

02

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Accounting at ThyssenKrupp AG is in accordance with US GAAP.

### **ThyssenKrupp in the 2nd quarter – significant earnings improvement**

The 2nd quarter of fiscal 2002/2003 was dominated by the continued economic weakness, coupled with major political uncertainties. Despite this, ThyssenKrupp's sales were slightly higher than the prior-year period. Boosted by increasing efficiency improvements, the Group's income before taxes and minority interest rose to €250 million in the 2nd fiscal quarter compared with €96 million a year earlier.

The highlights for the 2nd quarter and the first six months of fiscal 2002/2003 were as follows:

- Order intake in the reporting quarter was €9.1 billion, 1% lower than the prior-year period. Orders in the 1st half of 2002/2003 were roughly the same as a year earlier at €18.2 billion.
- Sales in the 2nd quarter were €9.2 billion, 2% higher than a year earlier. 1st-half sales were €17.9 billion, up 3% from the year-earlier period.
- EBITDA in the 2nd quarter was €691 million, up 22% from a year earlier. In the 1st half EBITDA was €1,279 million, up 20%.
- 2nd-quarter income before taxes and minority interest was €250 million, €154 million higher than the prior-year period. The figure for the 1st half of fiscal 2002/2003 was €391 million, an increase of €267 million compared with a year earlier.
- Basic earnings per share were €0.31 in the 2nd quarter after €0.13 in the prior-year period.
- Normalized earnings per share rose from €0.01 in the 2nd quarter of 2001/2002 to €0.22.
- The Group's net financial payables amounted to €4.9 billion at March 31, 2003, €189 million higher than at September 30, 2002. The increase is partly due to the dividend payment. Compared with March 31, 2002, the Group's financial debt fell by €2.4 billion.

We do not yet expect any major improvement in the economic environment in the 2nd half of 2002/2003. Nevertheless we will continue to strengthen our earning power. Assuming no further deterioration in the economic parameters, we aim to achieve 2nd-half earnings before taxes which should at least match the 1st-half figure. This would take us a major step closer to our goal of €1.5 billion EBT in fiscal 2003/2004.

## The Group in figures

GROUP		2nd quarter ending March 31, 2002	2nd quarter ending March 31, 2003	1st half ending March 31, 2002	1st half ending March 31, 2003
Order intake	million €	9,240	9,134	18,097	18,174
Sales	million €	9,015	9,218	17,354	17,917
EBITDA	million €	567	691	1,069	1,279
Income*	million €	96	250	124	391
Net income**	million €	66	158	(254)	212
Basic earnings per share**	€	0.13	0.31	(0.49)	0.41
Normalized earnings per share	€	0.01	0.22	0.00	0.38
Employees (March 31)		190,397	187,740	190,397	187,740

\* before income taxes and minority interest  
\*\* 1st half 2001/2002 restated to reflect adoption of SFAS 142

		Sept. 30, 2002	March 31, 2003
Net financial payables	million €	4,742	4,931
Stockholders' equity	million €	8,287	8,149

SEGMENTS million €	Order intake	Order intake	Sales	Sales	Income*	Income*	Employees	Employees	Employees
	2nd quarter ending March 31, 2002	2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2002	2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2002	2nd quarter ending March 31, 2003	March 31, 2002	Sept. 30, 2002	March 31, 2003
Steel	3,123	3,299	2,919	3,222	(39)	157	50,363	50,184	49,128
Automotive	1,584	1,596	1,633	1,601	66	47	38,127	38,425	37,736
Elevator	976	836	864	812	66	83	28,286	28,768	29,054
Technologies	978	1,068	1,374	1,336	(4)	15	32,472	32,781	31,500
Materials	2,532	2,358	2,145	2,246	10	26	13,880	13,743	13,604
Serv	659	521	586	566	12	(7)	25,860	25,932	25,288
Real Estate	90	84	90	84	19	21	736	745	747
Corporate	15	8	15	8	(37)	(91)	673	676	683
Consolidation	(717)	(636)	(611)	(657)	3	(1)			
<b>Group</b>	<b>9,240</b>	<b>9,134</b>	<b>9,015</b>	<b>9,218</b>	<b>96</b>	<b>250</b>	<b>190,397</b>	<b>191,254</b>	<b>187,740</b>

\* before income taxes and minority interest

ThyssenKrupp

“Value creation begins with knowledge.”

Dr. Jürgen Claassen, Senior Vice President Corporate Communications  
and Central Bureau, ThyssenKrupp AG, Düsseldorf, Germany

FUTURE VALUE  
Knowledge sharing



**FEW THINGS AGE AS QUICKLY AS KNOWLEDGE.** That's why printed information is often out-of-date even before it leaves the press. This is a considerable problem in an age when knowledge represents a key economic factor. One solution from ThyssenKrupp is called ThyssenKrupp base – an up-to-date Groupwide database that can provide internal and external users with rapid access to information on the Group's products, services and companies via the internet and intranet. As the database is managed locally, where the information arises, its content is extremely up-to-date. ThyssenKrupp base is a central element in the Group's knowledge transfer system. It aims to support employees in sharing knowledge and so increasing their success and that of the company.

Knowledge is the raw material of future success. ThyssenKrupp base helps make this raw material available on a global basis.



### Economic environment

Many national economies remained weak in the 1st calendar quarter of 2003. The increased uncertainty was reflected in the weakening of the us dollar, sharp oil price rises, and globally depressed consumer and business spending

Despite this gloomy world economic picture, most of the emerging markets continued to grow, particularly in Asia. Venezuela apart, the economic situation in South America stabilized.

In the USA, economic growth cooled at the start of the year, with consumers and companies restricting their spending against the background of the situation in the Middle East. The Japanese economy is stagnating due to the decline in private consumption.

In the euro zone, economic growth in the 1st quarter of 2003 is likely to have been minimal. Rising unemployment and higher energy prices impacted domestic demand, while the increasing strength of the euro dampened export growth. At the start of the year, the German economy was close to stagnation, due in large part to lower consumer demand and subdued spending on investment.

In the sectors of importance to ThyssenKrupp, developments were mixed:

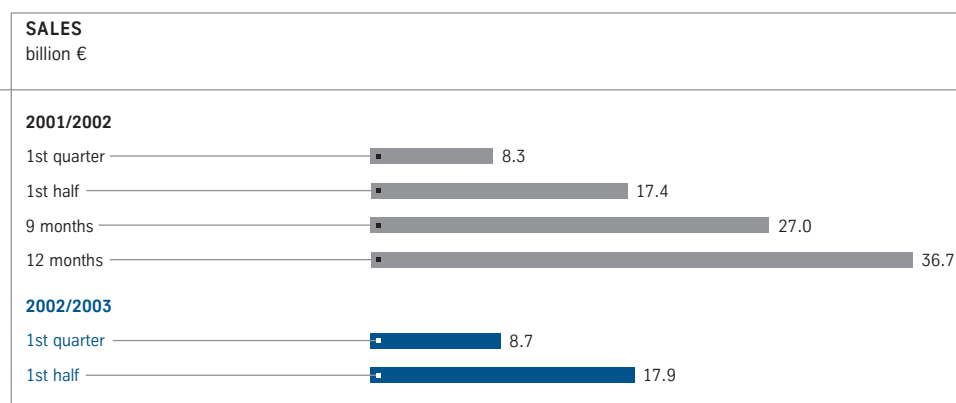
- Despite the economic uncertainties, the steel market was in strong shape in the reporting period. World crude steel output in the period January to March 2003 was 9% higher than a year earlier. China enjoyed the highest absolute growth, but North America and the European Union also recorded production increases of 7% and 3% respectively. Rising demand led to good workloads in the German steel industry.
- The vehicle market weakened in most regions. In the USA, sales of cars and sport utility vehicles were down in the 1st quarter of 2003. In Western Europe, new car registrations were lower than a year earlier. Despite a decline in new registrations in Germany, production rose to meet higher export demand. The Brazilian market held up better than expected.
- Global investment restraint is hitting mechanical and plant engineering particularly hard. The us machine tool market fell back further at the start of the year. Demand in the German mechanical engineering sector was unchanged from the depressed year-earlier level.
- The situation in the German construction sector has deteriorated further, with half of all construction capacity now unused. The us construction industry has also weakened significantly in recent months.

## Business situation

### Sales and order intake

The continuing economic weakness impacted ThyssenKrupp's business performance in the 2nd quarter 2002/2003. With orders almost unchanged, sales increased slightly compared with a year earlier.

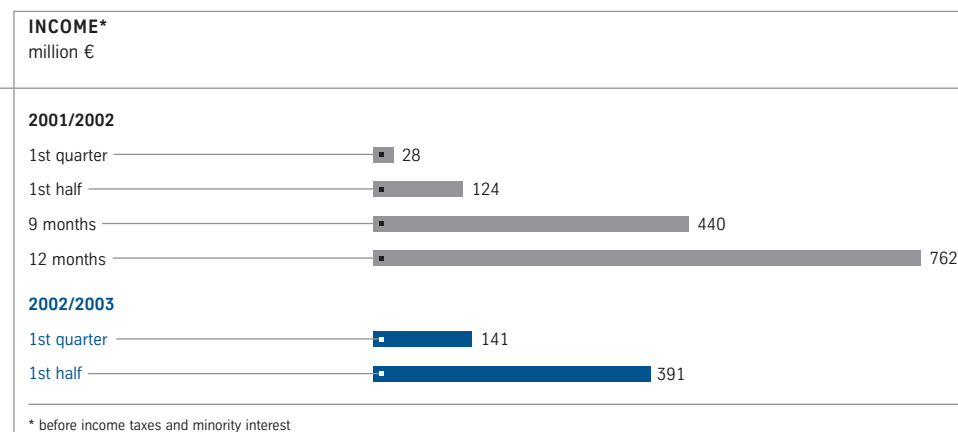
Order intake in the reporting quarter was €9.1 billion, 1% lower than the same period a year earlier. The Group's sales in the 2nd quarter 2002/2003 were €9.2 billion, 2% up from the previous year; Steel and Materials recorded growth.



### Income

ThyssenKrupp achieved income before taxes and minority interest of €250 million in the 2nd quarter 2002/2003, an increase of €154 million from the comparable prior-year quarter.

Eliminating the €41 million gain on the disposal of the quarto plate activities in the Steel segment, normalized income before taxes and minority interest was €209 million (prior year: €5 million). Year on year, ThyssenKrupp thus improved its normalized 2nd-quarter earnings by €204 million.



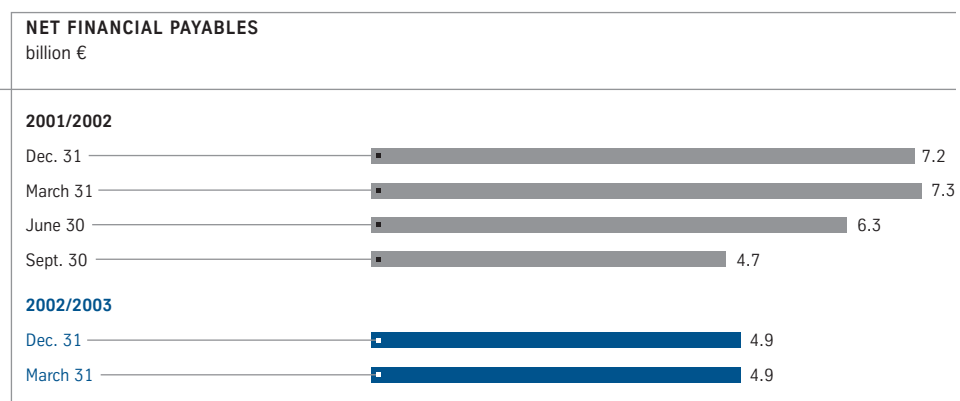
The Steel segment made the biggest contribution to earnings and also reported the greatest improvement. Normalized earnings at Automotive were higher than the comparable prior-year quarter, which included a non-recurring disposal gain. Earnings at Elevator were up once again. There was also an earnings improvement at Technologies. Materials achieved a substantial increase in income, mainly due to efficiency enhancements. Eliminating the non-recurring disposal gain in the 2nd quarter 2001/2002, the loss at Serv was at the same level as a year earlier. Earnings at Real Estate remained stable, matching the prior-year quarter.

After deducting taxes, minority interest and the effects of the change in accounting principles, ThyssenKrupp reported a 2nd-quarter profit of €158 million, €92 million higher than the same period a year earlier. Basic earnings per share rose from €0.13 in the prior-year quarter to €0.31 in the 2nd quarter 2002/2003. Eliminating the effects of the change in accounting principles and the gain on the sale of the quarto plate activities – including related tax effects – gives normalized earnings per share of €0.22, an increase of €0.21 per share compared with the 2nd quarter 2001/2002.

### Net financial payables and capital expenditures

The Group's net financial payables at March 31, 2003 were €4.9 billion, an increase of €189 million compared with September 30, 2002. The increase is due to the usual cash outflows in the 1st quarter and the dividend payment in the second quarter. The strengthening of the euro in particular worked in the opposite direction. Compared with March 31, 2002, the Group's net financial payables were €2.4 billion lower.

Capital expenditures in the 2nd quarter of fiscal 2002/2003 totaled €379 million, 5% less than a year earlier. €296 million was invested in property, plant and equipment and intangible assets, with the remaining €83 million used for the acquisition of businesses, shareholdings and other financial assets.



### Employees

ThyssenKrupp had 187,740 employees worldwide on March 31, 2003, a decrease of 3,514 or 1.8% compared with the end of the last fiscal year. The workforce fell in almost all segments, with the largest reductions at Steel, Automotive, Technologies and Serv.

The headcount in Germany decreased 2.2% to 100,615 and outside Germany by 1.4% to 87,125. At the end of March 2003, 54% of the workforce was employed in Germany, 20% in the rest of Europe and 18% in the NAFTA region.

## Segments

### Steel

STEEL SEGMENT IN FIGURES		2nd quarter ending March 31,		1st half ending March 31,	
		2002	2003	2002	2003
Order intake	million €	3,123	3,299	5,730	6,236
Sales	million €	2,919	3,222	5,551	6,014
Income*	million €	(39)	157	(65)	229
Employees (March 31)		50,363	49,128	50,363	49,128

\* before income taxes and minority interest

Increased demand brought about a further improvement in the business situation of the Steel segment in the 2nd quarter 2002/2003. Compared with the prior-year quarter, orders were 6% higher at €3.3 billion and sales up 10% to €3.2 billion. The production facilities were running at virtually full capacity, and crude steel output rose 10% to 4.4 million metric tons.

Following a strong improvement in the prior-year quarter, orders in the Carbon Steel business unit increased 4% to €1.9 billion. Sales expanded 13% to €1.9 billion, primarily due to higher shipments and average revenues as well as a more favorable product mix. The increase was particularly pronounced for hot-dip coated products due to the increased capacities in Dortmund. Medium-wide strip and tailored blanks also enjoyed higher-than-average sales growth. The further deterioration of the market resulted in another drop in sales of construction elements.

At Stainless Steel, orders rose 5% to €1.1 billion, mainly due to higher revenues and alloy surcharges. Year-on-year 2nd-quarter sales grew 6% to €1.1 billion. Total shipments, particularly of core stainless flat products, expanded significantly. With demand for stainless steel remaining strong, base prices at the European stainless producers stabilized at the level of the 1st quarter 2002/2003. Following the trend in nickel prices, alloy surcharges rose further. Weak demand from the aerospace industry and the absence of the coin business led to lower sales of nickel-base alloys.

Special Materials recorded a €61 million increase in sales to €430 million in the reporting quarter. This growth was primarily generated by ThyssenKrupp Electrical Steel, which accounted for around half the business unit's sales, and was mainly due to the inclusion of ThyssenKrupp Electrical Steel AST in the 2nd half 2001/2002. On a like-for-like basis, sales would have increased €25 million due to higher volumes.

The Steel segment returned an increased profit of €157 million in the reporting quarter. €41 million of this came from the sale of the quarto plate activities in the Stainless Steel business unit. In the comparable prior-year quarter, the segment reported a loss of €39 million. As in the preceding quarter, both the Carbon Steel and Stainless Steel business units contributed to this €196 million earnings improvement.

Carbon Steel recorded a profit of €60 million, €133 million more than in the 2nd quarter 2001/2002. The improvement was particularly due to the volume of shipments, the product mix and the average revenues. Although prices for raw materials traded in us dollars – such as coal, coke and ore – rose significantly, the weakening of the us dollar meant that this had little impact on earnings. Higher personnel costs and higher prices for electricity and scrap were offset by cost-cutting measures.

Stainless Steel achieved an €86 million year-on-year improvement in 2nd-quarter profits to €104 million. This included the €41 million gain on the disposal of the quarto plate activities. Higher shipments of stainless flat-rolled products coupled with improved revenue levels generated significantly higher earnings.

Special Materials reported a loss of €1 million following a profit of €11 million in the 2nd quarter of the prior year. Income was down in all areas due to unfavorable product portfolios and significant increases in costs. Extensive restructuring programs are currently being planned and implemented at the relevant companies.

### Automotive

AUTOMOTIVE SEGMENT IN FIGURES		2nd quarter ending March 31,		1st half ending March 31,	
		2002	2003	2002	2003
Order intake	million €	1,584	1,596	3,041	3,107
Sales	million €	1,633	1,601	3,078	3,093
Income*	million €	66	47	67	67
Employees (March 31)		38,127	37,736	38,127	37,736

\* before income taxes and minority interest

At €1.6 billion, the Automotive segment's sales almost matched the prior-year quarter. The slight decrease was due to the strengthening of the euro against the us dollar and the Brazilian real. ThyssenKrupp Automotive thus held up well in a difficult market environment. Auto demand declined in most of the relevant markets. In Germany and Europe, new car registrations were lower than the same period a year earlier. In the USA, the market for cars and light trucks weakened. In Brazil, the market remained stable.

Model-related sales increases and decreases balanced each other out in the Chassis business unit; however, new orders led to an expansion of business volume. In the Body business unit, the weak performance of certain models from the major us manufacturers depressed sales. The Powertrain business unit continued to improve, winning several orders for new models.

The Automotive segment recorded earnings of €47 million, €19 million lower than the prior-year period. Eliminating the disposal gain of €21 million from the sale of a shareholding in the 2nd quarter 2001/2002, normalized earnings were up €2 million.

In the Chassis business unit, restructuring and cost-cutting measures resulted in a significant increase in earnings. Eliminating the non-recurring effect from the disposal of a shareholding in the prior-year quarter, the Powertrain business unit reached the high level of the previous year's 2nd-quarter earnings. By contrast, the earnings situation in the Body business unit remained tight. As restructurings and cost-cutting programs were unable to fully offset higher personnel expense in the USA, a loss was recorded for the 2nd quarter 2002/2003.

## Elevator

ELEVATOR SEGMENT IN FIGURES		2nd quarter ending March 31,		1st half ending March 31,	
		2002	2003	2002	2003
Order intake	million €	976	836	1,930	1,790
Sales	million €	864	812	1,714	1,632
Income*	million €	66	83	138	164
Employees (March 31)		28,286	29,054	28,286	29,054

\* before income taxes and minority interest

While Elevator's new installations business declined due to the weak construction sector, the service business fared significantly better. Year on year, 2nd-quarter orders were down 14% at €836 million. Sales at €812 million were 6% lower than a year earlier. The reductions in order intake and sales were largely due to the strengthening of the euro against the us dollar and the Brazilian real.

The Germany/Austria/Switzerland business unit achieved higher sales in a difficult market environment. Gains in market share from new, innovative elevator variants contributed to this performance. Business in the France/Benelux business unit stabilized at a high level. Despite negative exchange rate effects and continuing political and economic instability in some Latin American countries, the Spain/Portugal/Latin America business unit achieved further sales improvements. The decline in sales in the North America/Australia business unit was largely due to exchange rate effects, but the deterioration of the market for commercial real estate also had an effect at operating level. In the Other Countries, the segment strengthened its market position through acquisitions and intensified marketing efforts.

Sales at the Passenger Boarding Bridges business unit fell due to the downturn in the us aerospace industry; in China, the business unit won a major order to supply 29 passenger boarding bridges for Guangzhou Airport. The Accessibility business unit's sales fell just short of the prior-year quarter.

The Elevator segment recorded a profit of €83 million in the 2nd quarter 2002/2003, €17 million higher than a year earlier. Despite the expense arising from a plant closure, the Germany/Austria/Switzerland business unit managed to match the earnings of the prior-year quarter. Full order books at the France/Benelux and Spain/Portugal/Latin America business units led to significant earnings improvements. Production capacities were adjusted at the North America/Australia business unit to compensate for the negative trend in the new installations business. The Passenger Boarding Bridges business unit reported a slight loss, while the Accessibility business unit achieved a significant profit compared with the prior-year quarter.

### Technologies

TECHNOLOGIES SEGMENT IN FIGURES		2nd quarter ending March 31,		1st half ending March 31,	
		2002	2003	2002	2003
Order intake	million €	978	1,068	2,649	2,406
Sales	million €	1,374	1,336	2,652	2,699
Income*	million €	(4)	15	(11)	11
Employees (March 31)		32,472	31,500	32,472	31,500

\* before income taxes and minority interest

2nd-quarter 2002/2003 order intake in the Technologies segment was €1.1 billion, a 9% improvement versus the prior-year quarter. In the Production Systems unit, orders increased at Autobody Manufacturing Systems but decreased at Metal Cutting. At Plant Technology, higher orders were achieved in particular in the chemical plant business. Mechanical Engineering recorded higher orders in almost all business units.

Sales of Technologies declined by 3% to €1.3 billion in the 2nd fiscal quarter. The main reasons for the lower sales at Production Systems were reduced systems business at Metal Cutting and continued low demand particularly in the USA and Germany. Plant Technology achieved higher sales for project reasons. Sales at Marine were up from the previous year. The Mechanical Engineering unit failed to reach the sales of the comparable prior-year period due to the disposal of Berco Bautechnik and decreases in other areas.

With income of €15 million in the 2nd quarter 2002/2003, the Technologies segment reported a significant earnings improvement of €19 million compared with the prior-year quarter, when it made a loss of €4 million. Earnings at Production Systems were level with the prior year, with the Metal Cutting business unit posting a further loss due to declining systems business and the continuing economic weakness in the USA. By contrast, the Autobody Manufacturing Systems and Assembly Plant business units generated positive results. The earnings improvement at Plant Technology was achieved in the chemical plant business. Marine's earnings were still steady at the strong prior-year level. The profit at Mechanical Engineering was mainly generated by the large-diameter bearing business. Construction sector-related earnings were lower than a year earlier.

## Materials

MATERIALS SEGMENT IN FIGURES		2nd quarter ending March 31,		1st half ending March 31,	
		2002	2003	2002	2003
Order intake	million €	2,532	2,358	4,477	4,513
Sales	million €	2,145	2,246	4,148	4,390
Income*	million €	10	26	5	40
Employees (March 31)		13,880	13,604	13,880	13,604

\* before income taxes and minority interest

The Materials segment achieved sales of €2.2 billion in the 2nd quarter 2002/2003, up 5% from the comparable prior-year quarter. The growth was mainly due to a corresponding increase in volumes. By contrast, the strong price and competitive pressure continued unabated in the reporting period.

At MaterialsServices North America, sales were lower for exchange rate reasons. MaterialsServices Europe, on the other hand, recorded higher sales. On the domestic market there were volume improvements and an increase in revenues for stainless steel; the Eastern European business profited from our good market position and lively demand. The Special Products business unit also reported higher sales.

Materials generated a profit of €26 million in the 2nd quarter 2002/2003 compared with €10 million a year earlier. This represents an increase of €16 million. Despite the continuing difficult market environment, the MaterialsServices Europe and MaterialsServices North America business units increased their earnings significantly thanks to cost reductions. The Special Products business unit improved its earnings from an already high level.

## Serv

SERV SEGMENT IN FIGURES		2nd quarter ending March 31,		1st half ending March 31,	
		2002	2003	2002	2003
Order intake	million €	659	521	1,298	1,171
Sales	million €	586	566	1,186	1,163
Income*	million €	12	(7)	29	2
Employees (March 31)		25,860	25,288	25,860	25,288

\* before income taxes and minority interest

Serv achieved sales of €566 million in the 2nd quarter 2002/2003, down 3% from the corresponding prior-year quarter. These figures mirror the continuing weak general economic situation, particularly in the construction sector. Industrial production remained at a very low level, necessary modernization projects and maintenance contracts were deferred and the construction sector shrank further.

Reflecting this market situation and the disposal of its environmental activities, the Industrial Services business unit reported a decline in sales. Sales of the Construction Services business unit, which is mainly active in the construction industry, again decreased significantly. The Information Services business unit profited from the increasing trend toward outsourcing of IT services and recorded virtually unchanged sales, despite the disposal of its multimedia activities. A significant sales increase was achieved by the Facilities Services business unit, which was fundamentally restructured last fiscal year.

The Serv segment reported a loss of €7 million in the 2nd quarter 2002/2003, an earnings deterioration of €19 million compared with a year earlier. Whereas the prior-year figure included a non-recurring effect from the sale of the Eurawasser shareholding in the amount of €19 million, considerable restructuring expenses had to be absorbed in the reporting quarter in the Construction Services business unit, which is up for sale. The operating earnings of all other business units improved compared with the prior year. Significantly positive earnings contributions came from Industrial Services and Information Services; despite the improvements achieved, Facilities Services still posted a loss.

**Real Estate** generated sales of €84 million in the 2nd quarter 2002/2003, a 7% drop compared with the prior-year quarter. The biggest contribution to sales was made by the Residential Real Estate business unit. Earnings amounted to €21 million, up €2 million from a year earlier.

**Corporate** includes the Group's head office and the companies not assigned to the individual segments. Corporate reported a loss of €91 million in the 2nd quarter 2002/2003. Eliminating the €51 million gain on the disposal of the Kone shares in the prior-year quarter, the loss is roughly the same as a year earlier.

**Consolidation** mainly includes the results of intercompany profit elimination.

## ThyssenKrupp best

At the end of the reporting period, ThyssenKrupp best comprised 1,590 projects for increasing value-added in the Group. Of these, 272 projects had already been successfully completed. Some of the implemented suggestions have already led to earnings improvements. In line with the program's aims, the results of the projects are in many cases being transferred to other areas of the Group. Current examples of this are the systematic development of additional cost-effective procurement markets for the Group, especially in Eastern Europe, and new, web-based tendering systems for transportation contracts.

The Six Sigma method has developed into one of the most widely used tools for project work, also thanks to Groupwide knowledge transfer. The method is particularly successful in repetitive production processes, where it reduces costs and increases productivity by, for example, reducing defect rates and saving material. At the end of the 2nd quarter 2002/2003, more than 160 projects were using this method. First applied in the Automotive segment, Six Sigma is now being used intensively in the Technologies segment and also at Materials and Serv. The basis for this is cross-segment utilization of existing know-how; in addition, training resources are used jointly.

The ThyssenKrupp best initiative "Knowledge and Innovation Management" is currently laying the foundations for systematic and targeted knowledge transfer throughout the Group. The aim is to build up a comprehensive, web-based knowledge network which will facilitate and accelerate the procurement, exchange and further development of key business know-how. The first phase of the system, ThyssenKrupp base, has already been successfully launched. This application contains up-to-date structural and basic information on the entire Group and also offers various functions for realizing synergy effects in the areas of sales and procurement. ThyssenKrupp base is available to Group employees on the intranet. A modified version can also be accessed by external users, for example customers and suppliers, via the internet.

As part of the effort to integrate employee suggestions into the Groupwide program, a ThyssenKrupp best ideas competition was held from October 2002 to February 2003. The contest led to a significant increase in the number of suggestions submitted. Additional measures are currently being prepared to further develop the company suggestion scheme as part of the Group program.

## Innovation

The innovative strength and technological capabilities of the Group, which enable us to secure and expand our markets through new products, were demonstrated in this year's innovation contest, the results of which were announced in the reporting period. Around 60 projects were submitted for evaluation, almost half of them from ThyssenKrupp companies outside Germany, for example from Brazil, China and the USA. All the ideas centered on questions such as how

better products can provide added value for customers and how costs can be reduced in production. The contest, which was held for the fourth time, is only open to ideas which have been successfully introduced in practice and are now proving themselves on the market.

#### **Prizes for successful inventors and developers**

This year, first prize went to a group of researchers and design engineers in the Elevator segment for the development of the new space-saving TWIN elevator concept, which was described in detail in the interim report on the 1st quarter 2002/2003. In the TWIN system, two elevator cabs travel independently of one another in only one elevator shaft. A sophisticated electronic control system ensures passengers reach their destinations faster and makes trips both comfortable and safe.

Second prize was won by engineers and technicians from the Automotive segment. They developed a stabilizer system for sport utility vehicles which makes a major contribution to driving safety. Sporty yet safe road handling of these vehicles requires tight suspension, high damping and torsionally stiff stabilizers. For optimum off-road capability with high comfort levels, however, the opposite properties are required, namely soft suspension, low damping and torsionally flexible stabilizers. One solution lies in hydraulically switchable stabilizers, which can be adjusted by the driver to suit driving conditions. The system is currently being launched in production vehicles by several automobile manufacturers.

A team from the Steel segment together with external partners developed a new steel wheel which could replace cast aluminum wheels in automobile manufacture. The wheel is based on an innovative design which combines the advantages of high-strength steel and stainless steel. The new wheel, which recently went into production at a partner company, is almost as light as an aluminum equivalent and is 30% cheaper to produce. This development was awarded joint third prize.

The other joint third prize winner was the Materials segment for newly developed flood protection systems. These are steel sheet piling systems which can be further increased in height using various dike-top structures, including transparent designs. Depending on local conditions and water levels, temporary or permanent systems can be employed for dike reinforcement or modernization. The new systems will make dam and dike construction quicker, cheaper and safer.

#### **Prize for "Gekko"**

The renowned nationwide innovation prize awarded by the German Federal Minister for Economics was won by the Serv segment for its scaffold system "Gekko". According to the judges, the system optimally meets the needs and requirements of building facade work.

## Corporate governance

On October 01, 2002, ThyssenKrupp became the first DAX company to issue a Declaration of Conformity in accordance with Art. 161 of the Stock Corporation Act (Aktiengesetz). The declaration stated that the company fulfilled the recommendations of the German Corporate Governance Code with two exceptions. These exceptions no longer apply. Firstly, no Supervisory Board member belonging to the executive board of a listed company holds more than five supervisory board seats at non-Group listed companies, and secondly the chair and membership of Supervisory Board committees will in the future be compensated separately according to a resolution by the Annual Stockholders' Meeting on February 21, 2003; an amendment to the Articles of Association to this effect was entered in the Commercial Register in April 2003. ThyssenKrupp therefore now fulfils all the recommendations of the Code. In addition, we comply largely with the additional suggestions of the Code. For example, Executive Board member compensation is reported on an individualized basis according to fixed salary, bonuses and stock appreciation rights. The introduction of staggered periods of office for the stockholder representatives on the Supervisory Board is the only Code suggestion we are not currently planning to implement.

Overall, ThyssenKrupp has gained widespread recognition for its corporate governance and the way it has implemented the Code. We will continue to provide open and up-to-date information about the Company in order to strengthen the trust of our business partners, employees, investors and other capital providers, and the public in general.

## Outlook

We do not yet expect any major improvement in the economic environment in the 2nd half of 2002/2003. Nevertheless we will continue to strengthen our earning power. Assuming no further deterioration in the economic parameters we aim to achieve 2nd-half earnings before taxes which should at least match the 1st-half figure. This would take us a major step closer to our goal of €1.5 billion EBT in fiscal 2003/2004.

## Condensed consolidated statements of income

million €, earnings per share in €	Note	2nd quarter ending March 31, 2002	2nd quarter ending March 31, 2003	1st half ending March 31, 2002*	1st half ending March 31, 2003
Net sales	(10)	9,015	9,218	17,354	17,917
Cost of sales		(7,481)	(7,625)	(14,432)	(14,778)
<b>Gross margin</b>		<b>1,534</b>	<b>1,593</b>	<b>2,922</b>	<b>3,139</b>
Selling expenses		(748)	(691)	(1,462)	(1,394)
General and administrative expenses		(651)	(564)	(1,279)	(1,182)
Other operating income	(3)	223	121	371	233
Other operating expenses		(281)	(159)	(406)	(311)
Gain/(loss) on the disposal of subsidiaries, net		3	(6)	5	(8)
<b>Income from operations</b>		<b>80</b>	<b>294</b>	<b>151</b>	<b>477</b>
Financial expense, net		16	(44)	(27)	(86)
<b>Income before income taxes, minority interest and cumulative effects of changes in accounting principles</b>	(10)	<b>96</b>	<b>250</b>	<b>124</b>	<b>391</b>
Provisions for income taxes		(26)	(101)	(36)	(148)
Minority interest		(4)	(12)	(4)	(25)
<b>Income before cumulative effects of changes in accounting principles</b>		<b>66</b>	<b>137</b>	<b>84</b>	<b>218</b>
Cumulative effects of changes in accounting principles (net of tax)	(4) (5)	0	21	(338)*	(6)**
<b>Net income/(loss)</b>	(4)	<b>66</b>	<b>158</b>	<b>(254)*</b>	<b>212</b>
<b>Basic earnings per share</b>	(4) (11)	<b>0.13</b>	<b>0.31</b>	<b>(0.49)*</b>	<b>0.41</b>

\* Restated to reflect adoption of SFAS 142

\*\* For allocation to the quarters see page 24

See accompanying notes to the unaudited condensed consolidated financial statements.

## Condensed consolidated balance sheets

<b>ASSETS</b>			
million €			
	Note	Sep. 30, 2002	March 31, 2003
Intangible assets, net	⑥	3,691	3,499
Property, plant and equipment, net		11,609	11,158
Financial assets, net		955	1,035
<b>Fixed assets</b>		<b>16,255</b>	<b>15,692</b>
Inventories		6,001	6,124
Trade accounts receivable, net		5,353	5,232
Other receivables and other assets, net		1,357	1,491
Securities		20	18
Cash and cash equivalents		921	777
<b>Operating assets</b>		<b>13,652</b>	<b>13,642</b>
<b>Deferred income taxes</b>		<b>1,003</b>	<b>996</b>
<b>Prepaid expenses and deferred charges</b>		<b>250</b>	<b>238</b>
<b>Total assets</b>		<b>31,160</b>	<b>30,568</b>

<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
million €			
	Note	Sep. 30, 2002	March 31, 2003
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		2,484	2,490
Accumulated other comprehensive income		(198)	(342)
<b>Total Stockholders' Equity</b>	⑦	<b>8,287</b>	<b>8,149</b>
<b>Minority interest</b>		<b>297</b>	<b>277</b>
Accrued pension and similar obligations		7,065	6,965
Other accrued liabilities		3,066	2,954
<b>Accrued liabilities</b>		<b>10,131</b>	<b>9,919</b>
Financial payables		5,683	5,726
Trade accounts payable		3,128	2,903
Other payables		3,013	2,913
<b>Payables</b>		<b>11,824</b>	<b>11,542</b>
<b>Deferred income taxes</b>		<b>556</b>	<b>592</b>
<b>Deferred income</b>		<b>65</b>	<b>89</b>
<b>Total Stockholders' Equity and Liabilities</b>		<b>31,160</b>	<b>30,568</b>

See accompanying notes to the unaudited condensed consolidated financial statements.

## Condensed consolidated statements of cash flows

million €	1st half ending March 31, 2002*	1st half ending March 31, 2003
<b>Operating:</b>		
Net income/(loss)	(254)	212
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Minority interest	4	25
Depreciation, amortization and impairment of fixed assets	1,136*	783
Earnings from companies valued at equity, net of dividends received	(9)	(35)
(Gain)/loss from disposal of assets	(143)	5
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
- inventories	(290)	(129)
- trade accounts receivable	43	107
- other assets not related to investing or financing activities	(213)*	(80)
- accrued pension and similar obligations	(53)	(27)
- other accrued liabilities	(240)	(39)
- trade accounts payable	(219)	(220)
- other liabilities not related to investing or financing activities	273	(75)
<b>Net cash provided by operating activities</b>	<b>35</b>	<b>527</b>
<b>Investing:</b>		
Purchase of financial assets and businesses	(142)	(128)
Cash acquired from acquisitions	4	1
Capital expenditures for property, plant and equipment	(713)	(586)
Capital expenditures for intangible assets	(33)	(23)
Proceeds from the sale of financial assets and businesses	247	29
Cash of disposed businesses	0	(2)
Proceeds from disposals of property, plant and equipment	133	43
Proceeds from disposals of intangible assets	3	10
<b>Net cash used in investing activities</b>	<b>(501)</b>	<b>(656)</b>
<b>Financing:</b>		
Increase/(decrease) of bonds	496	(2)
(Decrease)/increase of payables to financial institutions	(425)	58
Proceeds from notes payable and other loans	277	188
Decrease in bills of exchange	(8)	(2)
(Increase)/decrease in securities classified as operating assets	(2)	1
Payment of ThyssenKrupp AG dividend from the preceding year	(309)	(206)
Other financing activities	10	(37)
<b>Net cash provided by financing activities</b>	<b>39</b>	<b>0</b>
Effect of exchange rate changes on cash and cash equivalents	27	(15)
<b>Net decrease in cash and cash equivalents</b>	<b>(400)</b>	<b>(144)</b>
Cash and cash equivalents at beginning of reporting period	1,234	921
<b>Cash and cash equivalents at end of reporting period</b>	<b>834</b>	<b>777</b>
* Restated to reflect adoption of SFAS 142		

See accompanying notes to the unaudited condensed consolidated financial statements.

## Notes to the interim condensed consolidated financial statements

The accompanying unaudited condensed consolidated financial statements present the operations of ThyssenKrupp AG and its subsidiaries (the "Group"). The condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) for interim financial information. Accordingly, these financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements for year end reporting purposes.

①

Basis of presentation

The accompanying interim financial statements are unaudited, but reviewed. In the opinion of Management, these unaudited condensed consolidated financial statements include all adjustments of a normal and recurring nature and necessary for a fair presentation of results for interim periods. Results of the six months ending March 31, 2003, are not necessarily indicative of future results.

The accounting principles and practices as applied correspond in general to those pertaining to the most recent annual consolidated financial statements. A detailed description of these principles is published in the financial report of our annual report 2001/2002.

Certain reclassifications have been made to the prior period presentation to conform to that of the current period.

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations". This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Group adopted SFAS 143 as of October 01, 2002. However, at the end of the first quarter the Group had not finally completed the first-time implementation of the new Standard, therefore recorded the required transition adjustments in its second quarter interim financial information retrospectively.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 retains the requirement in APB Opinion No. 30 to report separately discontinued operations and extends that reporting from a "segment of a business" to a "component of an entity". The adoption of SFAS 144 as of October 01, 2002 did not have a material impact on the results of operations or the financial position of the Group.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 requires entities to recognize costs associated with exit or disposal activities only when liabilities for these costs are incurred (subsequent to a commitment to a plan) rather than at the date of a commitment to an exit or disposal plan. The provisions of SFAS 146 are to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Although management believes the adoption of SFAS 146 will not have a material impact on the Group's financial statements, adoption of the Standard will result in timing differences in the recognition and measurement of expenses relating to exit and disposal activities.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". The Interpretation clarifies that a guarantor should recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in providing the guarantee. The initial recognition and measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. For the enhanced footnote disclosure requirements see Note (8). The Group does not anticipate the adoption of recognition provisions of this Interpretation to have a material effect on its financial position or results of operations.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement 123". The Standard does not effect the measurement of the Group's long-term management incentive plan.

In December 2002, the FASB's Emerging Issues Task Force (EITF) published Issue-No. 00-21, "Revenue Arrangements with Multiple Deliverables", a final Consensus on when and how to allocate revenue from sales undertakings to deliver more than one product or service. The Consensus is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. ThyssenKrupp has not finally determined what effect this statement will have.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities". By applying the guidance of the Interpretation, the Group will be required to consolidate entities in which its variable interests in the entity are at a level significant enough to be considered the Primary Beneficiary. The Interpretation will be fully applicable to all entities created after January 31, 2003 with enhanced footnote disclosures concerning the Group's current involvement in certain variable interest entities (as defined in the Interpretation) required for financial statements issued after January 31, 2003. The guidance in this Interpretation, other than the disclosures required prior to the effective date, is applicable to preexisting variable interest entities as of the beginning of the first interim or annual reporting period beginning after June 15, 2003. See Note (8) for a description of the Group's current involvement in variable interest entities.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends the accounting and reporting for derivative instruments under SFAS 133 including certain derivative instruments embedded in other contracts. The Statement also impacts the accounting and reporting for hedging activities under SFAS 133. Generally, this Statement is effective for contracts entered into or modified after June 30, 2003 and should be applied on a prospective basis. The Group is currently determining the impact of the adoption of SFAS 149 on its consolidated financial statements.

②

Compensation expense for the long-term management incentive plan

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

Within the 2nd quarter the appreciation rights granted in the second installment of the incentive plan expired without payment because at the end of the performance period the performance hurdles were not met. As of March 31, 2003 the performance hurdles for the other installments of the Group's long-term management incentive plan were also not met. As a result, the Group recorded no compensation expense from the plan in the 2nd quarter of 2002/2003.

Included in the other operating income is a €41 million gain on the disposal of the quarto plate activities in the Steel segment.

③

Other operating income

The Group adopted SFAS 142 "Goodwill and Other Intangible Assets", effective October 01, 2001. The Group completed the transitional goodwill impairment test required by the Standard and recorded the resulting impairment in the fourth quarter of the fiscal year ending September 30, 2002 as a cumulative effect of a change in accounting principles.

④

Adjustment of comparative prior period result to reflect adoption of SFAS 142

Although the implementation requirements of SFAS 142 allow up to one year from the date of adoption to complete the initial impairment test, any resulting impairment write-down is effective as of the first day of the fiscal year in which the Standard is adopted. As a result, the three-month, six-month cumulative and nine-month cumulative interim financial statements for fiscal year 2001/2002, which are presented for comparative purposes, require restatement to reflect the cumulative effect of a change in accounting principles as if the change had been initially recorded as of October 01, 2001.

The €338 million (net of €9 million tax effect) cumulative adjustment was initially recorded in the Group's consolidated financial statements for the year ending September 30, 2002. Further information concerning the adoption of SFAS 142 can be found in those annual consolidated financial statements and the notes included therein.

The effect of the change in accounting on the 1st half of fiscal 2001/2002 is as follows:

	1st half ending March 31, 2002
<b>Total amount in million €:</b>	
Net income as originally reported	84
Goodwill impairment upon adoption of SFAS 142 recorded as a cumulative effect of a change in accounting principles	(338)
<b>Net loss, as restated</b>	<b>(254)</b>
<b>Earnings per share in €:</b>	
Net income as originally reported	0.16
Goodwill impairment upon adoption of SFAS 142 recorded as a cumulative effect of a change in accounting principles	(0.65)
<b>Net loss, as restated</b>	<b>(0.49)</b>

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Adjustment to reflect  
adoption of SFAS 143

	1st quarter ending Dec. 31, 2002
<b>Total amount in million €:</b>	
Net income as originally reported	81
Adoption of SFAS 143 recorded as a cumulative effect of a change in accounting principles	(27)
<b>Net income, as restated</b>	<b>54</b>
<b>Earnings per share in €:</b>	
Net income as originally reported	0.16
Adoption of SFAS 143 recorded as a cumulative effect of a change in accounting principles	(0.06)
<b>Net income, as restated</b>	<b>0.10</b>

The accrued liability for asset retirement obligations mainly consists of obligations associated with mining activities and recultivating landfills. In most cases the associated asset is already fully depreciated, so an adjustment to any existing liability is income-effective and shown as a cumulative effect of change in accounting principles.

As a result of adopting SFAS 143, expense of €14 million (expense of €6 million net of tax) has been recorded as cumulative effect of a change in accounting principles during the 1st half ending March 31, 2003. Included in the €14 million cumulative effect adjustment is €29 million (€21 million net of tax) of income from the first time application of SFAS 143 as of January 01, 2003 by a significant equity method investee.

Had SFAS 143 been applied as of September 30, 2002, September 30, 2001 and October 01, 2000, the impact on the liability recorded, net income and earnings per share would not have been material.

The change in the accrued liability for asset retirement obligations for the 1st half ending March 31, 2003 is as follows:

million €	<b>Total</b>
<b>Balance as of September 30, 2002</b>	<b>162</b>
Additions	50
Accretion	2
Amounts utilized	(6)
<b>Balance as of March 31, 2003</b>	<b>208</b>

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

⑥  
Goodwill and other  
intangible assets

million €	Gross values March 31, 2003	Accumulated amortization March 31, 2003	Net values March 31, 2003
Brand names and trademarks	1	0	1
Customer base and relationship	23	16	7
Prohibition to compete	1	1	0
Licences and franchises	141	83	58
Patents, copyrights and similar	7	4	3
Service contracts	155	46	109
Other contractual positions	10	5	5
Acquired software and website	275	208	67
Internally developed software and website	39	24	15
<b>Intangible assets subject to amortization</b>	<b>652</b>	<b>387</b>	<b>265</b>

In addition to the above mentioned amortized intangible assets the Group has an unamortized intangible asset resulting from a company name with a net book value of €9 million.

The aggregate amortization expense related to intangible assets for the 1st half ending March 31, 2003, was €42 million. Estimated amortization expense for each of the next five years will be approximately €81 million.

The change in the carrying amount of goodwill (excluding goodwill of equity method investments) for the 1st half ending March 31, 2003 is as follows:

million €	Steel	Automotive	Elevator	Technologies	Materials	Serv	Real Estate	Corporate	Total*
<b>Balance as of September 30, 2002</b>	<b>825</b>	<b>368</b>	<b>1,185</b>	<b>495</b>	<b>216</b>	<b>195</b>	<b>0</b>	<b>14</b>	<b>3,298</b>
Currency changes	(19)	(11)	(97)	(13)	(14)	(4)	0	0	(158)
Acquisitions/(disposals)	0	0	9	0	5	11	0	0	25
Transfers	0	0	0	0	0	0	0	0	0
Disposals	0	0	(1)	(1)	0	0	0	0	(2)
<b>Balance as of March 31, 2003</b>	<b>806</b>	<b>357</b>	<b>1,096</b>	<b>481</b>	<b>207</b>	<b>202</b>	<b>0</b>	<b>14</b>	<b>3,163</b>

\* excluding goodwill of equity investments

Furthermore, the intangible asset position in the balance sheet includes advance payments on intangible assets and intangible pension assets in the amount of €62 million.

7

Stockholders' Equity

The development of Stockholders' Equity in the 1st half ending March 31, 2003 is as follows:

million €	Accumulated other comprehensive income							Total
	Capital stock	Additional paid in capital	Retained earnings	Cumulative translation adjustment	Available-for-sale securities	Minimum pension liability	Derivative financial instruments	
<b>Balance as of September 30, 2002</b>	<b>1,317</b>	<b>4,684</b>	<b>2,484</b>	<b>32</b>	<b>1</b>	<b>(180)</b>	<b>(51)</b>	<b>8,287</b>
Net income			212					212
Other comprehensive income				(134)	0	(18)	8	(144)
<b>Total comprehensive income</b>								<b>68</b>
Dividend payment			(206)					(206)
<b>Balance as of March 31, 2003</b>	<b>1,317</b>	<b>4,684</b>	<b>2,490</b>	<b>(102)</b>	<b>1</b>	<b>(198)</b>	<b>(43)</b>	<b>8,149</b>

From total comprehensive income in the current reporting period, €53 million was generated within the 2nd quarter of 2002/2003. Total comprehensive income for the previous year six month period ending March 31, 2002 was €230 million, €77 million thereof being allocable to the 2nd quarter of 2001/2002.

8

Contingencies including pending lawsuits and claims for damages

### Guarantees

ThyssenKrupp AG as well as its segment lead companies ThyssenKrupp Steel AG, ThyssenKrupp Technologies AG, ThyssenKrupp Materials AG and ThyssenKrupp Serv AG have issued guarantees in favor of customers or lenders. The guarantees issued comprise of:

- advance payment bonds,
- bid bonds,
- exporter guarantees,
- performance bonds,
- third party credit guarantee,
- letters of comfort.

Furthermore, we have issued rental payment guarantees and other guarantees that do not fit into one of the above-mentioned categories. The terms of those guarantees depend on the type of guarantee and may range from three months to ten years (e.g. rental payment guarantees).

The basis for possible payments under the guarantees is always the non-performance of the primary obligor under a contractual agreement, e.g. late delivery, delivery of non-conforming goods under a contract, non-performance with respect to the warranted quality or default under a loan agreement.

All guarantees issued by ThyssenKrupp AG or the segment lead companies are based on requests from third parties who are subject to recourse provisions in case of default. In some cases we, as the guarantor, have received cash under a collateralization agreement to partially cover a potential loss from our performance under such guarantee.

Furthermore, our consolidated subsidiaries are responsible to their customers for the proper functioning of the goods sold (product warranty). The method for calculating accrued liabilities for such product warranties depends on the type of goods sold. In the case of single-item production the provisions for accrued liabilities are calculated for each product using the full production costs. An accrued liability will be recognized only if it is probable that a claim will be asserted. By contrast, the provisions for product warranties in serial or large-scale production entities are calculated using a percentage of total sales or are based on average historical payments from past claims. In addition, our subsidiaries are obligated to compensate their clients for damages that arise from the use of the products sold (product defect). If possible, risks from product liabilities are covered by insurance contracts. For all other cases an accrued liability is recognized.

The change in the accrued liability for product warranties and product defects for the 1st half ending March 31, 2003 is as follows:

million €	
	<b>Total</b>
<b>Balance as of September 30, 2002</b>	<b>321</b>
Currency changes	(14)
Acquisitions/(divestitures)	(9)
Amounts utilized	(35)
Changes from product warranties issued in 1st half of 2002/2003	61
Changes from prior period product warranties and product defects issued	(21)
<b>Balance as of March 31, 2003</b>	<b>303</b>

### Variable interest entities

ThyssenKrupp has leased facilities for the production of coke and transloading of coal from entities which have characteristics of variable interest entities as described in the FASB Interpretation No. 46, "Consolidation of Variable Interest Entities". Based on information currently available, consolidation of these variable interest entities in the Group's financial statements may be necessary as of July 01, 2003 due to the first time application of the new consolidation rules as described in the Interpretation. These obligations have been reflected as future minimum lease payments in the Notes to the Group's consolidated financial statements. One entity is the owner of a new coking plant in Duisburg-Schweglern, which is currently under construction. ThyssenKrupp is obligated to purchase coke under a 16 year

off-take agreement. Upon consolidation of the entity an amount of approx. €818 million would be added to both assets and liabilities of the Group. The Group's theoretical maximum exposure to loss of €31 million under the coking plant structure concerns a guarantee of the residual value of the leased asset at the end of the off-take agreement. A similar structure is used to lease the coal terminal in Rotterdam, a logistic terminal for the loading and discharge of coal. For this terminal an amount of approx. €69 million would be added to the Group's assets and liabilities upon consolidation of the financing entity. The Group's maximum exposure to loss of €27 million results from a guarantee of the residual value of the leased asset at the end of the agreement.

### Pending lawsuits and claims for damages

The Group is involved in pending and threatened litigation in connection with the sale of certain companies, which may lead to partial repayment of purchase price or to the award of damages. In addition, damage claims may be payable to customers and subcontractors under performance contracts. Certain of these claims have proven unfounded or have expired under the statute of limitations. The Group believes, based upon consultation with relevant legal counsel, that the ultimate outcome of these pending and threatened lawsuits will not result in a material impact on the Group's financial condition or results of operations.

Regarding the remaining contingencies, including pending litigations, there have been no significant changes.

9

Derivative financial  
instruments

The carrying values and fair market values of the Group's derivative financial instruments were as follows:

million €	Carrying value Sept. 30, 2002	Fair value Sept. 30, 2002	Carrying value March 31, 2003	Fair value March 31, 2003
<b>Derivative financial instruments</b>				
Assets				
Foreign currency derivatives incl. embedded derivatives	115	115	215	215
Commodity derivatives	4	4	10	10
Liabilities				
Foreign currency derivatives incl. embedded derivatives	58	58	119	119
Interest rate derivatives	86	86	77	77
Commodity derivatives	3	3	7	7
<b>Total</b>	<b>266</b>	<b>266</b>	<b>428</b>	<b>428</b>

Segment information for the 2nd quarter ending March 31, 2002 and March 31, 2003 as well as for the 1st half ending March 31, 2002 and March 31, 2003:

⑩

Segment reporting

million €	Steel	Automotive	Elevator	Technologies	Materials	Serv	Real Estate	Corporate	Consolidation	Group
<b>2nd quarter ending March 31, 2002</b>										
External sales	2,496	1,621	862	1,363	2,064	507	87	15	0	<b>9,015</b>
Internal sales within the Group	423	12	2	11	81	79	3	0	(611)	<b>0</b>
Total sales	2,919	1,633	864	1,374	2,145	586	90	15	(611)	<b>9,015</b>
Income/(loss) before income taxes and minority interest	(39)	66	66	(4)	10	12	19	(37)	3	<b>96</b>
<b>2nd quarter ending March 31, 2003</b>										
External sales	2,790	1,594	808	1,306	2,145	486	81	8	0	<b>9,218</b>
Internal sales within the Group	432	7	4	30	101	80	3	0	(657)	<b>0</b>
Total sales	3,222	1,601	812	1,336	2,246	566	84	8	(657)	<b>9,218</b>
Income/(loss) before income taxes and minority interest	157	47	83	15	26	(7)	21	(91)	(1)	<b>250</b>
<b>1st half ending March 31, 2002</b>										
External sales	4,754	3,056	1,712	2,632	3,981	1,031	158	30	0	<b>17,354</b>
Internal sales within the Group	797	22	2	20	167	155	9	1	(1,173)	<b>0</b>
Total sales	5,551	3,078	1,714	2,652	4,148	1,186	167	31	(1,173)	<b>17,354</b>
Income/(loss) before income taxes and minority interest	(65)	67	138	(11)	5	29	47	(90)	4	<b>124</b>
<b>1st half ending March 31, 2003</b>										
External sales	5,179	3,078	1,627	2,646	4,206	1,010	154	17	0	<b>17,917</b>
Internal sales within the Group	835	15	5	53	184	153	8	0	(1,253)	<b>0</b>
Total sales	6,014	3,093	1,632	2,699	4,390	1,163	162	17	(1,253)	<b>17,917</b>
Income/(loss) before income taxes and minority interest	229	67	164	11	40	2	41	(159)	(4)	<b>391</b>

11

Earnings per share

Basic earnings per share is computed as follows:

	2nd quarter ending March 31, 2002		2nd quarter ending March 31, 2003	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
<b>Numerator:</b>				
Income before changes in accounting principles (net of tax)	66	0.13	137	0.27
Cumulative effect of changes in accounting principles (net of tax)	0	0.00	21	0.04
Net income	66	<b>0.13</b>	158	<b>0.31</b>
<b>Denominator:</b>				
Weighted average shares	514,489,044		514,489,044	

	1st half ending March 31, 2002		1st half ending March 31, 2003	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
<b>Numerator:</b>				
Income before changes in accounting principles (net of tax)	84	0.16	218	0.42
Cumulative effect of changes in accounting principles (net of tax)	(338)	(0.65)	(6)	(0.01)
Net income/(loss)	(254)	<b>(0.49)</b>	212	<b>0.41</b>
<b>Denominator:</b>				
Weighted average shares	514,489,044		514,489,044	

The calculation of the weighted average shares includes 20,950 (2002: 24,187) shares held in treasury for settlement with outside shareholders of the former Thyssen Industrie AG who have not yet converted their shares but continue to be entitled to dividends. The impact of these treasury shares does not have a material effect on earnings per share.

There were no dilutive securities in the periods presented.



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This report is available in German and English; both versions can be downloaded from the internet at <http://www.thyssenkrupp.com>. An interactive online version of the report 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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