils
Hanseatische Aufzugsbau GmbH,	Rostock
HDW-Gaarden GmbH,	Kiel
Herzog Coilex GmbH,	Stuttgart
Hoesch Hohenlimburg GmbH,	Hagen
Hövelmann & Co. Eisengroßhandlung GmbH,	Gelsenkirchen
Howaldtswerke-Deutsche-Werft GmbH,	Kiel
I	
Immover Gesellschaft für Grundstücksverwaltung mbH,	Essen
Innovative Meerestechnik GmbH,	Emden
J	
Jacob Bek GmbH,	Ulm
Johann A. Krause Systemtechnik GmbH,	Chemnitz
K	
KBS Kokereibetriebsgesellschaft Schwelgern GmbH,	Duisburg
König Kunststoffe GmbH,	Maisach
Kraemer & Freund GmbH & Co. KG,	Hagen
Krupp Hoesch Tecna GmbH,	Dortmund
Krupp Industrietechnik GmbH,	Essen
Krupp Stahl AG & Co. Liegenschaftsverwaltung OHG,	Bochum
Krupp Stahlbau Berlin GmbH,	Dortmund
L	
Leichsenring Aufzüge GmbH,	Hamburg
Liegenschaftsgesellschaft Lintorf mbH,	Duesseldorf
LiftEquip GmbH Elevator Components,	Neuhausen a.d.F.
Liftservice und Montage GmbH,	Saarbruecken
M	
Max Cochius GmbH,	Berlin
Metall Service Partner GmbH,	Gelsenkirchen
MgF Magnesium Flachprodukte GmbH,	Freiberg
MONTAN GmbH Assekuranz-Makler,	Duesseldorf
N	
Nickel GmbH,	Dillenburg
Nobiskrug GmbH,	Rendsburg
Nordseewerke GmbH,	Emden
Nothelfer Planung GmbH,	Wadern-Lockweiler

O	
Otto Wolff Handelsgesellschaft mbH,	Duesseldorf
Otto Wolff Kunststoffvertrieb GmbH,	Duesseldorf
P	
Polysius AG,	Beckum
R	
Rasselstein GmbH,	Andernach
Rasselstein Verwaltungs GmbH,	Neuwied
Reisebüro Dr. Tigges GmbH,	Essen
Rohr Aufzug und Fördertechink GmbH,	Ketsch
Rothe Erde Beteiligungs GmbH,	Essen
Rothe Erde GmbH,	Dortmund
S	
SBS Brenn- und Schneidbetrieb Rinteln GmbH,	Rinteln
SIR Industrieservice GmbH,	Cologne
smbChromstahl GmbH,	Hannover-Langenhagen
Stahlhauser Liegenschaften Verwaltungsgesellschaft mbH,	Essen
SVG Steinwerder Verwaltungsgesellschaft mbH,	Hamburg
T	
Tepper Aufzüge GmbH,	Muenster
Thomasdünger GmbH,	Duesseldorf
Thyssen Altwert Umweltservice GmbH,	Duesseldorf
Thyssen Draht GmbH,	Essen
Thyssen Duro Metall GmbH,	Kornwestheim
Thyssen Henschel GmbH,	Essen
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co.KG Industrie,	Oberhausen
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co.KG Stahl,	Oberhausen
Thyssen Rheinstahl Technik GmbH,	Duesseldorf
Thyssen Röhm Kunststoffe GmbH,	Duesseldorf
Thyssen Schulte Werkstoffhandel GmbH,	Duesseldorf
Thyssen Stahl GmbH,	Duesseldorf
ThyssenKrupp Accessibility Holding GmbH,	Essen
ThyssenKrupp AdMin GmbH,	Duesseldorf
ThyssenKrupp Aufzüge GmbH,	Neuhausen a.d.F.
ThyssenKrupp Aufzüge Nordost GmbH,	Berlin
ThyssenKrupp Aufzüge Süd GmbH,	Neuhausen a.d.F.
ThyssenKrupp Aufzüge West GmbH,	Frankfurt a.M.
ThyssenKrupp Aufzugswerke GmbH,	Neuhausen a.d.F.
ThyssenKrupp Automotive AG,	Bochum
ThyssenKrupp Automotive Mechatronics GmbH,	Munich
ThyssenKrupp Automotive Systems GmbH,	Bochum
ThyssenKrupp Automotive Systems Leipzig GmbH,	Leipzig
ThyssenKrupp Bau Consult GmbH,	Essen
ThyssenKrupp Bausysteme GmbH,	Essen
ThyssenKrupp Bilstein Suspension GmbH,	Ennepetal
ThyssenKrupp Bilstein Tuning GmbH,	Ennepetal
ThyssenKrupp Bilstein Wagenheber GmbH,	Mandern
ThyssenKrupp Coferal GmbH,	Essen
ThyssenKrupp DAVEX GmbH,	Duisburg
ThyssenKrupp DeliCate GmbH,	Duesseldorf
ThyssenKrupp Dienstleistungen GmbH,	Duesseldorf
ThyssenKrupp Drauz Nothelfer GmbH,	Heilbronn
ThyssenKrupp Electrical Steel GmbH,	Gelsenkirchen
ThyssenKrupp Electrical Steel Verwaltungsgesellschaft mbH,	Gelsenkirchen
ThyssenKrupp Elevator (CENE) GmbH,	Essen
ThyssenKrupp Elevator AG,	Duesseldorf
ThyssenKrupp Elevator die Dritte GmbH,	Duesseldorf
ThyssenKrupp EnCoke GmbH,	Dortmund
ThyssenKrupp ExperSite GmbH,	Kassel
ThyssenKrupp Facilities Services GmbH,	Duesseldorf
ThyssenKrupp Fahrtreppen GmbH,	Hamburg
ThyssenKrupp Fahrzeugtechnik GmbH,	Emden
ThyssenKrupp Federn GmbH,	Hagen
ThyssenKrupp Fördertechnik GmbH,	Essen
ThyssenKrupp Gerlach GmbH,	Homburg/Saar
ThyssenKrupp GfT Bautechnik GmbH,	Essen
ThyssenKrupp GfT Gleistechnik GmbH,	Essen
ThyssenKrupp GfT Tiefbautechnik GmbH,	Essen
ThyssenKrupp Grundbesitz Verwaltungs GmbH,	Essen
ThyssenKrupp Hoesch Bausysteme GmbH,	Kreuztal
ThyssenKrupp Immobilienentwicklungs Concordiahütte GmbH,	Oberhausen
ThyssenKrupp Immobilienentwicklungs Krefeld GmbH,	Oberhausen
ThyssenKrupp Industrieservice GmbH,	Cologne
ThyssenKrupp Industrieservice Holding GmbH,	Duesseldorf
ThyssenKrupp Information Services GmbH,	Duesseldorf
ThyssenKrupp Krause GmbH,	Bremen
ThyssenKrupp Langschienen GmbH,	Essen
ThyssenKrupp Liegenschaften Umformtechnik Verwaltungs GmbH,	Bochum
ThyssenKrupp Mannex GmbH,	Duesseldorf
ThyssenKrupp Marine Systems AG ,	Hamburg
ThyssenKrupp Marine Systems Beteiligungen GmbH,	Essen
ThyssenKrupp Materials Europe GmbH,	Duesseldorf
ThyssenKrupp Metallurgie GmbH,	Essen
ThyssenKrupp MinEnergy GmbH,	Essen
ThyssenKrupp Nirosta GmbH,	Krefeld
ThyssenKrupp Nirosta Präzisionsband GmbH,	Krefeld
ThyssenKrupp Nutzeisen GmbH,	Duesseldorf
ThyssenKrupp Präzisionsschmiede GmbH,	Munich
ThyssenKrupp Presta Chemnitz GmbH,	Chemnitz
ThyssenKrupp Presta Ilsenburg GmbH,	Ilsenburg
ThyssenKrupp Presta SteerTec GmbH,	Duesseldorf
ThyssenKrupp Presta SteerTec Mülheim GmbH,	Muelheim
ThyssenKrupp Presta SteerTec Schönebeck GmbH,	Schönebeck
ThyssenKrupp Printmedia GmbH,	Duisburg
ThyssenKrupp Real Estate GmbH,	Essen
ThyssenKrupp Rema GmbH,	Oberhausen
ThyssenKrupp Risk and Insurance Services GmbH,	Duesseldorf

ThyssenKrupp RST Rohstoffe und Technik GmbH,	Essen
ThyssenKrupp Sägenstahlcenter GmbH,	Duisburg
ThyssenKrupp Schulte GmbH,	Duesseldorf
ThyssenKrupp Services AG,	Duesseldorf
ThyssenKrupp Sicherheitsdienstleistungen GmbH,	Cologne
ThyssenKrupp Stahl Immobilien GmbH,	Duisburg
ThyssenKrupp Stahlkontor GmbH,	Duesseldorf
ThyssenKrupp Stahl-Service-Center GmbH,	Leverkusen
ThyssenKrupp Stainless AG,	Duisburg
ThyssenKrupp Stainless International GmbH,	Krefeld
ThyssenKrupp Steel AG,	Duisburg
ThyssenKrupp Steel Beteiligungen GmbH,	Duisburg
ThyssenKrupp Steel Erste Beteiligungsgesellschaft mbH,	Duisburg
ThyssenKrupp Steel Zweite Beteiligungsgesellschaft mbH,	Duisburg
ThyssenKrupp Systems & Services GmbH,	Duesseldorf
ThyssenKrupp Tailored Blanks GmbH,	Dortmund
ThyssenKrupp Tailored Blanks Nord GmbH,	Duisburg
ThyssenKrupp Technologies AG,	Essen
ThyssenKrupp TKW Verwaltungs GmbH,	Bochum
ThyssenKrupp Transrapid GmbH,	Kassel
ThyssenKrupp Treppenlifte GmbH,	Neuss
ThyssenKrupp Umformtechnik GmbH,	Ludwigsfelde
ThyssenKrupp VDM GmbH,	Werdohl
ThyssenKrupp Verkehr GmbH,	Duisburg

U

Uhde GmbH,	Dortmund
Uhde High Pressure Technologies GmbH,	Hagen
Uhde Services and Consulting GmbH,	Dortmund
Uhde Services GmbH,	Haltern am See

X

Xtend Holding GmbH,	Duesseldorf

38 MAJOR SUBSIDIARIES AND EQUITY INTERESTS

Company (as of September30, 2006)

	Share-holding in % ·1	Equity in million € ·2	Employees
STEEL			
ThyssenKrupp Steel AG, Duisburg	99.53	1,360.3	19,486
Steelmaking			
Eisenbahn und Häfen GmbH, Duisburg	100.00	2.0	1,255
Ertsoverslagbedrijf Europoort C.V., Rotterdam, Netherlands	75.00	6.0	280
ThyssenKrupp CSA Companhia Siderúrgica, Rio de Janeiro, Brazil	78.85	169.4	70
ThyssenKrupp Veerhaven B.V., Rotterdam, Netherlands	100.00	21.1	162
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	50.00*	122.7·3	3,265
Walzen-Service-Center GmbH, Oberhausen	50.00*	3.3	24
Industry			
ThyssenKrupp Hoesch Bausysteme GmbH, Kreuztal	100.00	13.0	253
ems Isoliersysteme GmbH, Pansdorf/Holstein	90.00	6.0	136
Hoesch Bausysteme Gesellschaft m.b.H., Vienna, Austria	100.00	9.7	61
Isocab France S.A., Dunkerque, France	90.00	9.6	77
Isocab N.V., Harelbeke-Bavikhove, Belgium	90.01	11.8	203
Herzog Coilex GmbH, Stuttgart	74.90	6.9	112
ThyssenKrupp Electrical Steel India Private Ltd., Mumbai/Nashik, India	100.00	60.8	677
ThyssenKrupp Stahl-Service-Center GmbH, Leverkusen	99.55	37.2	548
Thyssen Ros Casares S.A., Valencia, Spain	50.00*	17.8	156
Auto			
ThyssenKrupp Tailored Blanks GmbH, Dortmund	100.00	26.9	352
ThyssenKrupp Tailored Blanks Nord GmbH, Duisburg	100.00	8.7	101
ThyssenKrupp Tailored Blanks S.A. de C.V., Puebla, Mexico	100.00	7.9	1
ThyssenKrupp Zhong-Ren Tailored Blanks Ltd., Wuhan, PR China	87.00	14.9	84
LAGERMEX S.A. de C.V., Puebla, Mexico	100.00	19.3	277
ThyssenKrupp Galmed, S.A., Sagunto, Spain	100.00	50.7	100
ThyssenKrupp Steel North America, Inc., Dover/Delaware, USA	100.00	46.5	159
ANSC-TKS Galvanizing Co., Ltd., Dalian, Liaoning Province, PR China	50.00*	30.1·3	148
TWB Company, LLC, Detroit, USA	50.00*	45.1·4	409
Processing			
Rasselstein GmbH, Andernach	99.50	237.8	2,392
Hoesch Hohenlimburg GmbH, Hagen	99.50	48.1	904
ThyssenKrupp Electrical Steel GmbH, Gelsenkirchen	99.54	67.0	617

	Share-holding in % ·1	Equity in million € ·2	Employees
ThyssenKrupp Electrical Steel UGO S.A., Isbergues, France	100.00	113.3	536
STAINLESS			
ThyssenKrupp Stainless AG, Duisburg	99.61	743.1	57
ThyssenKrupp Nirosta			
ThyssenKrupp Nirosta GmbH, Krefeld	100.00	693.1	4,285
ThyssenKrupp Nirosta Präzisionsband GmbH, Krefeld	100.00	6.2	245
ThyssenKrupp Nirosta North America, Inc., Bannockburn/Delaware, USA	100.00	12.6	4
ThyssenKrupp Acciai Speciali Terni			
ThyssenKrupp Acciai Speciali Terni S.p.A., Terni, Italy	100.00	412.4	2,600
Deutsche Titan GmbH, Essen	100.00	19.0	115
Terninox S.p.A., Terni, Italy	100.00	49.6	167
ThyssenKrupp AST USA, Inc., New York, USA	100.00	12.3	2
Titania S.p.A., Terni, Italy	100.00	40.9	128
Tubificio di Terni S.p.A., Terni, Italy	97.00	25.5	177
ThyssenKrupp Mexinox			
ThyssenKrupp Mexinox S.A. de C.V., San Luis Potosi, Mexico	95.50	112.9	1,275
Mexinox Trading S.A. de C.V., Mexico D.F., Mexico	100.00	10.1	0
Mexinox USA Inc., Brownsville/Texas, USA	100.00	45.4	46
Fischer Mexicana S.A. de C.V., Puebla, Mexico	50.00*	13.7·3	207
Shanghai Krupp Stainless			
Shanghai Krupp Stainless Co., Ltd., Pudong New Area/Shanghai, PR China	60.00	113.8	570
ThyssenKrupp Stainless International			
ThyssenKrupp Stainless International GmbH, Krefeld	100.00	0.0	45
ThyssenKrupp Eurinox Paslanmaz Çelik Servis Merkezi A.S., Istanbul, Turkey	100.00	8.5	141
ThyssenKrupp Stainless Benelux B.V., Rotterdam, Netherlands	100.00	31.5	4
ThyssenKrupp Stainless DVP, S.A., Barcelona, Spain	100.00	9.5	55
ThyssenKrupp Stainless France S.A., Paris, France	100.00	9.8	64
ThyssenKrupp Stainless International (Guangzhou) Ltd., Guangzhou, PR China	100.00	15.5	36
ThyssenKrupp Stainless UK Ltd., Birmingham, Great Britain	100.00	12.4	25
ThyssenKrupp VDM			
ThyssenKrupp VDM GmbH, Werdohl	98.04	66.5	1,443

·1 related to the respective parent company in the ThyssenKrupp Group ·2 local ·3 financial statement date December 31, 2005 ·4 financial statement date May 31,2006 ·5 thereof 10,08 % ThyssenKrupp Steel AG
·6 financial statement date Sept. 30, 2005 ·7 financial statement date June 30, 2006 *Joint Venture

Company (as of September30, 2006)

	Share-holding in %[1]	Equity in million €[2]	Employees
Precision Rolled Products Inc., Reno/Nevada, USA	100.00	18.0	194
ThyssenKrupp VDM USA Inc., Parsippany/New Jersey, USA	100.00	5.6	36
AUTOMOTIVE			
ThyssenKrupp Automotive AG, Bochum	100.00	269.1	163
Body			
ThyssenKrupp Umformtechnik GmbH, Ludwigsfelde	100.00	46.2	2,061
ThyssenKrupp Body Stampings Ltd., Cannock, Great Britain	100.00	18.3	989
ThyssenKrupp Drauz Nothelfer GmbH, Heilbronn	100.00	12.0	2,160
ThyssenKrupp Sofedit S.A.S., Versailles, France	100.00	– 26.4	2,955
ThyssenKrupp Waupaca, Inc., Waupaca/Wisconsin, USA	100.00	217.9	3,827
ThyssenKrupp Sofedit España, S.A., Valladolid, Spain	100.00	12.2	70
Chassis			
ThyssenKrupp Automotive Tallent Chassis Ltd., County Durham, Great Britain	100.00	24.2	1,305
ThyssenKrupp Automotive Systems GmbH, Bochum	100.00	30.6	159
ThyssenKrupp Bilstein Suspension GmbH, Ennepetal	99.50	12.1	2,110
ThyssenKrupp Presta Aktiengesellschaft, Eschen, Principality of Liechtenstein	100.00	276.5	1,340
Krupp Módulos Automotivos do Brasil Ltda., Sao Jose dos Pinhais Parana, Brazil	51.00	7.1	260
ThyssenKrupp Automotive Chassis Products UK PLC, Durham, Great Britain	100.00	108.2	1
ThyssenKrupp Automotive Systems do Brasil Ltda., São Bernardo do Campo, Brazil	100.00	32.9	289
ThyssenKrupp Bilstein of America Inc., San Diego/California, USA	100.00	– 9.1	269
ThyssenKrupp Bilstein Woodhead Ltd., Leeds, Great Britain	100.00	25.6	81
ThyssenKrupp Camford Ltd., Newton Aycliff, Great Britain	100.00	0.2	0
ThyssenKrupp Federn GmbH, Hagen	100.00	57.1	0
ThyssenKrupp JBM Private Ltd., Chennai, India	73.89	8.7	298
ThyssenKrupp Presta Danville, LLC, Danville/Illinois, USA	100.00	29.2	285
ThyssenKrupp Presta de México S.A. de C.V., Puebla, Mexico	66.67	25.7	112
ThyssenKrupp Presta France S.A.S., Florange, France	100.00	32.4	705
ThyssenKrupp Presta HuiZhong Shanghai Co., Ltd., Shanghai, PR China	60.00	12.9	92

	Share-holding in %[1]	Equity in million €[2]	Employees
ThyssenKrupp Presta SteerTec GmbH, Duesseldorf	100.00	17.0	789
ThyssenKrupp Sasa S.A. de C.V., San Luis Potosi, Mexico	100.00	28.3	470
BMB Steering Innovation GmbH, Schönebeck	50.00*	12.9	131
Powertrain (Global)			
ThyssenKrupp Gerlach GmbH, Homburg/Saar	100.00	53.9	1,317
ThyssenKrupp Metalúrgica Campo Limpo Ltda., Campo Limpo Paulista, Brazil	59.75	210.5	3,094
ThyssenKrupp Automotive Sales & Technical Center, Inc., Troy/Michigan, USA	100.00	61.9	48
ThyssenKrupp Crankshaft Co. LLC, Fostoria/Ohio, USA	100.00	60.2	934
ThyssenKrupp Fundicoes Ltda., Barra do Pirai, Brazil	100.00	34.2	1,825
ThyssenKrupp Präzisionsschmiede GmbH, Munich	100.00	22.8	1,585
ThyssenKrupp Mavilor S.A., L'Horme, France	99.99	4.5	411
ThyssenKrupp Metalúrgica de México S.A. de C.V., Puebla, Mexico	100.00	27.5	486
ThyssenKrupp Presta Ilsenburg GmbH, Stendal	100.00	30.9	381
Huizhou Sumikin Forging Company Ltd., Huizhou, PR China	34.00*	11.4[3]	130
Zentralbereich			
Aventec S.A. de C.V., Silao/Guanajuato, Mexico	33.33*	68.4[3]	600
Bertrandt AG, Ehningen	25.19[5]	49.8[6]	3,061
TECHNOLOGIES			
ThyssenKrupp Technologies AG, Essen	100.00	703.5	153
Plant Technology			
Polysius AG, Beckum	100.00	13.9	1,015
Polysius Corp., Atlanta/Georgia, USA	100.00	6.4	64
Polysius S.A.S., Aix en Provence, France	100.00	29.0	149
ThyssenKrupp Fördertechnik GmbH, Essen	100.00	61.3	708
ThyssenKrupp Industries India Pvt. Ltd., Pimpri, India	54.73	27.9	1,257
Uhde GmbH, Dortmund	100.00	90.1	1,442
Uhde India Ltd., Mumbai, India	80.43	10.5	741
Intecsa-Uhde Industrial S.A., Madrid, Spain	50.00*	8.3[3]	330
Shedden Uhde Pty. Ltd., West Melbourne, Victoria, Australia	50.00*	-2.4	528
Uhdenora S.p.A., Milan, Italy	50.00*	7.9[3]	73
Marine Systems			
ThyssenKrupp Marine Systems AG, Hamburg	75.00	64.2	59
Blohm + Voss GmbH, Hamburg	100.00	33.2	1,127
Blohm + Voss Repair GmbH, Hamburg	100.00	7.7	443
Greek Naval Shipyards Holdings S.A., Skaramanga, Greece	100.00	60.3	0
Howaldtswerke-Deutsche Werft GmbH, Kiel	100.00	49.9	1,942
Kockums AB, Malmö, Sweden	100.00	56.5	1,086

·1 related to the respective parent company in the ThyssenKrupp Group ·2 local ·3 financial statement date December 31, 2005 ·4 financial statement date May 31,2006 ·5 thereof 10,08 % ThyssenKrupp Steel AG
·6 financial statement date Sept. 30, 2005 ·7 financial statement date June 30, 2006 ***Joint Venture**

Company (as of September30, 2006)

	Share-holding in % [1]	Equity in million € [2]	Employees
Nordseewerke GmbH, Emden	100.00	12.8	1,381
Atlas Elektronik GmbH, Bremen	60.00*	66.3	1,628
MARLOG Marine Logistik GmbH & Co. KG, Kiel	50.00*	2.5[3]	15
Mechanical Engineering			
Berco S.p.A., Copparo, Italy	100.00	89.6	3,133
BERCO Deutschland GmbH, Ennepetal	100.00	2.4	64
Blohm + Voss Industries GmbH, Hamburg	100.00	38.6	444
Defontaine S.A., Saint Herblain, France	100.00	27.0	912
Rotek Incorporated, Aurora/Ohio, USA	100.00	26.2	344
Rothe Erde GmbH, Dortmund	100.00	25.6	1,645
ThyssenKrupp Krause GmbH, Bremen	100.00	8.9	1,046
ThyssenKrupp Krause, Inc., Auburn Hills/Michigan, USA	100.00	47.2	327
ThyssenKrupp Krause S.A.S., Ensisheim, France	100.00	6.4	191
Xuzhou Rothe Erde Slewing Bearing Co., Ltd., Xuzhou, PR China	60.00	26.3	928
Transrapid			
ThyssenKrupp Transrapid GmbH, Kassel	100.00	2.9	191
ELEVATOR			
ThyssenKrupp Elevator AG, Duesseldorf	100.00	378.6	86
Central/Eastern/Northern Europe (CENE)			
ThyssenKrupp Elevator (CENE) GmbH , Essen	100.00	32.6	39
ThyssenKrupp Aufzüge GmbH, Neuhausen a.d.F.	100.00	100.9	52
ThyssenKrupp Ascenseurs Holding S.A.S., Saint Denis-la-Plaine Cedex, France	100.00	119.3	3
ThyssenKrupp Ascenseurs S.A.S., Angers, France	100.00	88.7	2,343
ThyssenKrupp Aufzüge AG, Rümlang, Switzerland	100.00	6.8	216
ThyssenKrupp Aufzüge Gesellschaft m.b.H., Vienna, Austria	100.00	34.5	300
ThyssenKrupp Aufzüge Ltd., Nottingham, Great Britain	100.00	5.9	0
ThyssenKrupp Aufzüge Nordost GmbH, Berlin	100.00	2.7	618
ThyssenKrupp Aufzüge Süd GmbH, Neuhausen a.d.F.	100.00	1.5	566
ThyssenKrupp Aufzüge West GmbH, Frankfurt a.M.	100.00	0.8	588
ThyssenKrupp Aufzugswerk Austria GmbH, Gratkorn, Austria	100.00	2.1	300
ThyssenKrupp Aufzugswerke GmbH, Neuhausen a.d.F.	99.50	14.0	1,013
ThyssenKrupp Elevator B.V., Krimpen aan den IJssel, Netherlands	100.00	36.4	0
ThyssenKrupp Elevator Manufacturing France S.A.S., Angers, France	100.00	7.1	461
ThyssenKrupp Elevator UK Ltd., Nottingham, Great Britain	100.00	20.5	844

	Share-holding in % [1]	Equity in million € [2]	Employees
ThyssenKrupp Liften Ascenseurs S.A., Brussels, Belgium	100.00	19.8	287
ThyssenKrupp Liften B.V., Krimpen aan den IJssel, Netherlands	100.00	5.1	258
Southern Europe/Africa/Middle East (SEAME)			
ThyssenKrupp Elevator Southern Europe, Africa & Middle East, S.L.U., Madrid, Spain	100.00	133.2	48
ThyssenKrupp Eletec Internacional S.A., Madrid, Spain	100.00	5.4	11
ThyssenKrupp Elevadores, S.A., Lissabon, Portugal	100.00	19.8	603
ThyssenKrupp Elevadores, S.L., Madrid, Spain	99.85	104.1	3,113
ThyssenKrupp Elevator Manufacturing Spain S.L., Andoain, Spain	100.00	10.2	490
Americas (AMS)			
ThyssenKrupp Elevator Americas Corp., Delaware, USA	100.00	42.5	9,345
New York Elevator & Electrical Corporation, New York, USA	100.00	16.8	294
ThyssenKrupp Elevadores, S.A., Sâo Paulo, Brazil	99.81	64.8	1,980
ThyssenKrupp Elevator Canada Ltd., Toronto, Canada	100.00	73.0	1,131
ThyssenKrupp Elevator Capital Corp., Delaware, USA	100.00	367.4	0
ThyssenKrupp Elevator Corp., Delaware, USA	100.00	173.2	7,426
ThyssenKrupp Elevator Manufacturing Inc., Collierville/Tennessee, USA	100.00	134.5	1,303
ThyssenKrupp Northern Elevator Ltd., Scarborough/Ontario, Canada	100.00	169.3	206
Asia/Pacific (AP)			
ThyssenKrupp Elevator Asia Pacific Ltd., Hong Kong, PR China	100.00	-0.4	19
Thyssen Elevators Co., Ltd., Zhongshan, PR China	100.00	34.4	461
ThyssenKrupp Dongyang Elevator Co., Ltd., Seoul, Republic of Korea	75.00	94.7	766
ThyssenKrupp Elevator (India) Pvt. Ltd., New Dehli, India	100.00	6.8	937
ThyssenKrupp Elevators (Shanghai) Co., Ltd., Shanghai, PR China	100.00	22.6	160
ThyssenKrupp Lifts Pacific Pty. Ltd., Surry Hills, Australia	100.00	8.0	267
Escalators/Passenger Boarding Bridges (ES/PBB)			
ThyssenKrupp Elevator (ES/PBB) Ltd., Staines, Great Britain	100.00	3.9	11
ThyssenKrupp Airport Systems Inc., Fort Worth/Texas, USA	100.00	2.9	171

·1 related to the respective parent company in the ThyssenKrupp Group ·2 local ·3 financial statement date December 31, 2005 ·4 financial statement date May 31,2006 ·5 thereof 10,08 % ThyssenKrupp Steel AG ·6 financial statement date Sept. 30, 2005 ·7 financial statement date June 30, 2006 *Joint Venture

Company (as of September30, 2006)

	Shareholding in % [1]	Equity in million € [2]	Employees
ThyssenKrupp Airport Systems, S.A., Mieres/Oviedo, Spain	100.00	16.3	311
ThyssenKrupp Fahrtreppen GmbH, Hamburg	100.00	1.3	610
ThyssenKrupp Norte S.A., Mieres/Oviedo, Spain	100.00	17.3	358
Accessibility (ACC)			
ThyssenKrupp Accessibility Holding GmbH, Essen	100.00	0.0	4
ThyssenKrupp Access Corp., Kansas City/Missouri, USA	100.00	9.6	269
ThyssenKrupp Accessibility B.V., Krimpen aan den IJssel, Netherlands	100.00	13.7	121
SERVICES			
ThyssenKrupp Services AG, Duesseldorf	99.84	745.0	3,932
Materials Services Europe			
Cadillac Plastic GmbH, Viernheim	100.00	6.2	248
Dortmunder Eisenhandel Hansa GmbH, Dortmund	100.00	14.6	124
Freiburger Stahlhandel GmbH & Co. KG, Freiburg i.Br.	51.00	3.2	131
Hövelmann & Co. Eisengroßhandlung GmbH, Gelsenkirchen	100.00	0.3	18
Jacob Bek GmbH, Ulm	79.96	5.6	141
Metall Service Partner GmbH, Gelsenkirchen	100.00	4.2	191
Otto Wolff Handelsgesellschaft mbH, Duesseldorf	99.50	19.5	140
Otto Wolff Kunststoffvertrieb GmbH, Duesseldorf	100.00	7.1	367
PLEXI S.L., Massalfassar (Valencia), Spain	100.00	19.5	76
Röhm Benelux B.V., Nijkerk, Netherlands	100.00	28.1	12
ThyssenKrupp Autômata Industria de Peças Ltda., São Paulo, Brazil	80.00	5.5	100
ThyssenKrupp Energostal S.A., Torun, Poland	80.00	56.8	706
ThyssenKrupp Ferroglobus Kereskedelmi Rt., Budapest, Hungary	100.00	53.2	369
ThyssenKrupp Fortinox S.A., Buenos Aires, Argentina	80.00	12.7	77
ThyssenKrupp Materials OOO, Moskau, Russia	80.00	4.2	150
ThyssenKrupp Materials Austria GmbH, Vienna, Austria	100.00	3.9	106
ThyssenKrupp Materials Belgium N.V./S.A., Lokeren, Belgium	100.00	2.3	36
ThyssenKrupp Materials Europe GmbH, Duesseldorf	100.00	2.9	5
ThyssenKrupp Materials France S.A.S., Maurepas, France	100.00	60.4	644
ThyssenKrupp Materials Ibérica S.A., Martorelles, Spain	100.00	19.2	146
ThyssenKrupp Materials Nederland B.V., Veghel, Netherlands	100.00	15.6	235

	Shareholding in % [1]	Equity in million € [2]	Employees
ThyssenKrupp Materials Switzerland AG, Bronschhofen, Switzerland	100.00	17.2	121
ThyssenKrupp Materials Sverige AB, Göteborg, Sweden	100.00	1.5	60
ThyssenKrupp Materials (UK) Ltd., Smethwick, Great Britain	100.00	40.6	330
ThyssenKrupp Metallcenter GmbH, Karlsruhe	100.00	4.2	80
ThyssenKrupp Metals Company Ltd., Seoul, Republic of Korea	60.00	10.6	44
ThyssenKrupp Portugal - Aços e Serviços, Lda., Carregado, Portugal	100.00	12.6	74
ThyssenKrupp Schulte GmbH, Duesseldorf	100.00	0.0	5
Thyssen Röhm Kunststoffe GmbH, Duesseldorf	65.45	60.2	0
Aceros de America Inc., San Juan, Puerto Rico	50.00*	5.3 [7]	46
Dufer S.A., São Paulo, Brazil	49.00	21.7 [3]	297
Ferona Thyssen Plastics, s.r.o., Olomouc, Czech Republic	50.00*	3.2 [3]	33
Finox S.p.A., Mailand, Italy	40.00	33.4 [3]	26
Leong Jin Corporation Pte. Ltd., Singapore, Singapore	30.00	25.5 [3]	112
Polarputki Oy, Helsinki, Finland	50.00*	11.2 [3]	48
Resopal S.A., Madrid, Spain	20.00	7.5 [3]	123
Materials Services NA			
ThyssenKrupp Industrial Services NA, Inc., Southfield/Michigan, USA	100.00	5.2	24
ThyssenKrupp Materials CA Ltd., Mississauga/Ontario, Canada	100.00	26.7	380
ThyssenKrupp Materials, Inc., Southfield/Michigan, USA	100.00	88.8	1,804
ThyssenKrupp Materials NA, Inc., Southfield, USA	100.00	149.1	204
Industrial Services			
Palmers Ltd., Hampshire, Great Britain	100.00	8.8	735
RIP Serviços Industriais S.A., São Paulo, Brazil	51.00	10.3	3,336
Safway Services Inc., Wilmington/Delaware, USA	100.00	105.9	3,542
ThyssenKrupp GfT Gleistechnik GmbH, Essen	100.00	74.8	161
ThyssenKrupp Industrieservice GmbH, Cologne	100.00	15.5	7,205
ThyssenKrupp Services (UK) Ltd., Birmingham, Great Britain	100.00	8.5	630
ThyssenKrupp Xervon Austria GmbH, Vienna, Austria	100.00	14.5	146
ThyssenKrupp Xervon GmbH, Gelsenkirchen	100.00	210.4	2,949
ThyssenKrupp Xervon Energy GmbH, Duisburg	100.00	6.6	228
Special Products			
B.V.`Nedeximpo` Nederlandse Export- en Importmaatschappij, Amsterdam, Netherlands	100.00	11.9	24
ThyssenKrupp GfT Bautechnik GmbH, Essen	70.00	0.5	146
ThyssenKrupp Mannex Asia Pte. Ltd., Singapore, Singapore	100.00	9.6	25

·1 related to the respective parent company in the ThyssenKrupp Group ·2 local ·3 financial statement date December 31, 2005 ·4 financial statement date May 31,2006 ·5 thereof 10,08 % ThyssenKrupp Steel AG ·6 financial statement date Sept. 30, 2005 ·7 financial statement date June 30, 2006 ***Joint Venture**

Company (as of September30, 2006)

	Share-holding in % [1]	Equity in million € [2]	Employees
ThyssenKrupp Mannex GmbH, Duesseldorf	100.00	76.2	185
ThyssenKrupp Mannex Pty. Ltd., Sydney, Australia	100.00	19.3	26
ThyssenKrupp Metallurgie GmbH, Essen	100.00	16.5	36
ThyssenKrupp MinEnergy GmbH, Essen	100.00	20.9	21
ThyssenKrupp RST Rohstoffe und Technik GmbH, Essen	100.00	10.9	40
Thyssen Rheinstahl Technik Projektgesellschaft mbH, Duesseldorf	100.00	19.1	12
CORPORATE			
Corporate Headquarters			
Grupo ThyssenKrupp S.A., Madrid, Spain	100.00	205.5	0
ThyssenKrupp Austria GmbH & Co. KG, Vienna, Austria	100.00	40.0	0
ThyssenKrupp Canada, Inc., Alberta, Canada	100.00	291.9	0
ThyssenKrupp (China) Ltd., Beijing, PR China	100.00	127.2	48
ThyssenKrupp France S.A.S., Rueil-Malmaison, France	100.00	390.3	1
ThyssenKrupp Italia S.p.A., Terni, Italy	100.00	703.3	0
ThyssenKrupp Nederland B.V., Roermond, Netherlands	100.00	178.9	1
ThyssenKrupp Participaciones, S.L., Andoain, Spain	100.00	3.8	0
ThyssenKrupp UK Plc., County Durham, Great Britain	100.00	568.5	3
ThyssenKrupp USA, Inc., Troy/Michigan, USA	100.00	1,610.9	41
Corporate Real Estate			
ThyssenKrupp Real Estate GmbH, Essen	100.00	34.4	196

·1 related to the respective parent company in the ThyssenKrupp Group ·2 local ·3 financial statement date December 31, 2005 ·4 financial statement date May 31,2006 ·5 thereof 10,08 % ThyssenKrupp Steel AG ·6 financial statement date Sept. 30, 2005 ·7 financial statement date June 30, 2006 ***Joint Venture**

SHOULDN'T WE ALL HAVE THE COURAGE TO EXPERIMENT MORE?

TURN THE PAGE AND JOIN IN.

ADDITIONAL INFORMATION

A major group needs a certain amount of pages to report on its operations and its strategic plans. The new accounting standards also impose additional reporting requirements. The following section contains information aimed at helping you find your way around this Report and providing a more complete picture of ThyssenKrupp. Should you have any further questions, our press and investor relations teams will be happy to help.

SHOULDN'T WE ALL HAVE THE COURAGE TO EXPERIMENT MORE?

**ADDRESS BOTH SIDES OF THE POSTCARD TO TWO DIFFERENT PEOPLE. ATTACH A STAMP TO EACH SIDE.
NOW WAIT AND SEE WHO RECEIVES IT.**

SHOULDN'T WE ALL HAVE THE COURAGE TO EXPERIMENT MORE?

MULTI-YEAR OVERVIEW

ThyssenKrupp Group million €

		Year ending Sept. 30, 2002[1]	Year ending Sept. 30, 2003[1]	Year ending Sept. 30, 2004[1]	Year ending Sept. 30, 2005	Year ending Sept. 30, 2006
Earnings situation (based on continuing operations)						
Net sales	million €	35,928	33,487	37,303	42,927	47,125
Gross margin	million €	6,329	5,962	6,648	7,232	7,983
EBITDA	million €	2,576	2,350	3,036	3,809	4,700
EBIT	million €	1,040	963	1,683	2,250	3,044
Income from continuing operations before taxes (EBT)	million €	764	800	1,477	1,677	2,623
Net income	million €	215	552	904	1,079	1,704
Earnings per share (income from continuing operations)	€	1.12	1.18	1.67	0.85	3.24
Earnings per share	€	0.42	1.09	1.81	2.08	3.24
Gross margin	%	17.6	17.8	17.8	16.8	16.9
EBITDA margin	%	7.2	7.0	8.1	8.9	10.0
EBIT margin	%	2.9	2.9	4.5	5.2	6.5
EBT margin	%	2.1	2.4	4.0	3.9	5.6
Return on equity (before taxes)	%	9.2	10.4	17.7	21.1	29.4
Personnel expense per employee	€	50,761	49,534	50,116	48,349	49,879
Sales per employee	€	194,391	194,005	215,553	235,955	252,609
Assets situation						
Non-current assets	million €	17,258	16,834	16,331	15,230	15,054
Current assets	million €	13,898	13,367	14,810	20,071	20,676
Total assets	million €	31,156	30,201	31,141	35,301	35,730
Total equity	million €	8,287	7,671	8,327	7,944	8,927
Liabilities	million €	22,869	22,530	22,814	27,357	26,803
Accrued pension and similar obligations	million €	7,065	7,401	7,221	8,994	8,111
Gross financial liabilities non-current	million €	—	—	3,618	3,224	2,946
Gross financial liabilities current	million €	—	—	652	1,776	858
Gross financial liabilities non-current/current	million €	5,683	4,948	4,270	5,000	3,804
Trade accounts payable	million €	3,128	3,075	3,678	4,048	4,729
Equity ratio	%	26.6	25.4	26.7	22.5	25.0
Gearing	%	57.2	55.2	34.0	2.2	(8.4)
Inventory turnover	days	60.1	62.7	61.2	58.0	56.6
Average collection period	days	53.6	57.6	56.3	58.3	56.5

[1] key figures relating to earnings situation, assets situation, value management, cash flow/capital expenditures up to and incl. fiscal year 2003/2004 are based on US GAAP

ThyssenKrupp Group million €

		Year ending Sept. 30, 2002[1]	Year ending Sept. 30, 2003[1]	Year ending Sept. 30, 2004[1]	Year ending Sept. 30, 2005	**Year ending Sept. 30, 2006**
Value management						
Capital employed (average)	million €	21,002	19,530	18,870	18,388	17,056
ROCE	%	7.0	7.2	12.0	14.4	17.9
Weighted average cost of capital (WACC)	%	9.0	9.0	9.0	9.0	9,0
TKVA	million €	(414)	(352)	572	997	1,510
Steel	million €	(533)	(255)	226	600	913
Stainless[2]	million €	—	—	—	68	199
Automotive	million €	(137)	3	100	(43)	(331)
Technologies	million €	22	(68)	27	(220)	316
Elevator	million €	208	241	250	244	264
Services	million €	(107)	(166)	105	57	294
Cash flows/investments						
Operating cash flows	million €	2,454	2,027	2,559	2,351	3,467
Cash flows from investments	million €	(1,768)	(1,589)	(1,712)	(1,559)	(2,040)
Cash flows from disposals	million €	1,222	420	733	2,480	344
Free cash flow (before dividend)	million €	1,908	858	1,580	3,272	1,771
Cash flows from financing activities	million €	(2,177)	(1,064)	(865)	(3)	(2,012)
Investments	million €	1,777	1,604	1,734	1,903	2,077
Cash and cash equivalents	million €	941	713	1,437	4,823	4,551
Net financial liabilities	million €	4,742	4,235	2,833	177	(747)
Internal financing capability		4.5	1.7	2.6	(2.6)	2.0
Debt to cash flow ratio		1.9	2.1	1,1	0,1	—
ThyssenKrupp AG						
Net income	Mio €	258	406	301	920	1,118
Dividend payout	Mio €	206	249	299	412[3]	489[4]
Dividend per share	€	0.40	0.50	0.60	0.80[3]	1.00[4]

·1 key figures relating to earnings situation, assets situation, value management, cash flow/capital expenditures up to and incl. fiscal year 2003/2004 are based on US GAAP
·2 until 2003/2004 included in Steel
·3 incl. €0.10 special dividend
·4 proposal to the Annual General Meeting

OTHER DIRECTORSHIPS HELD BY EXECUTIVE BOARD MEMBERS

DR.-ING. EKKEHARD D. SCHULZ
Chairman
- ○ AXA Konzern AG*
- ○ Bayer AG*
- ○ MAN AG (Chair) *
- ○ RAG AG (Vice Chair)
- ○ RWE AG*
- ○ RAG Beteiligungs-GmbH (Vice Chair)

Within the Group:
- ○ ThyssenKrupp Automotive AG (Chair)
- ○ ThyssenKrupp Elevator AG (Chair)
- ○ ThyssenKrupp Services AG (Chair)

DR. ULRICH MIDDELMANN
Vice Chairman
- ○ Commerzbank AG*
- ○ E.ON Ruhrgas AG
- ○ LANXESS AG*
- ○ LANXESS Deutschland GmbH
- ○ RAG AG
- ○ Hoberg & Driesch GmbH (Chair)
- ○ RAG Beteiligungs-GmbH

Within the Group:
- ○ ThyssenKrupp Stainless AG (Chair)
- ○ ThyssenKrupp Steel AG (Chair)
- ○ ThyssenKrupp Technologies AG (Chair)
- ○ Grupo ThyssenKrupp S.A. (Spain)
- ○ ThyssenKrupp Acciai Speciali Terni S.p.A. (Italy)
- ○ ThyssenKrupp (China) Ltd. (PR China)

DR. OLAF BERLIEN
Within the Group:
- ○ ThyssenKrupp Automotive AG
- ○ ThyssenKrupp Marine Systems AG (Chair)
- ○ ThyssenKrupp Services AG
- ○ Berco S.p.A. (Italy, President)
- ○ ThyssenKrupp (China) Ltd. (PR China, Chairman)

EDWIN EICHLER
Within the Group:
- ○ ThyssenKrupp Elevator AG
- ○ ThyssenKrupp (China) Ltd. (PR China)

GARY ELLIOTT
Within the Group:
- ○ ThyssenKrupp Stainless AG
- ○ Grupo ThyssenKrupp S.A. (Spain)
- ○ ThyssenKrupp (China) Ltd. (PR China)
- ○ ThyssenKrupp Dongyang Elevator Co., Ltd. (Korea)
- ○ ThyssenKrupp Elevator Americas Corp. (USA, Chairman)
- ○ ThyssenKrupp Elevator Asia Pacific Ltd. (PR China)
- ○ ThyssenKrupp Elevator Southern Europe, Africa & Middle East, S.L. (Spain)

JÜRGEN H. FECHTER
Within the Group:
- ○ ThyssenKrupp Nirosta GmbH (Chair)
- ○ ThyssenKrupp Technologies AG
- ○ ThyssenKrupp VDM GmbH (Chair)
- ○ Grupo ThyssenKrupp S.A. (Spain)
- ○ Shanghai Krupp Stainless Co., Ltd. (PR China, Vice Chairman)
- ○ ThyssenKrupp Acciai Speciali Terni S.p.A. (Italy, President)
- ○ ThyssenKrupp (China) Ltd. (PR China)
- ○ ThyssenKrupp Mexinox S.A. de C.V. (Mexico, Chairman)

DR. A. STEFAN KIRSTEN
Within the Group:
- ○ ThyssenKrupp Automotive AG
- ○ ThyssenKrupp Elevator AG
- ○ ThyssenKrupp Marine Systems AG
- ○ ThyssenKrupp Reinsurance AG (Chair)
- ○ ThyssenKrupp Steel AG
- ○ ThyssenKrupp Budd Company (USA)
- ○ ThyssenKrupp Risk and Insurance Services GmbH (Chair)

DR.-ING. KARL-ULRICH KÖHLER
- ○ BASF Coatings AG
- ○ Bürgerstiftung Duisburg gem. AG (Chair)
- ○ Hüttenwerke Krupp Mannesmann GmbH (Vice Chair)
- ○ ANSC-TKS Galvanizing Co., Ltd. (PR China, Vice Chairman)
- ○ Steel 24-7 N.V. (Belgium)

Within the Group:
- ○ Eisen- und Hüttenwerke AG (Chair)
- ○ Hoesch Hohenlimburg GmbH (Chair)
- ○ Rasselstein GmbH (Chair)
- ○ ThyssenKrupp Automotive AG
- ○ ThyssenKrupp CSA Companhia Siderúrgica (Brazil)

RALPH LABONTE
- ○ Zoo Duisburg AG
- ○ PEAG Personalentwicklungs- und Arbeitsmarktagentur GmbH (Chair)

Within the Group:
- ○ Polysius AG
- ○ Rothe Erde GmbH
- ○ ThyssenKrupp Automotive AG
- ○ ThyssenKrupp Marine Systems AG
- ○ ThyssenKrupp Steel AG
- ○ Berco S.p.A. (Italy)

DR.-ING. WOLFRAM MÖRSDORF
- ○ GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie. KG
- ○ INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH

Within the Group:
- ○ ThyssenKrupp Bilstein Suspension GmbH (Chair)
- ○ ThyssenKrupp Drauz Nothelfer GmbH (Chair)
- ○ ThyssenKrupp Services AG
- ○ ThyssenKrupp Budd Company (USA, Chairman)
- ○ ThyssenKrupp (China) Ltd. (PR China)
- ○ ThyssenKrupp Fabco Corp. (Canada)
- ○ ThyssenKrupp Presta AG (Liechtenstein)
- ○ ThyssenKrupp Sofedit S.A.S. (France, Chair)
- ○ ThyssenKrupp Waupaca, Inc. (USA)

○ Membership of statutory supervisory boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2006)
* 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, 2006)

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
- ○ Siemens AG
- ○ BNP Paribas S.A. (France)
- ○ Compagnie de Saint-Gobain (France)
- ○ Suez S.A. (France)

BERTIN EICHLER, FRANKFURT/MAIN
Vice Chairman
Member of the Executive Committee of the German Metalworkers' Union (IG Metall)
- ○ BGAG Beteiligungsgesellschaft der Gewerkschaften GmbH (Chair)
- ○ BMW AG

MARKUS BISTRAM, DINSLAKEN
Trade union secretary at the Düsseldorf branch office of IG Metall
- ○ Georgsmarienhütte Holding GmbH

Within the Group:
- ○ ThyssenKrupp Automotive AG

HEINRICH HENTSCHEL, EMDEN
Technical clerk/Hydrostatics
Member of the Works Council of Nordseewerke GmbH

PROF. JÜRGEN HUBBERT, SINDELFINGEN
Former member of the Executive Board of DaimlerChrysler AG
- ○ Häussler Group (Advisory Board Chair)
- ○ Österreichische Industrieholding AG (Austria, Vice Chair)
- ○ TÜV Süddeutschland Holding AG (Member of Stockholder Committee)

KLAUS IX, SIEK
Fitter
Chairman of the Works Council of ThyssenKrupp Fahrtreppen GmbH
Within the Group:
- ○ ThyssenKrupp Elevator AG
- ○ ThyssenKrupp Fahrtreppen GmbH

HÜSEYIN KAVVESOGLU, MAXDORF
Foreman
Chairman of the Works Council Union of ThyssenKrupp Services
Within the Group:
- ○ ThyssenKrupp Industrieservice GmbH
- ○ ThyssenKrupp Services AG

○ Membership of statutory supervisory boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (as of September 30, 2006)

○ 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, 2006)

DR. MARTIN KOHLHAUSSEN, BAD HOMBURG
Chairman of the Supervisory Board of Commerzbank AG
- Bayer AG
- Commerzbank AG (Chair)
- Hochtief AG (Chair)

DR. HEINZ KRIWET, DÜSSELDORF
Former Chairman of the Executive Board of Thyssen AG
- Dresdner Bank AG

DR.-ING. KLAUS T. MÜLLER, DORTMUND
Team coordinator, quality management and process technology at ThyssenKrupp Steel AG

PROF. DR. BERNHARD PELLENS, BOCHUM
Professor of Business Studies and International Accounting, Ruhr University Bochum

DR. HEINRICH V. PIERER, ERLANGEN
Chairman of the Supervisory Board of Siemens AG
- Deutsche Bank AG
- Hochtief AG
- Münchener Rückversicherungs-Gesellschaft AG
- Siemens AG (Chair)
- Volkswagen AG

DR. KERSTEN V. SCHENCK, BAD HOMBURG
Attorney and notary public
- Praktiker Bau- und Heimwerkermärkte AG (Chair)
- Praktiker Bau- und Heimwerkermärkte Holding AG (Chair)

PETER SCHERRER, BRUSSELS
General Secretary of the European Metalworkers' Federation
- Adam Opel GmbH
- Opel Powertrain GmbH

THOMAS SCHLENZ, DUISBURG
Shift foreman
Chairman of the Group Works Council of ThyssenKrupp AG
- PEAG Personalentwicklungs- und Arbeitsmarktagentur GmbH

Within the Group:
- ThyssenKrupp Services AG

DR. HENNING SCHULTE-NOELLE, MUNICH
Chairman of the Supervisory Board of Allianz SE
- Allianz AG (Chair)
- E.ON AG
- Siemens AG

WILHELM SEGERATH, DUISBURG
Automotive bodymaker
Chairman of the General Works Council of ThyssenKrupp Steel AG and Chairman of the Works Council Union of ThyssenKrupp Steel

CHRISTIAN STREIFF, NEUILLY SUR SEINE
Former President and Chief Executive Officer of Airbus SAS
- Ecole Nationale Supérieure des Mines de Paris (France)

GEROLD VOGEL, HAGEN
(since January 03, 2006)
Fitter
Chairman of the European Works Council of ThyssenKrupp AG
Within the Group:
- ThyssenKrupp Automotive AG

PROF. DR. GANG WAN, SHANGHAI
Professor of Automotive Engineering and President of Tongji University

WOLFGANG BOCZEK resigned from the Supervisory Board at the close of November 30, 2005. At this date he held the following directorship:
- ThyssenKrupp Automotive 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

Operating cash flows
Cash receipts/payments, unless caused by investing or financing activities

Corporate governance
Designation in international parlance for company management and company controlling focused on responsible, long-term value creation

Cost of capital
Strategically defined minimum return required by capital providers

Cross selling
Selling additional related products or services to an existing customer

D

DAX
Deutscher Aktien-Index (German Stock Index), compiled by Deutsche Börse. The index reflects the performance of the 30 largest and strongest-selling German stocks, including ThyssenKrupp stock

Declaration of Conformity
Declaration by executive board and supervisory board in accordance with Art. 161 Stock Corporation Act (AktG) on the implementation of the recommendations of the Government Commission on the German Corporate Governance Code

Delisting
Full or partial withdrawal of a stock corporation from the stock exchange, e.g. withdrawal of listing on a foreign stock exchange

Downstream activities
Further processing operations carried out on flat steel to add value, e.g. coating, steel service center operations, production of tailored blanks

E

EBIT
Earnings before interest, taxes

EBITDA
Earnings before interest, taxes, depreciation and amortization

EBT
Earnings before taxes

E-procurement
Purchasing materials using modern electronic media, particularly the internet

Equity ratio
Ratio of total equity 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)
Operating cash flows less cash flows from investing activities

Fuel cell propulsion system
Air-independent propulsion system, e.g. for submarines, in which electrical energy is generated directly from hydrogen and oxygen

G

Gearing
Ratio of financial liabilities to total equity (the lower the ratio, the higher the share of total equity in the interest-bearing capital employed)

Gross income
Net sales less cost of sales

I

Internal financing strength
Ratio of operating cash flows to cash flows from investing activities

International Financial Reporting Standards (IFRS)
The standard international accounting rules are intended to make company data more comparable. Under an EU resolution, accounting and reporting at exchange-listed companies must be done in accordance with these rules.

Inventory turnover
Inventories divided by sales, multiplied by 360 (the lower the ratio, the faster the inventory turnover)

Investment grade
A rating is expressed in a combination of alpha-numeric 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 and other selected executives through stock rights.

O

One-stop shopping
Delivery of all products and services from one source

R

Rating
Ratings are used to assess the future ability of a company to meet its payment obligations on time and in full. They are based on an analysis of quantitative and qualitative factors, including an evaluation of the company's business and financial risk profile.

ROCE
Return on capital employed

S

Slab
Compact block of crude steel as starting product for sheet or strip

Sport utility vehicle
Vehicle suitable for on-road and off-road driving

Supply chain management
Integrated planning, control and monitoring of all logistics activities in a supply chain

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"

ThyssenKrupp Value Added (TKVA)
Central indicator for value-based management, comparing earnings before taxes and interest with cost of capital

V

Volatility
Intensity of price fluctuations of a stock, currency or bulk commodity compared to the market development

LIST OF ABBREVIATIONS

C

CESR
Committee of European Securities Regulators

CGU
Cash Generating Unit

CSR
Corporate Social Responsibility

D

DBO
Defined Benefit Obligation

DEHSt
German emissions trading office

DJ STOXX
Dow Jones STOXX

DRS
German Accounting Standard

DSR
German Accounting Standards Board

E

EPS
Earnings per share

ESMT
European School of Management and Technology

H

HGB
German Commercial Code

I

IAS
International Accounting Standard

IASB
International Accounting Standards Board

IFRIC
International Financial Interpretations Committee

IFRS
International Financial Reporting Standards

K

KonTraG
German Law on Control and Transparency in Business

L

LTMI
Long Term Management Incentive plan

M

MitbestG
German Codetermination Law

MTI
Mid Term Incentive plan

P

PoC
Percentage of Completion

R

ROCE
Return on Capital Employed

S

SFAS
Statement of Financial Accounting Standards

SIC
Standing Interpretations Committee

SPE
Special Purpose Entity

T

TKVA
ThyssenKrupp Value Added

U

US GAAP
United States Generally Accepted Accounting Principles

V

VorstOG
Management Compensation Disclosure Act

W

WACC
Weighted Average Cost of Capital

WpHG
German Securities Trading Act

CONTACT/2007/2008 DATES

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2007 / 2008 dates

January 19, 2007
Annual General Meeting

January 22, 2007
Payment of dividend for the 2005/2006 fiscal year

February 13, 2007
Interim report
1st quarter 2006/2007 (October to December)
Conference call with analysts and investors

May 11, 2007
Interim report
2nd quarter 2006/2007 (January to March)

May 15, 2007
Analysts' and investors' meeting

August 10, 2007
Interim report
3rd quarter 2006/2007 (April to June)
Conference call with analysts and investors

December 04, 2007
Annual press conference
Analysts' and investors' meeting

January 18, 2008
Annual General Meeting

Forward-looking statements
This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond ThyssenKrupp's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. ThyssenKrupp does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials.

This report and the financial statements of ThyssenKrupp AG are available in German and English; both versions can be downloaded from the internet at **www.thyssenkrupp.com**. 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.
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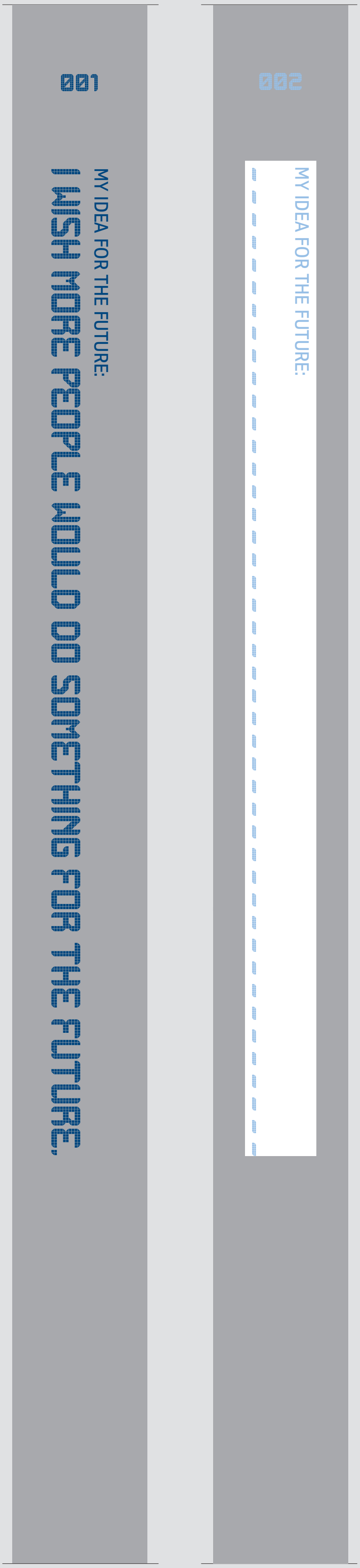

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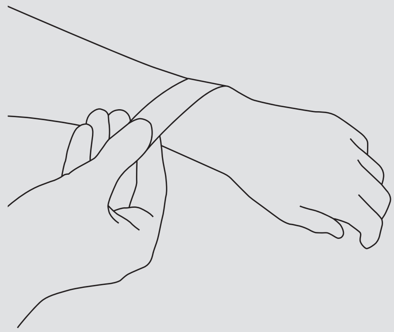
01



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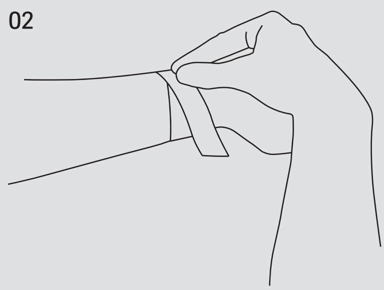

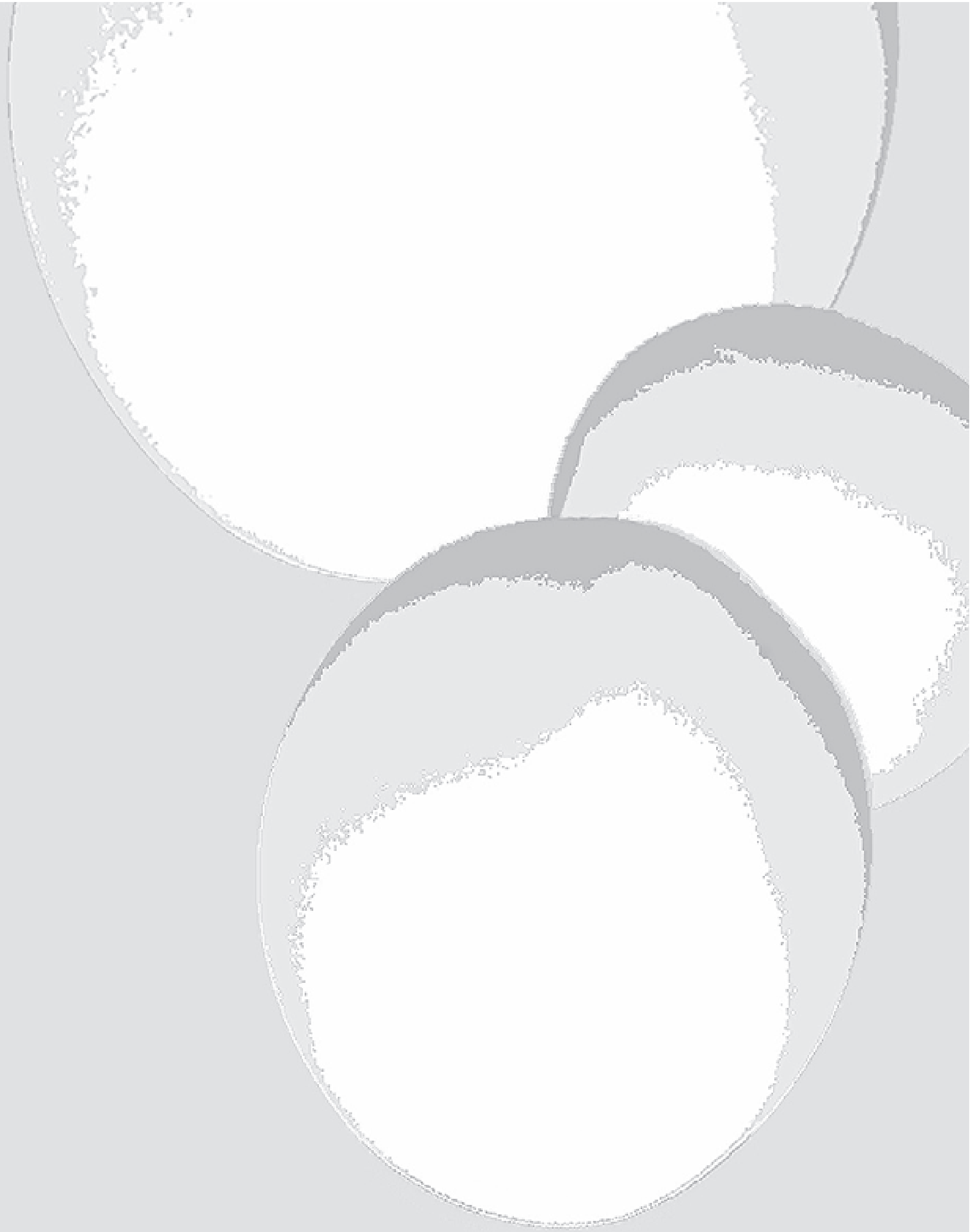

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