

ThyssenKrupp AG 3rd Annual Stockholders' Meeting

Essen, March 1, 2002

ThyssenKrupp



Report by the Executive Board Chairman

● The Group's strategy

- ThyssenKrupp stock
- An overview of fiscal year 2000/2001
- 1st quarter 2001/2002 and outlook



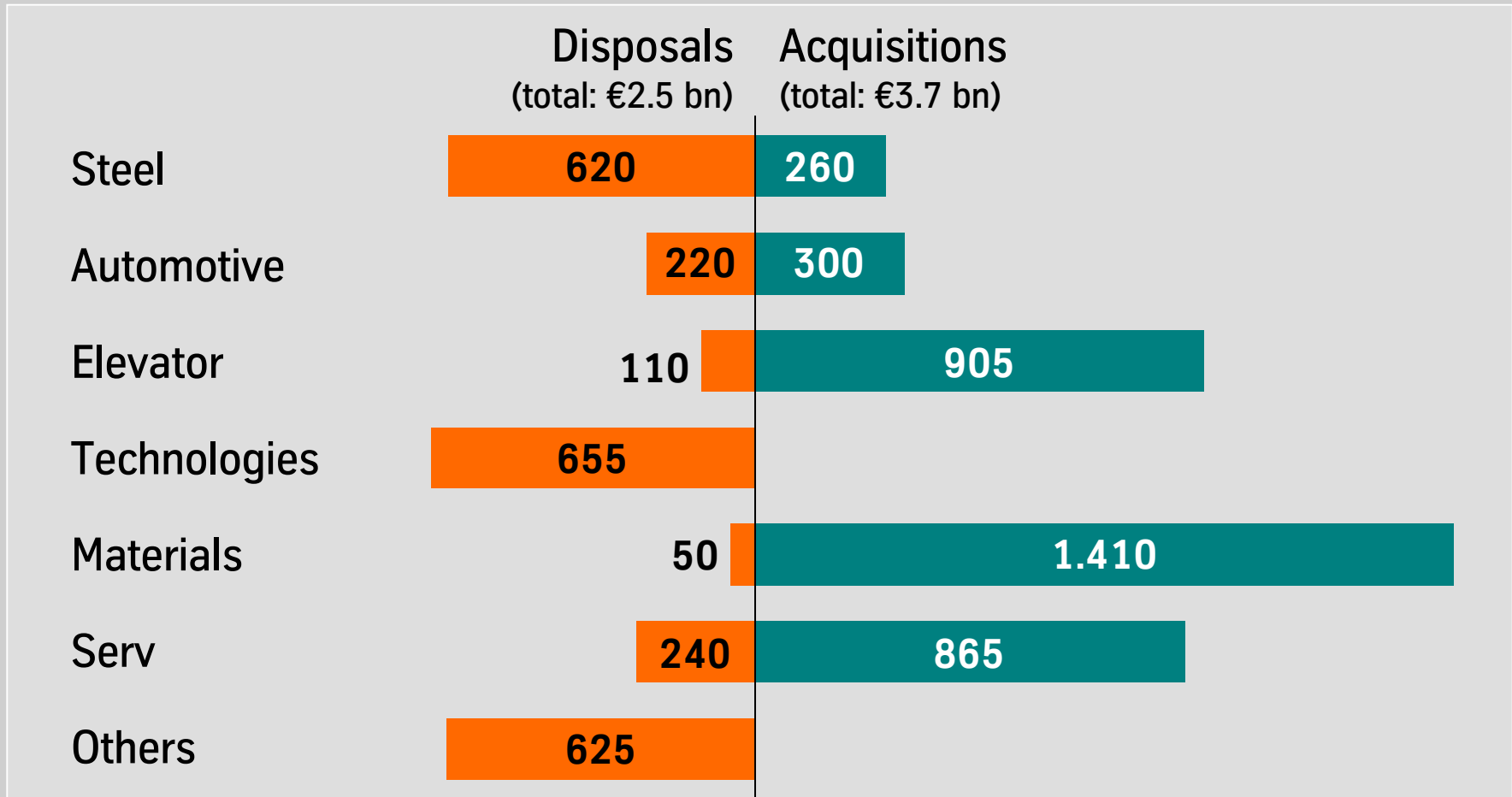
ThyssenKrupp – strategic realignment continued

- **portfolio restructured**
- **global presence expanded, top market positions strengthened**
- **cost and technology synergies realized**
- **service and e-business offensives extended**



Continued portfolio restructuring

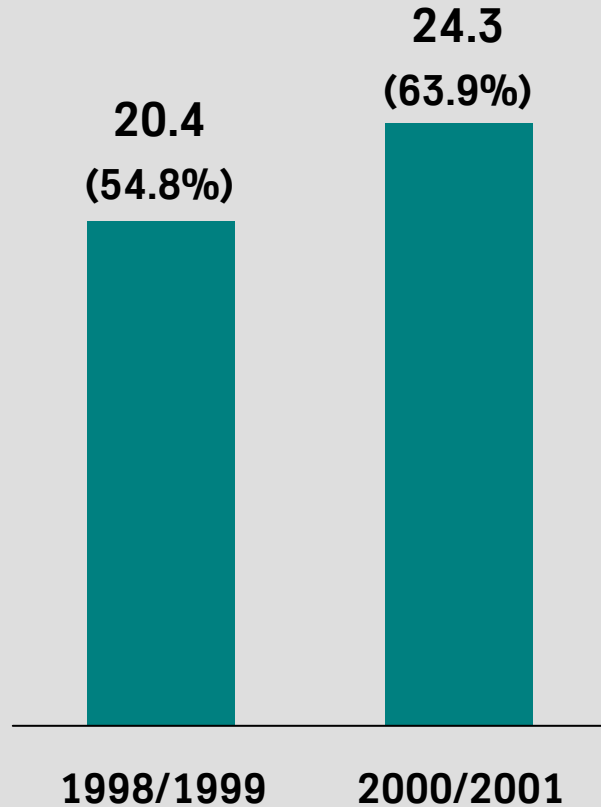
Changes to portfolio since the merger (sales in € million)



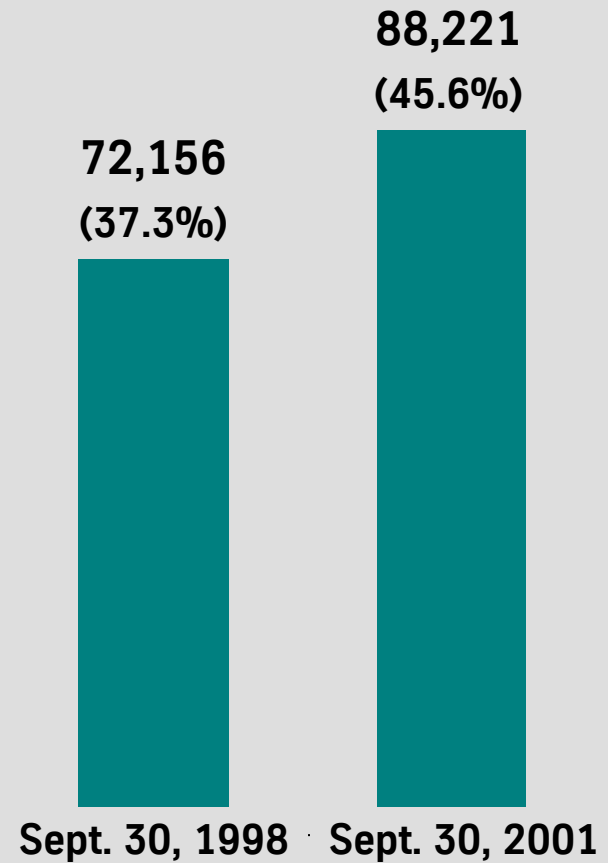
International presence expanded

Sales outside Germany

€ bn



Employees outside Germany



Worldwide leading market positions

Steel

● Flat carbon steel (Europe)	2
● Electrical steel	2
● Tinplate	4
● Tailored blanks	1
● Flat stainless steel	1/2
● Nickel-base alloys	2

Automotive

● Engine components such as crankshafts and assembled camshafts	1
● Axles/chassis	2
● Air suspension	1
● Steering columns	1

Elevator

● Elevators	3
● Elevators USA	1
● Passenger boarding bridges	2

Technologies

● Metal cutting machine tools	1
● Autobody manufacturing systems	1
● Large-diameter bearings	1
● Undercarriage components	1

Materials

● Materials excl. plastics (Germany)	1
● Plastics (Europe)	1
● Stainless, nonferrous metals, plastics (USA)	1

Serv

● Industrial services (Germany)	1
● Construction services (Ger., Europe, USA)	1
● Information services (Germany)	3



Cost and technology synergies realized – net financial payables reduced

- Synergies of €450 million p.a. achieved
- Net financial payables at Sept. 30, 2001 reduced €1.3 bn to €6.4 bn



**Target: Gearing of 60% /
net financial payables of €5.5 billion**

- Systematic inter-segment integration of technological capabilities in the production and processing of materials and just-in-time delivery



Service and e-business offensives

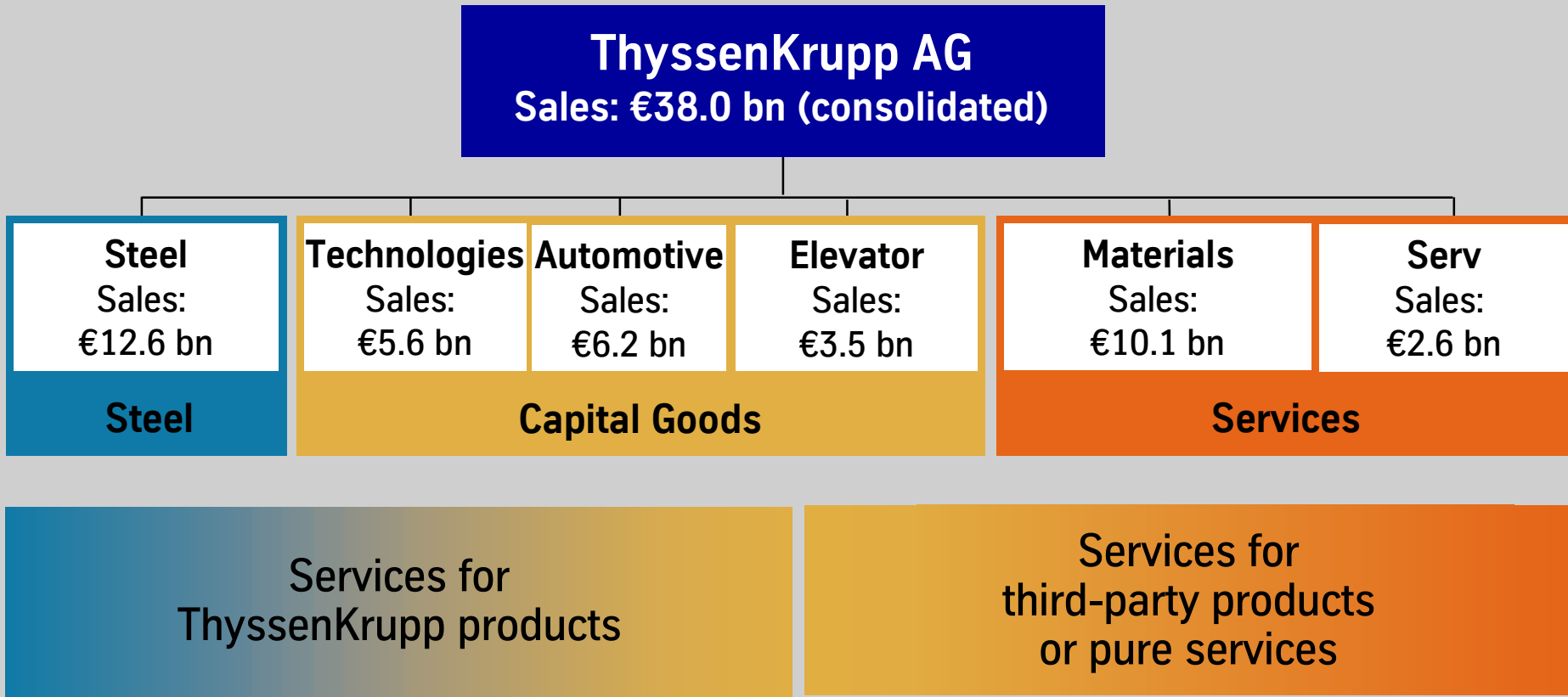
- 150 e-business projects throughout the Group
- Participation in new marketplaces, portals and online shops
- Service-based sales now almost 20 percent of total sales



Medium-term goal: 30 percent service-based sales

ThyssenKrupp service offensive

Service-based sales increased to €8.1 bn (approx. 20%)



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ThyssenKrupp stock performance

– absolute, from October 02, 2000 to December 28, 2001 –

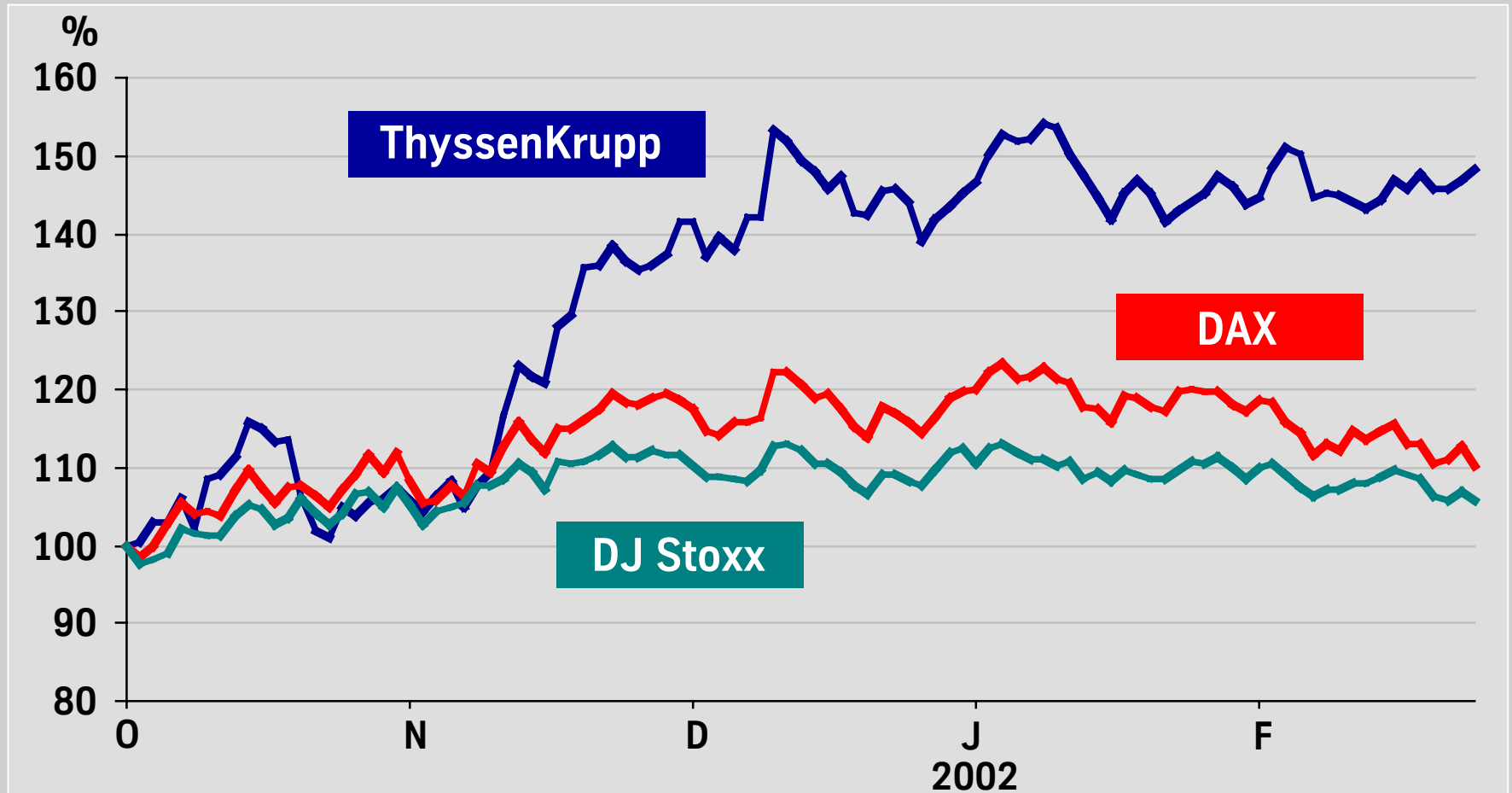


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ThyssenKrupp stock performance in comparison with DAX and DJ STOXX

– indexed, September 28, 2001 to February 22, 2002 –



Great demand for employee shares

- Issued for first time in 2001
- 850,000 shares purchased by around 50,000 employees
- Maximum subsidy of €153.39

Employee shares strengthen interest in earning power and value enhancement of the Group



ThyssenKrupp communication offensive

public image of the Group in 2000
(results of market research)

On the one hand

- Well known
- High acceptance

On the other hand

- Group regarded as pure steel company
- Capital goods and services almost unknown

Decision: Prepare a comprehensive communication offensive



ThyssenKrupp communication offensive

Establish an international brand

- Stand out in global competition
- Strengthen employee identification
- Better platform for winning major orders and developing new markets

Include all target groups

- Customers
- Investors
- Public
- Employees
- Suppliers
- New recruits

Integrate all tools

- Image
- Investor relations
- Public relations
- Internal communication
- Advertising
- University marketing
- International PR



www.thyssenkrupp.com



ThyssenKrupp communication offensive

International image campaign

- **Message:** ThyssenKrupp is a company whose employees develop high technologies for a better future
- **Put across by:** Children of employees
- **Target groups:** Customers, investors, public, employees, suppliers
- **Media:** TV, national and international print media, mega-posters
- **Term:** March to September 2001 and February to June 2002



“Developing the future”

The image campaign is the centerpiece of our communication offensive

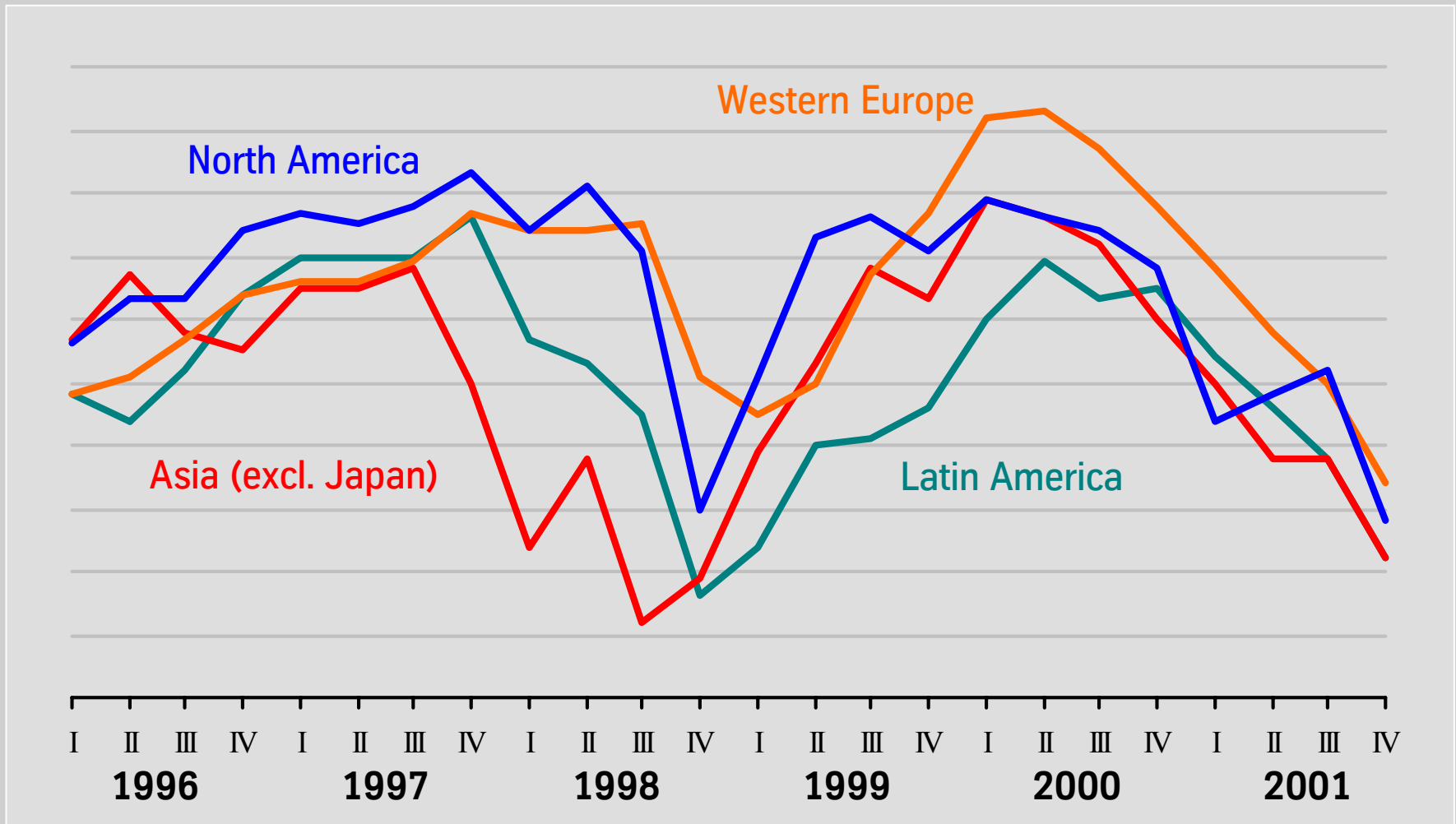


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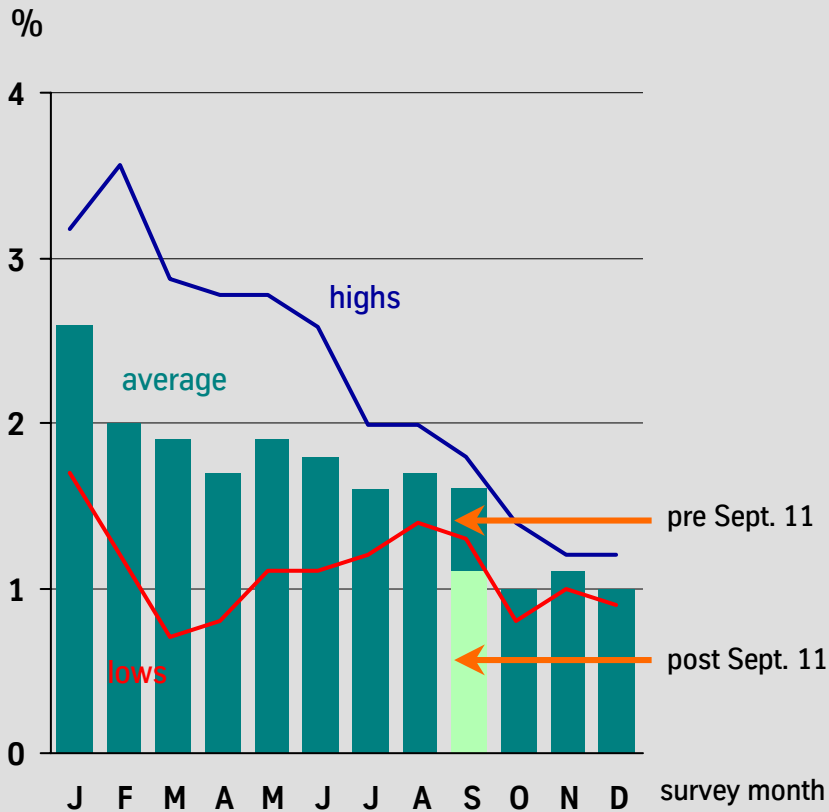


Sharp downturn in international economy



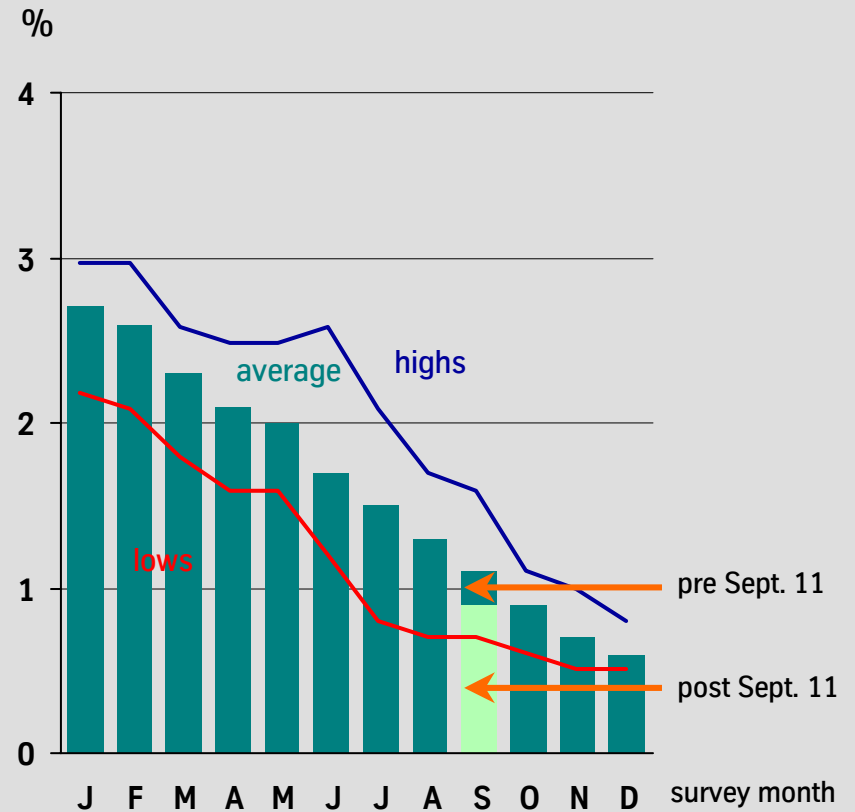
Repeated downward adjustment of GDP forecasts

USA 2001



Source: Consensus Forecasts

Germany 2001



Source: Consensus Forecasts



Key data fiscal year 2000/2001

		1999/2000	2000/2001
Order intake	€ bn	38.9	37.9
Sales	€ bn	37.2	38.0
EBITDA	€ bn	3.4	3.3
Income before taxes and minority interest	€ m	1,090	876
Net income	€ m	527	665
Normalized EPS	€	0.89	0.58

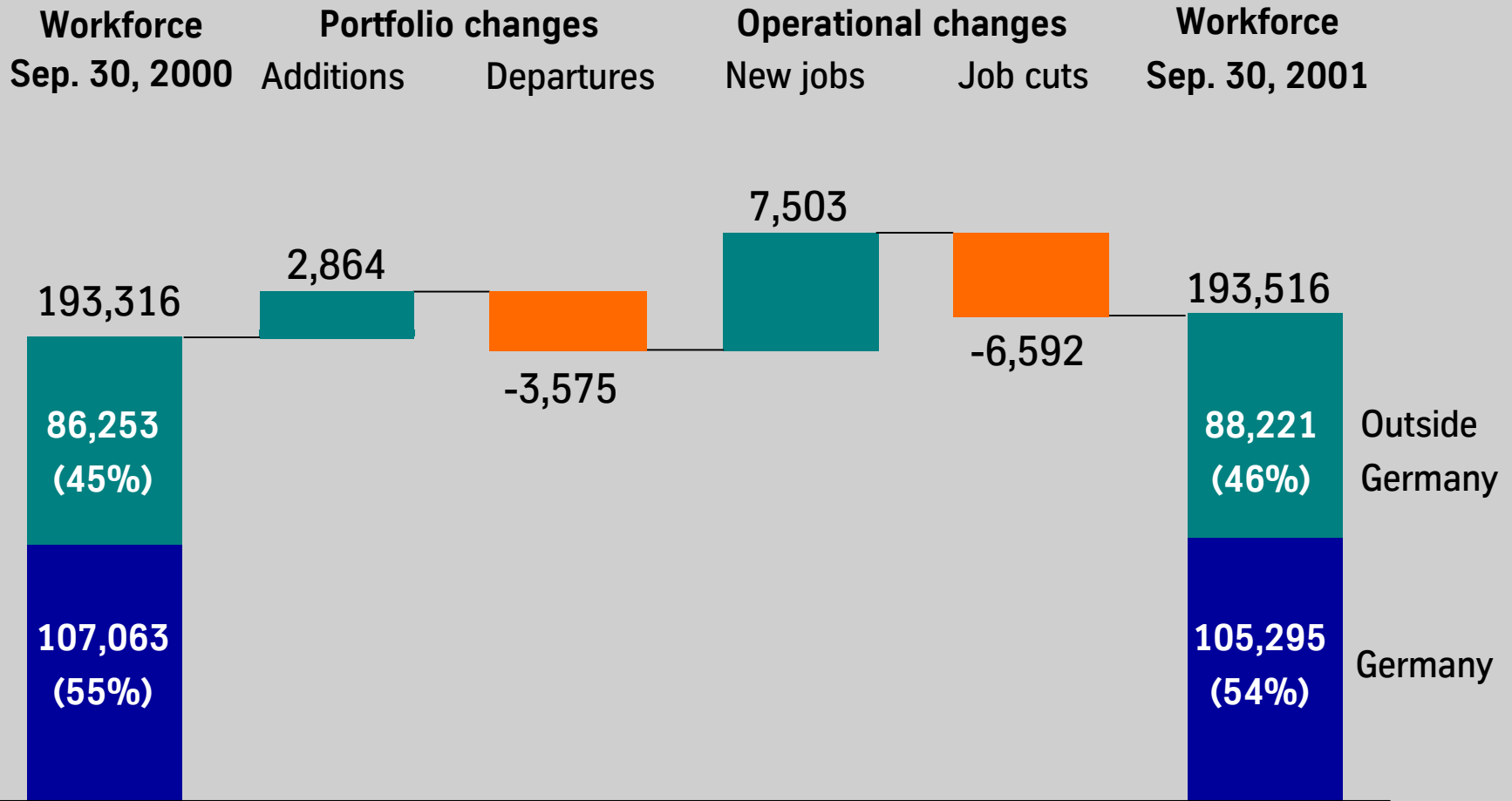


Key data fiscal year 2000/2001

		1999/2000	2000/2001
ROCE	%	8.7	7.7
Net cash from operating activities	€ m	1,329	2,245
Net financial payables	€ m	7,730	6,407
Stockholders' equity	€ m	8,797	8,786
Employees	Sept. 30	193,316	193,516



ThyssenKrupp Group workforce 2000/01



Research and development (R&D) 2000/2001

High innovation and technological competency

- **R&D expenditure:**
€675 million
- **R&D employees:**
approx. 3,000 scientists, engineers and technicians in 40 research centers
- **R&D projects:**
approx. 1,500



Breakthrough for the Transrapid Germany

Metrorapid Ruhr area/Transrapid Munich

- February 2002:

German government pledges financing of €2.3 billion for the two lines

Metrorapid Ruhr area

- 78 kilometer link between Düsseldorf and Dortmund
- 39 minutes travel time at 300 km/h
- Commissioning 2006



Transrapid Munich

- 37 kilometer link between Munich airport and central railway station
- 10 minutes travel time at 430 km/h
- Commissioning 2006



Breakthrough for the Transrapid

China: Shanghai

- Agreement signed January 2001
- 30 kilometer link between airport and financial center under construction
- 7 minutes travel time at 430 km/h
- Commissioning in January 2003



- Chinese government considering further links between Beijing and Shanghai and between Shanghai and Hangzhou

Further perspectives for the Transrapid

Netherlands

- Investigation into Transrapid circular route Amsterdam, Schipol, The Hague, Rotterdam and Utrecht as well as alternative line Groninger Land – Amsterdam



USA

- Two projects at planning stage:
60 kilometer line between Baltimore and Washington, D.C.
- 79 kilometer line between Pittsburgh-airport and Greensburg



Investment 2000/2001

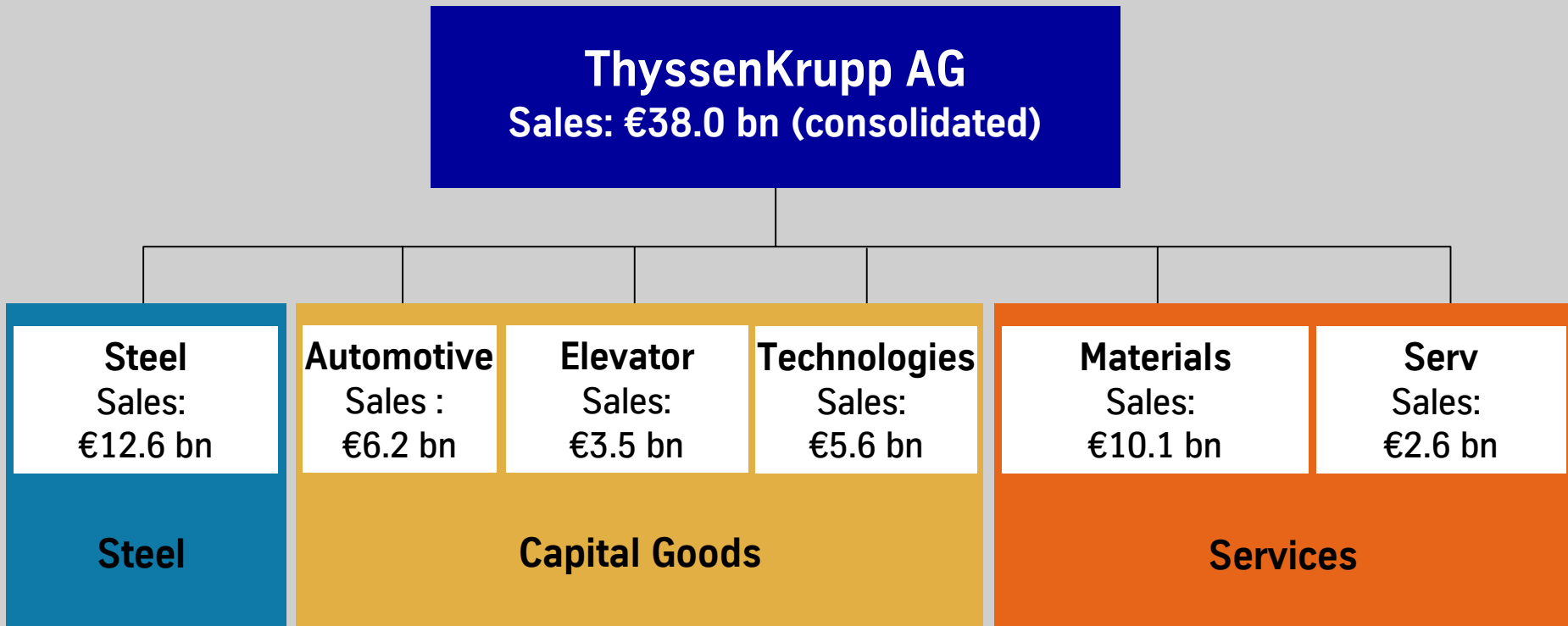
- **Capital expenditure €2.3 bn**

- Property, plant and equipment and intangible assets: €2.2 bn
- Financial assets: €0.1 bn

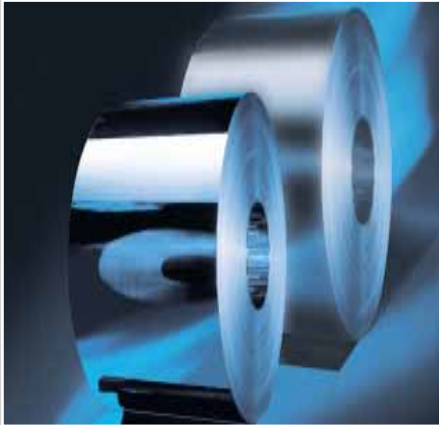
- **Major projects:**

- construction of hot dip galvanizing line in Dortmund
- commissioning of cold rolling mill in Shanghai
- modernization and expansion of stamping plants in USA and Europe
- purchase of production equipment for Transrapid line in Shanghai





Steel



		1999/2000	2000/2001
Order intake	€ bn	13.0	11.9
Sales	€ bn	12.7	12.6
Income*	€ m	569	605
Employees (Sep. 30)		53,856	51,418

* before taxes and minority interest

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Automotive



		1999/2000	2000/2001
Order intake	€ bn	6.1	6.3
Sales	€ bn	6.1	6.2
Income*	€ m	286	143
Employees (Sep. 30)		39,920	40,655

* before taxes and minority interest

Elevator



		1999/2000	2000/2001
Order intake	€ bn	3.2	3.7
Sales	€ bn	3.1	3.5
Income*	€ m	203	226
Employees (Sep. 30)		27,102	28,501

* before taxes and minority interest

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Technologies



		1999/2000	2000/2001
Order intake	€ bn	6.7	5.5
Sales	€ bn	5.9	5.6
Income*	€ m	82	140
Employees (Sep. 30)		32,193	31,477

* before taxes and minority interest



Materials



		1999/2000	2000/2001
Order intake	€ bn	10.1	10.3
Sales	€ bn	10.1	10.1
Income*	€ m	129	32
Employees (Sep. 30)		13,591	14,315

* before taxes and minority interest



Serv



		1999/2000	2000/2001
Order intake	€ bn	2.3	2.6
Sales	€ bn	2.1	2.6
Income*	€ m	77	(54)
Employees (Sep. 30)		24,971	25,665

* before taxes and minority interest

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Dividend €0.60 per share

- Dividend adjusted in line with difficult economic situation
- Based on normalized EPS of €0.58
- Payout ratio 46.5% of net income
- €356 million allocated to retained earnings

Dividend per share	€0.60	(prior year €0.75)
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Dividend yield	5.3%*	(prior year 4.9%)
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* per 28.9.2001



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ThyssenKrupp in the 1st quarter of 2001/2002

		1st quarter 2000/2001	1st quarter 2001/2002
Order intake	€ bn	9.5	8.9
Sales	€ bn	9.4	8.3
EBITDA	€ bn	0.9	0.5
Income before taxes and minority interest	€ bn	0.4	0.028
Normalized earnings per share	€	0.36	(0.01)
Net financial payables	€ bn	8.5	7.2

Outlook by sector

Economic prospects for coming months depressed.
Europe: No recovery before 2nd half of 2002.

● Steel:

Group has cut back production. Market conditions permit price improvements. At April 1, 2002 ThyssenKrupp to increase prices for:

- flat-rolled carbon steel by €30 to €40 per ton;
- flat-rolled stainless by €50 per ton plus alloy surcharge.

Risk factor: Investigation pending in the USA under Section 201, Trade Act (state restrictions on steel imports).

Outlook by sector

- **Automobile:**

International automobile industry will weaken further.
Production figures will decrease in North America and Europe. German automobile industry will be unable to maintain high level of output.

- **Mechanical engineering:**

Cloudy outlook at national and international level.

- **Construction:**

German construction market will stagnate at low level.
More favorable perspectives for other European countries.



Outlook for ThyssenKrupp

- With economic slowdown continuing, no significant improvement in business situation expected in 2nd quarter of 2002.
- It is increasingly unlikely that this year's sales will match the prior-year level.
- From present perspective, after elimination of goodwill amortization, income before taxes is expected to be around €0.5 bn (excl. non-recurring effects). This does not include impairment following adoption of SFAS 142, which may exceed the previous goodwill amortization of over €200 million.
- Total approved investment volume of €3.4 bn is in line with weak business performance.



Targets unchanged

Medium-term targets (excl. 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 potential to achieve these financial targets



Levers to exploit value-adding potential

- **Further strengthening of top market positions**
- Further productivity increase
- Implementation of ThyssenKrupp best



Further strengthening of top market positions

Examples of how top market positions are being strengthened in current fiscal year:

- **Steel:** Milestone in globalization strategy – opening of Shanghai Krupp Stainless (SKS). Total investment volume US\$1.4 bn. Group's biggest foreign investment to date.
- **Automotive:** Systems business strengthened through acquisition of shares in leading designer and producer of prototypes and niche vehicles: Valmet Automotive, Finland
- **Elevator:** Strategic position strengthened through takeover of elevator activities of Kone in South America
- **Serv:** Leading market position in general maintenance business following acquisition of Industrial Plant Services GmbH (IPS)



Levers to exploit value-adding potential

- Further strengthening of top market positions
- **Further productivity increase**
- Implementation of ThyssenKrupp best



Further productivity increase

- Rapid restructuring of loss-making and low-earning businesses
- Scheduled realization of synergy targets



Ongoing productivity increases of at least 2% p.a.

Levers to exploit value-adding potential

- Further strengthening of top market positions
- Further productivity increase
- **Implementation of ThyssenKrupp best**



Implementation of ThyssenKrupp best (business excellence in service and technology)



Objective	Timetable	
<p>Better use of ThyssenKrupp potential leads to:</p> <ul style="list-style-type: none"> ● higher margins ● increasing capital productivity ● sustained competitiveness ● value-creating growth 	<ul style="list-style-type: none"> ● Phase 1: Basic concept ● Phase 2: Inventorization ● Phase 3: Groupwide implementation ● Rollout 	<ul style="list-style-type: none"> ☑ completed ■ to spring 2002 ■ ongoing ☑ January 15, 2002



Groupwide roll-out from January 2002



Key success factors

1. Integrated - creates value for all stakeholders
2. Comprehensive - mobilizes the entire Group
3. Sustainable - clearly defined targets and program phases
4. Self-supporting - know-how multiplication and Groupwide best practice transfer
5. Close to markets - decentralized project management
6. Coordinated - central project coordination team

Achieve program targets

Ten Groupwide initiatives form framework for action



- 1 Involve employees and managers
- 2 Optimize performance quality through process innovation
- 3 Increase capital productivity
- 4 Service focus
- 5 Value management by controlling all value driver levers
- 6 Maximize customer value/sales leadership
- 7 E-business
- 8 Improve operating efficiency
- 9 Improve organization
- 10 Knowledge and innovation management

- Optional action areas for business units
- Standard methods for each initiative
- Knowledge transfer among segments secured



Further focusing on the three main areas

ThyssenKrupp AG
Sales: €38.0 bn (consolidated)

Steel		Capital Goods		Services	
Sales:	12,639	Sales:	15,358	Sales:	12,713
EBITDA:	1,642	EBITDA:	1,309	EBITDA:	424

Figures for 2000/2001 in million €

These three areas will be systematically expanded by:

- active portfolio management; balance of cash providers and value drivers
- organic growth

Focused industrial group

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ThyssenKrupp

Close the earnings gap of €1 billion within two years through:

- systematic strengthening of leading market positions
- further productivity increases
- implementing ThyssenKrupp best



The guiding principle driving our actions is to create added value for our stockholders

