

**Analysts' Information**  
December 20, 2002

**Overview of the past fiscal year and outlook**  
**Prof. Dr. Ekkehard D. Schulz**

**ThyssenKrupp**



**Note:**

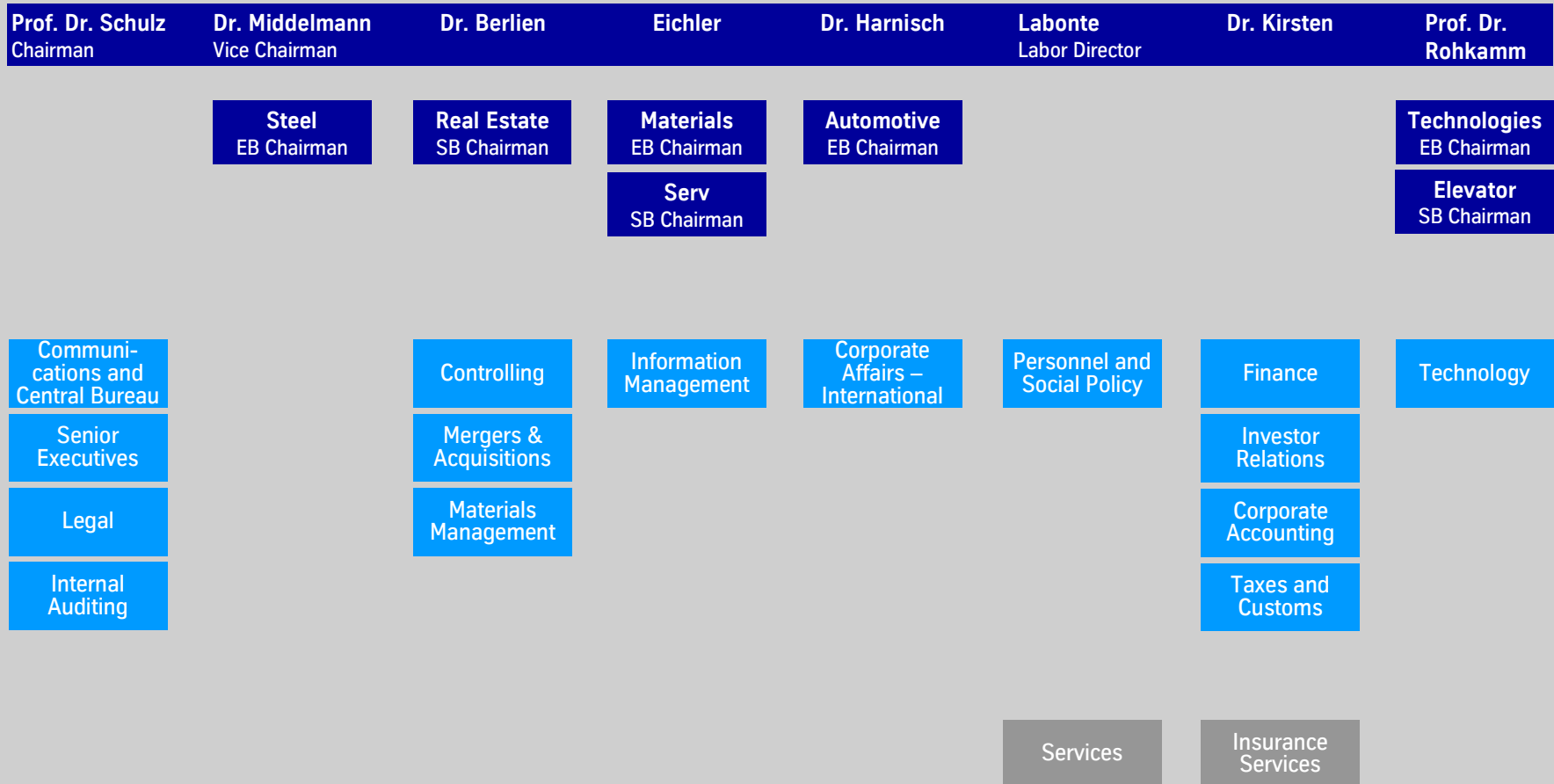
Accounting at ThyssenKrupp AG is in accordance with US GAAP. Due to the adoption of SFAS 142 in fiscal 2001/2002, to allow better comparison the following figures are stated before goodwill amortization: all earnings figures, ROCE and EVA.

**ThyssenKrupp**



# ThyssenKrupp AG

## Executive Board Responsibilities



as of: 01/01/2003



## Overview of 2001/2002 (I)

- World economic slowdown continued to impact business performance in fiscal 2001/2002
- Order intake at €36.4 billion was 4% lower than the prior year (€37.9 billion)
- Sales at €36.7 billion 3% lower than prior year (€38 billion)

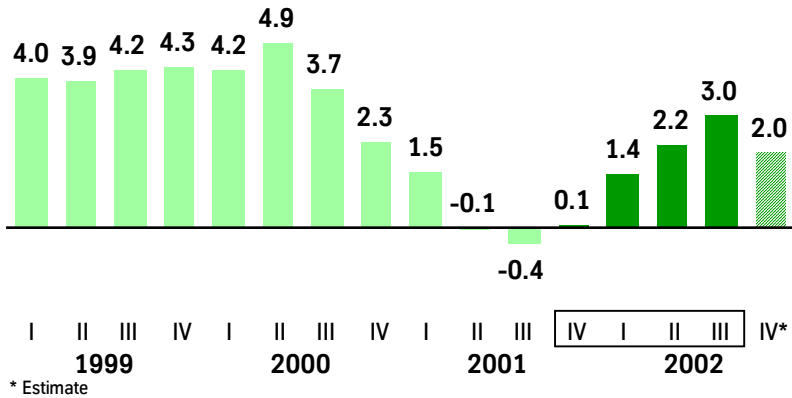
**In the fourth year following the merger, growth strategy again slowed by economic headwind**



# Growth Strategy Slowed

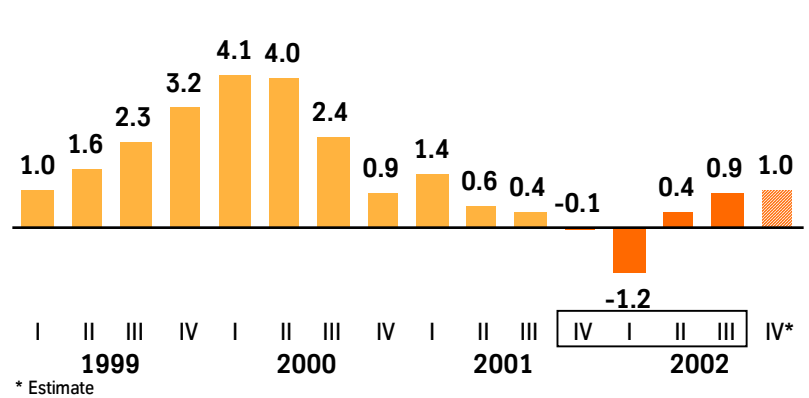
## Gross domestic product USA

Real, change in % against corresponding prior-year period



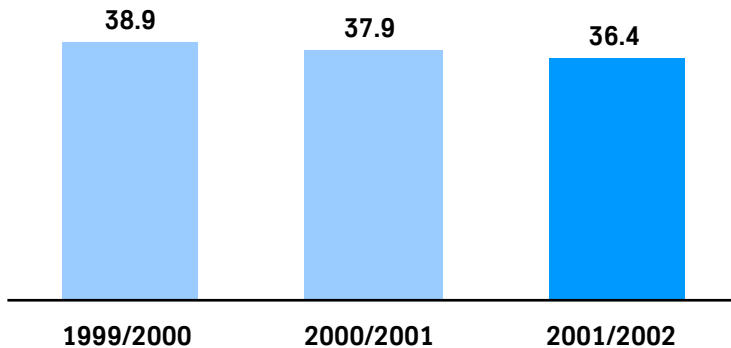
## Gross domestic product Germany

Real, change in % against corresponding prior-year period



## Order intake

billion €

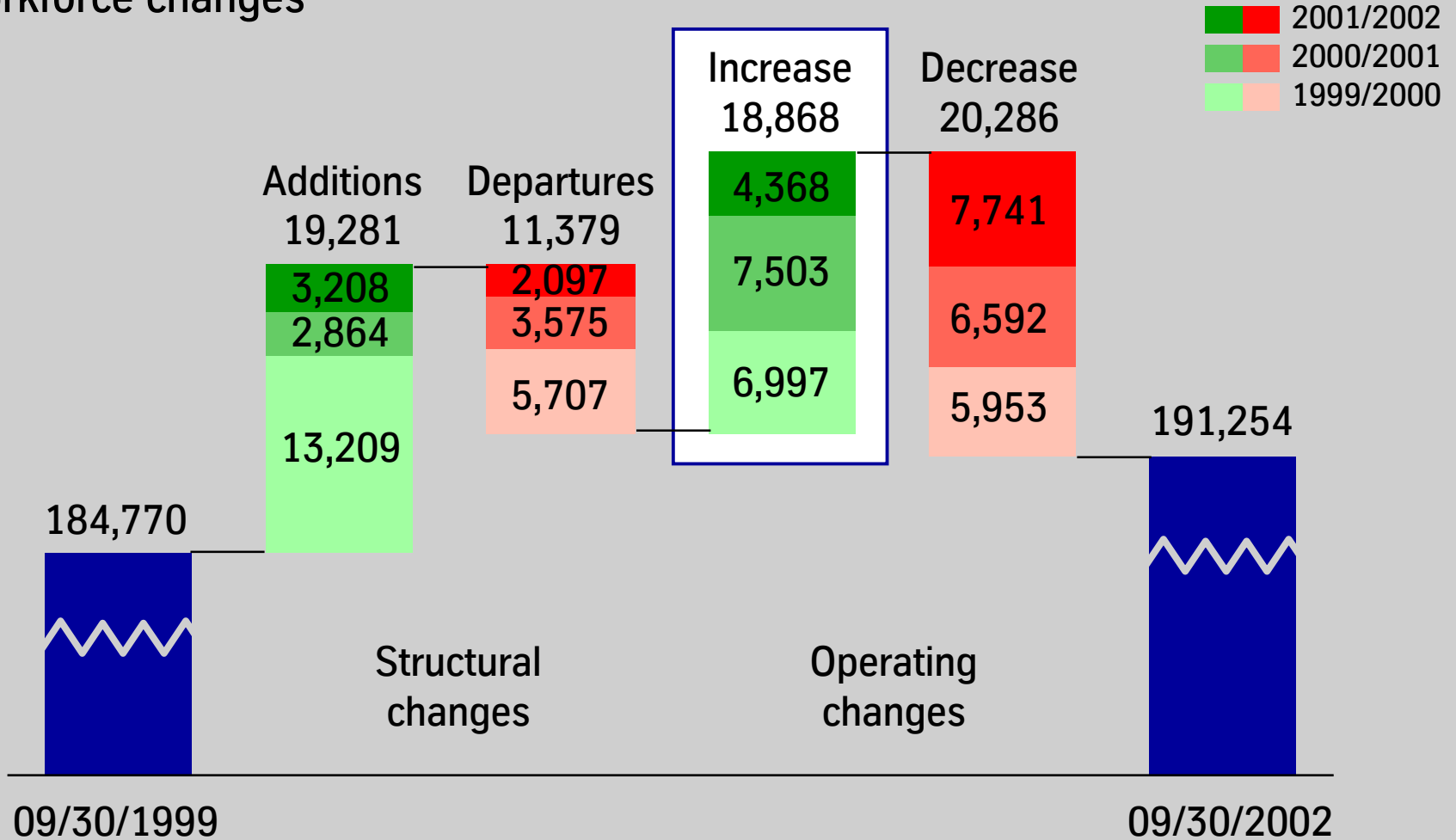


- Growth strategy slowed by economic situation
- Organic growth slowed
- Budget for growth expenditure drastically reduced



# Organic Growth

## Workforce changes



## Overview of 2001/2002 (II)

- Decrease in EBT to €762 million (prior year €1,117 million); normalized figure nonetheless €419 million (prior year €774 million)
- Low net income of €216 million; main cause is non-recurring impairment expense of €338 million (after taxes) due to adoption of SFAS 142
- Earnings per share (normalized) at €0.48 also well below prior year (€1.05)
- In view of decline in earnings, adjusted dividend of €0.40 per share to be paid



## Overview of 2001/2002 (III)

- EPS of €0.48 includes absorption of
  - restructuring expense of €206 million (including €149 million at Automotive)
  - impairment expense of €347 million (before taxes) (including >€200 million at Metal Cutting)
- Intensified measures to increase operating efficiency have boosted earnings in all segments
- Further progress achieved in portfolio streamlining
- Net financial payables reduced to below €5 billion at 09/30/2002

**ThyssenKrupp has increased its scope for action**



# ThyssenKrupp best



- Successful Groupwide roll-out in January 2002
- After 12 months, now >1,000 projects
- Focus on improving operating efficiency
- Sustained cost-reduction potential in all segments
- Groupwide knowledge sharing via pl@za

**Key success factor in difficult market environment**



## Major Portfolio Streamlining in 2001/2002

### Disposals

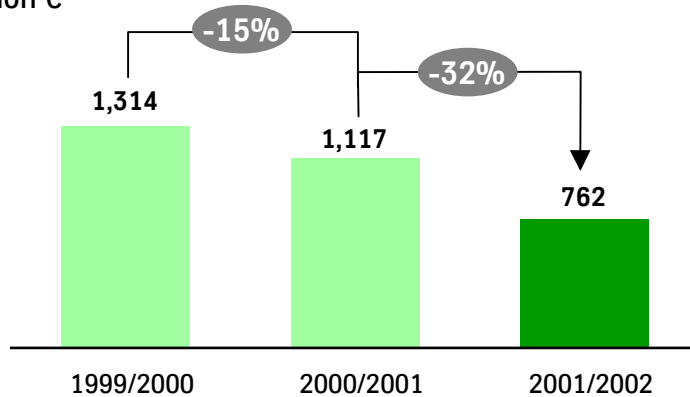
	<u>Proceeds from sale</u>	<u>Gain/(Loss)</u>
● Kone shareholding (Corporate)	€133 million	€74 million
● 50% equity interest in Eurawasser (Serv)	€38 million	€19 million
● 50% equity interest in Sinterstahl (Automotive)	€36 million	€21 million
● Krupp Berco Bautechnik (Technologies)	€55 million	€36 million
● Casting activities (Automotive)	€30 million	€11 million
● Ruhrgas shareholding (Corporate)	€486 million	€191 million
● Car Carrier activities (Corporate)	€105 million	(€10 million)
<b>Total</b>	<b>€883 million</b>	<b>€343 million</b>

➡ approx. €900 million proceeds from disposals

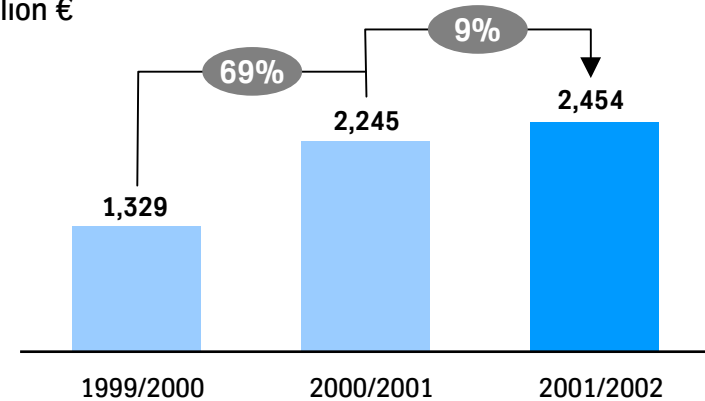


# Net Financial Payables Significantly Reduced

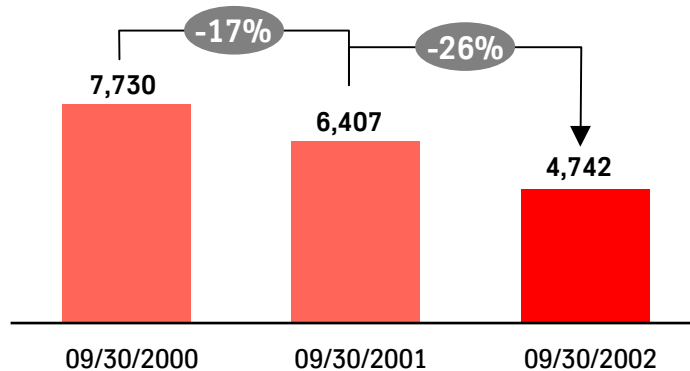
**EBT**  
million €



**Operating cash flow**  
million €



**Net financial payables**  
million €



- Earnings down by a third in weak economic environment
- Operating cash flow higher, however
- Net gearing already below target of 60% as of 09/30/2002

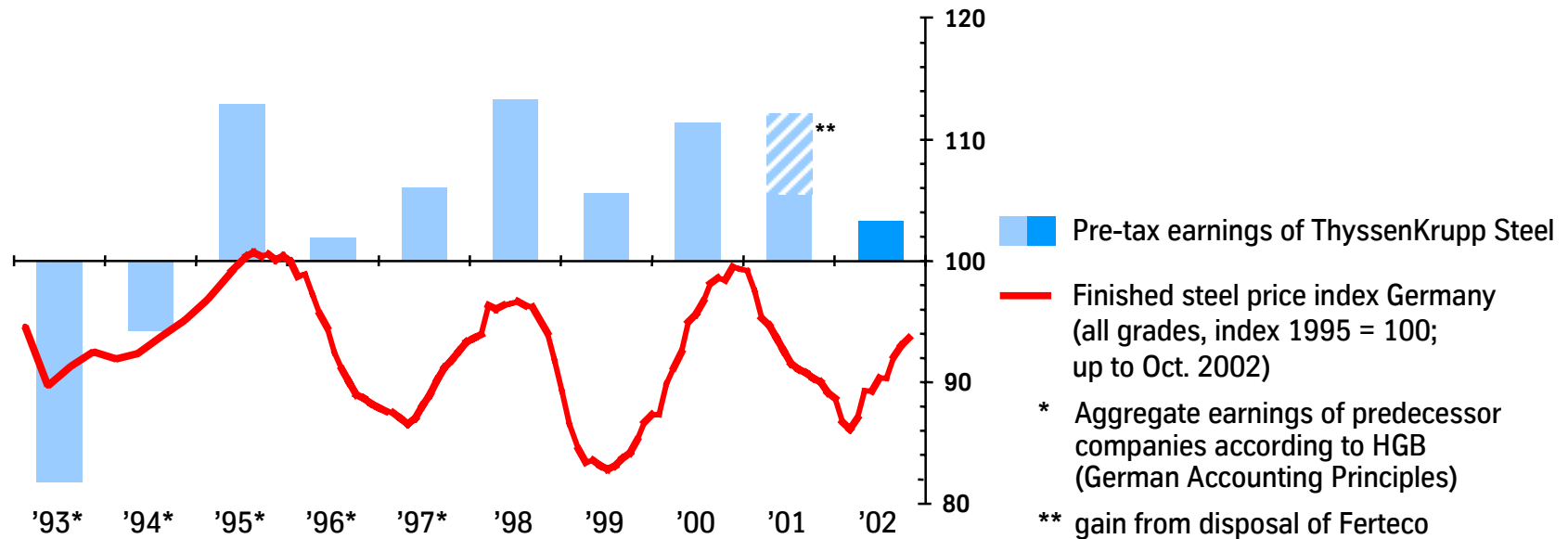


# Closer look at the Segments (I)

## Steel

### Steel

- Despite steel crisis EBT >€100 million; Carbon Steel with positive earnings
- “Price before volume” policy successfully implemented
- High proportion of contract business and cost reduction measures secure profitability
- Earnings potential about €800 million



# Closer look at the Segments (II)

## Capital Goods

### Automotive

- Restructurings at Budd (USA) and Springs (D); charge of €149 million absorbed
- Further cost reduction measures in response to continuing price pressure
- Lifetime contracts will result in a sales volume of €7.5 billion in 2003/2004

### Elevator

- Stable earnings and cash flow contributions due to high proportion of service-based sales (> 50%)
- Further organic growth and acquisitions

### Technologies

- Portfolio includes a number of top performers
- Closure of Stahlbau Berlin absorbed; divestiture of Berco Bautechnik; Provision made at G + L through high impairment charge (>€200 million)
- Optimizing the portfolio is a major priority



# Closer look at the Segments (III)

## Services

### Materials

- Scaling back of low-margin, high-risk activities
- Solid platform

### Serv

- Back in profit after prior-year loss
- Parts of the portfolio under the microscope

### Proportion of Service-based Sales at 21%



# Targets Unchanged

Handout  
01/15/2002

**Medium-term financial targets (excluding effects of SFAS 141/42):**

EBITDA	>	€4 bn
EBT	>	€1.5 bn
ROCE	>	12%
EVA	>	€0.5 bn
Gearing		approx. 60%
Net financial payables	≈	€5.5 bn



**ThyssenKrupp has the potential to achieve these financial targets**



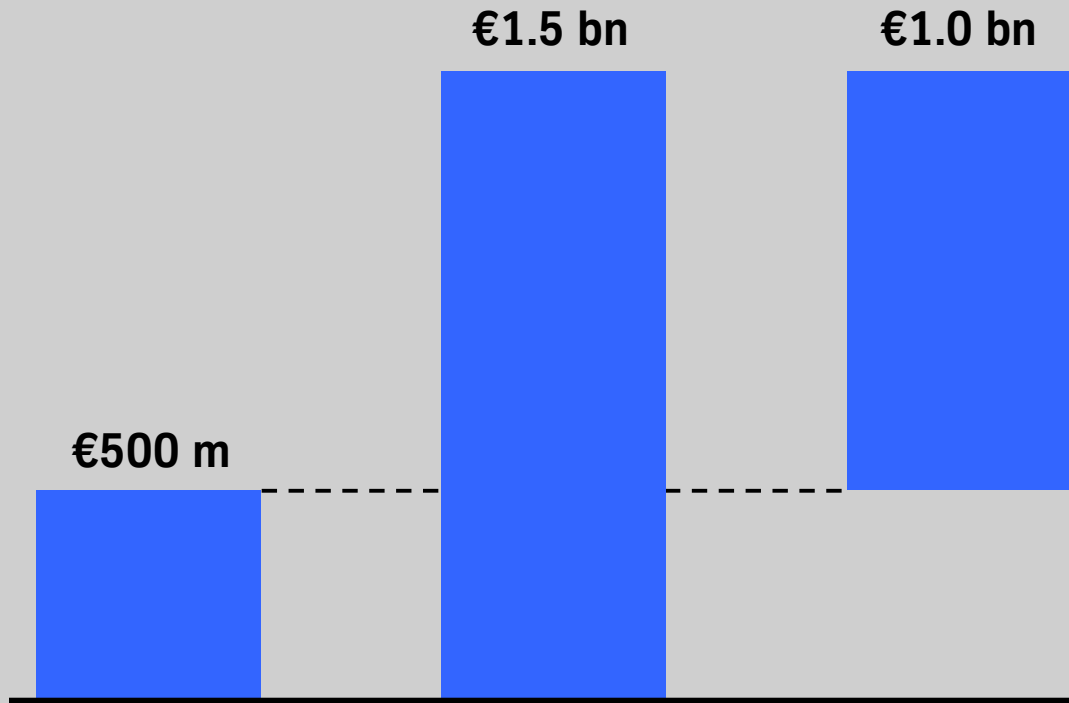
Handout  
01/15/2002

# Closing the Earnings Gap

Earnings 2000/2001\*

Target

Earnings gap



- ▶ Strategy and market
- ▶ Productivity improvement
- ▶ ThyssenKrupp best

\* excluding exceptional items

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SB Meeting  
12/19/2002

# Enhancing the Value of ThyssenKrupp

## Group focused on Steel, Capital Goods and Services

### Strategy and market

Focus the Group on

- Steel
- Capital Goods
- Services

Develop the segments

- Active portfolio management
- Organic growth
- Increased service focus (target: 30% of sales)

### Productivity improvements/ restructuring measures

Continuous productivity improvements of at least 2%-3% p.a.

- Personnel adjustments
- Improve underperformers
- Achieve synergy goals
- Restructuring

### ThyssenKrupp best

Main themes:

- Operating efficiency
- Reduce capital employed
- Service focus
- Involve staff and management
- Maximize customer value
- Knowledge management
- E-business
- ...

Close the earnings gap

Target: €1.5 bn EBT



## ThyssenKrupp Outlook (I)

- Despite the difficult market environment, we expect a positive performance overall in 2002/2003
- Sales are expected to rise slightly to over €38 billion; significant sales improvements at Steel and Technologies; slight increases at Automotive, Elevator and Materials; same level as prior year at Serv
- Against the background of continuing subdued economic expectations we believe that we can improve significantly overall on last year's normalized earnings before taxes of €419 million; this forecast is based not only on an economic recovery but primarily on the impact of internal measures
- Particularly in the 1st half we expect earnings to be significantly higher than in the weak 1st half 2001/2002; at Steel the effects of the price improvements we have implemented are now making themselves felt; the course of business in the 2nd half will depend on how the economic and political situation develops



## ThyssenKrupp Outlook (II)

- The additional costs from changes in tax legislation and higher social security contributions arising out of the coalition agreements as well as the effects of the planned trading system for emissions rights cannot be predicted at present and are therefore not included in the earnings projection
- We aim to pay a higher dividend for 2002/2003 on the basis of improved earnings
- The tight investment policy adopted last year is being continued; for 2002/2003 we expect additions to fixed assets and financial assets of €1.9 billion
- Focus remains on meeting our target for gearing of around 60%

**Outlook clouded by uncertainty**



# Conclusion



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## Disclaimer

This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements and are subject to risk and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. ThyssenKrupp does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.

