

Comments

by

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of
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On the Occasion of the
Balance Sheet Press Conference
on

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The spoken word is valid.

...

Ladies and Gentlemen,

Please allow me to also welcome you to Essen this morning.

To tie in with Herr Schulz's observations: Fiscal **2006/2007** was a record year. Once again in succession, ThyssenKrupp posted record results in both net sales and net income. The shareholder value in particular continued to increase significantly, which is also reflected in the rising share price. And that with the stock exchanges experiencing turbulent days. In the past four years, ThyssenKrupp generated **a shareholder value of some €5 billion in total**. A closer look at the figures also reveals the quality and continuity in the course of developments:

- The **ROCE**, i.e. the total rate of return on capital employed before taxes, amounted to about 21%, exceeding our cost of capital by some 12 percentage points.
- As a result, the **economic value added** amounted to **€2.1billion**, a good €600 million more than in the previous year.
- **Without** the impact of **the fine the EU Commission** imposed on ThyssenKrupp Elevator for anti-competitive practices in Germany and the Benelux countries, ThyssenKrupp would have attained even better key value indicators: the ROCE would then amount to 23.2% and the **TKVA** to €2.6 billion.

- **Income before taxes of €3.3 billion** compared to €2.6 billion the previous year constitutes a historical record amount. High revenues and virtually full capacity utilization compensated for partly drastic increases in raw material and energy prices.
- The disposal of the body and chassis business activities of Budd Company in North America continued **the optimization of the group portfolio**.
- Despite considerable capital expenditures incurred for our new steel plant in Brazil and our steel production facilities in Germany as well as further capital extensive expenditure, ThyssenKrupp **remained debt-free**. Net financial liabilities totaled €223 million.

I would now like to present the highlights of our financial key data on the basis of the documentation handed out to you.

Page 3 On page 3, I have listed **the key figures** of the consolidated financial statements as of September 30, 2007, along with those of the previous year. All the key figures indicate remarkable increases, net sales +10%, income before taxes +27%, net income +29%.

Earnings per share rose by more than one euro to €4.30. We propose to raise the dividend from €1.00 dividend, paid for the previous year, to €1.30, keeping in line with our sustainable dividend policy..

The ROCE rose by 2.8 percentage points, the economic value added, or TKVA, by a good €0.6 billion to €2.1 billion.

Net financial liabilities of €747 million as of 09/30/2006 were reduced to €223 million as of 09/30/2007. I would like to get back to this point at a later stage.

Page 4 Page 4 represents the **consolidated income statement**. Whereas net sales were up some 10%, cost of sales rose by only 8%. Higher revenues in combination with virtually full capacity utilization compensated for significant cost increases for raw materials, energy and freight. As a result, the gross margin improved from 17% the previous year to 18% in the reporting period. General and administrative expenses rose marginally, leading to a cost depression.

Other operating income decreased by €72 million, this decrease largely attributable to the break fee from the unaccomplished takeover of Dofasco in the amount of €153 million as recorded the previous year. This was counter-balanced only by income of €119 million from the sale of various real estate for further concentration of administrative locations in Germany. In addition, insurance compensation payments decreased. The rise in **other operating expenses** of €490 million was largely due to the EU fine imposed on ThyssenKrupp Elevator. Income tax expense rose to €1,140 million. I will deal with this item in detail later on.

Before taking a closer look at the key figures of the individual Segments, I would like to point out that the **Automotive** segment has been **disbanded** as of October 1, 2006. The activities have been allocated to Technologies and Steel segments. Any liabilities of the disposed north-American body and chassis activities remaining with the Group were reclassified as part of Corporate.

Page 5 Page 5 provides you with details on the left as to our **order intake** and **net sales** by segments

Order intake shows a remarkable absolute improvement in the Technologies and Services segments, an indicator for an excellent business cycle in the capital goods sector worldwide.

Steel and above all Stainless as well as Services **experienced substantial sales growth**, with Elevator and Technologies also gaining.

Net sales further contain an allocation to customer groups and regions as shown on the right. The fiscal year again shows a broad and stable allocation to sales resources, remaining unaffected by the portfolio adjustment measures.

Page 6 Page 6 presents our **income before taxes**. The upper illustration on the left provides a breakdown by segments and the changes compared to the previous year

All the segments except Elevator achieved noticeable growth rates in absolute terms, with Steel and Stainless being the strongest performers. The Elevator segment posted a negative EBT due to the EU fine.

As in the previous year, the rise in earnings generated by the **Steel** segment primarily resulted from larger shipment volumes. Moreover, restructuring measures taken to improve efficiency had a positive effect on all business units. Higher raw material and energy costs could be passed on to the market within the selling prices.

The gain in income at **Stainless**, which was remarkable in both absolute and relative terms, is attributable to higher demand, risen base and nickel prices as well as successful restructuring measures taken to improve efficiency levels. Since June 2007, a drastic decline in the price of nickel affected order intake and capacity utilization throughout the industrial sector. In the fourth quarter, a devaluation of inventories amounting to €109 million had to be absorbed. Nonetheless, Stainless, with €777 million, managed to achieve the highest net income ever since the segment was founded,

Technologies managed to continue its extremely positive business development as dynamically as in the previous years, owing to strong impulses on the demand for industrial engineering as well as mechanical components.

The loss of €113 million as sustained by **Elevator** is solely attributable to the fine imposed by the EU Commission. Without this impact, Elevator would have nearly matched the previous year's income, despite adverse currency exchange effects, posting €367 million in earnings.

Services attained a record result, generating income of €704 million. Successful expansion measures and portfolio optimization as well as efficiency improvement programs and sales initiatives impacted positively, aided by an ongoing positive business cycle in raw and basic materials.

Expenses exceeding earnings as is characteristic of **Corporate** decreased by more than half to €205 million, essentially as a result of the disposal of north-American automotive activities. Further factors were the improved interest income situation on account of structural changes and the proceeds from the sale of real estate for further concentration of administrative locations in Germany. The omission of the break fee in connection with the unaccomplished takeover of Dofasco as recognized the previous year had an adverse effect.

The lower illustration on the left indicates **restructuring expense** and so-called **impairments** in fiscal 2005/2006 and the previous fiscal year. "Impairment" is the technical term applied under IFRS to extraordinary write-downs. In fiscal 2005/2006, you see significant amounts mainly for Steel and Technologies. Both segments were affected by inadequate performance and restructuring requirements as regards activities of the former Automotive segment

The upper illustration on the right separately reflects **income** and **external sales** in Germany and abroad. Whereas 58% of income was generated by German companies, the major share of sales was achieved owing to foreign customers. Therefore, exports clearly constituted a major source of success in 2006/2007. The relation between inland and abroad changed only insignificantly.

The lower illustration on the right provides you with details on the changes in our **EBIT**, i.e. earnings before interest and taxes. The rise in EBIT was €23 million lower than that of EBT, due to a rise in **interest income** in 2006/2007. Interest income is the balance of interest expense and interest earnings. Interest expense decreased on account of the redemption of liabilities bearing higher interest. Interest earnings remained practically unchanged despite an overall decrease in cash and cash equivalents, as a consequence of higher credit interest.

Page 7 I would like to continue with **income after taxes** as shown on page 7. Moving from income before taxes to net income, income tax expense constitutes the only deduction item in fiscal 2006/2007. The upper table on the left of page 7 provides you with a breakdown of **income tax expense** by current income taxes and deferred income taxes. Current income tax expense results from the taxation of completed assessment periods, inclusive of the reporting year, therefore being of rather short-term nature. Presented here basically are income taxes paid or to be paid for the reporting period. Deferred taxes represent expected income tax expense and income insofar as they result from differences between valuation methods in the consolidated financial statements and in the tax balance sheets of the group companies; such income tax expense and income are of rather long-term nature. Income tax expense increased by €221 million against the previous year's, to amount to €1,140 million, a direct consequence of the favorable income situation of group companies worldwide. The tax rate decreased only slightly from 35% to 34%, in spite of tax-reducing effects resulting from the corporate tax reform in Germany, as the EU fine was not tax-deductible.

The illustration in the lower section on the left shows that **current income tax expense** particularly in Germany and the USA rose significantly, largely as a consequence of the positive income situation, with Germany still accounting for the major part of total current income tax expense.

The upper picture on the right of page 7 provides details on **net income** and **earnings per share**. Deducting income tax expense amounting to €1,140 million resulted in net income of €2,190 million against €1,704 the previous year.

Regarding earnings per share, external minority interest needed to be deducted from income. Minority interest in income increased owing to the improved income situation of the group companies concerned.

Related to the number of shares issued in the weighted annual mean, earnings per share amounted to €4.30 against €3.24 the previous year.

The lower picture on the right of page 7 shows you the **distribution ratio** based on the dividend payment proposal of €1.00 for shares entitled to dividend as of 09/30/2007. The ratio of 30.2% compares to 29.8% for the previous year, a clear indication of the management pursuing its policy of stockholders' continuous participation in corporate success.

Page 8 I will now turn to the **cash flow statement** on page 8. **Operating cash flows** amounted to €2.2 billion, compared to €3.5 billion in the previous year. The decline is to be attributed to the EU fine and the build-up of working capital as a consequence of business expansion.

The **cash flow from investing activities** amounted to €-2.3 billion. By definition, this is the balance resulting from capital expenditure for fixed assets and financial investments, proceeds from divested or assumed cash and cash equivalents. The negative value resulted mainly from high capital expenditure on fixed assets, particularly in the Steel segment. Capital expenditure on fixed assets of €2.9 billion are counter-balanced by write-downs of €1.4 billion, reflecting the growth path ThyssenKrupp is set on. After consideration of the outflow of cash from capital expenditure, **free cash flow** amounted to €-0.1 billion. After payment of the dividend for the previous year in the amount of €489 million, cash and cash equivalents decreased by €789, still high at €3.7 billion, to serve further financing of the capital expenditure program.

Page 9 Page 9 presents the **consolidated balance sheet**. The balance sheet total was up on that of the previous year. A decline in assets held for disposal was counter-balanced by an incline in property, plant and equipment as well as a rise in inventories and accounts receivable as a result of business expansion. On the liability side, accrued pension and similar obligations as well as financial liabilities decreased, and equity rose consequently to the high level of net income. Accounts payable and remaining short-term liabilities also inclined in the wake of higher business volumes. As inventories and accounts receivable predominantly in the Stainless and Services segments rose more significantly than accounts payable, the **working capital** augmented by €1.3 billion.

Let us now take a closer look at several selected balance sheet items.

Page 10 The pie chart in the upper left part of page 10 shows **segment assets by geographical area**. As you can see, more than half are still situated in Germany. This is largely to be explained by the fact that the extremely capital-intensive activities of the Steel segment are primarily located in Germany at present.

The table in the lower left section presents **capital expenditures by geographical area** for property, plant and equipment and for intangible assets. Again, Germany was the main capital expenditure location. Having said that, however, it is also evident that the geographical focus is changing: capital expenditure on the new steel plant in Brazil led to America with now €1.2 billion having already caught up with Germany as an important capital expenditure location.

In the upper right section of page 10, you see **capital expenditures** for property, plant and equipment and for intangible assets **by segment**. Again, the erection of the steel plant in Brazil, but also the expansions in Germany are clearly reflected in the capital expenditure volume of the Steel segment.

The lower section provides details on **capital expenditures for corporate acquisitions**. There were no major transactions in the reporting period.

Adding expenditures for acquisitions to expenditures for property, plant and equipment and for intangible assets results in the **sum total of €3 billion of capital expenditures**.

Page 11 The upper left section of page 11 illustrates changes in **equity** and key equity ratios.

The positive income development of the last three fiscal years led to a significant rise in equity. The cover of non-current assets through equity continuously improved. As of 09/30/2007, the equity ratio stood at 27%, forming a solid base for our growth strategy.

The lower chart on the left shows the changes in **net financial liabilities** directly related to equity development. We managed to erase our net financial liabilities of €7.7 billion in the last 7 years and closed fiscal 2006/2007 with a net credit balance. The minus sign in the right column is to be interpreted as a credit balance related to the key ratio of net financial liabilities. As you can see, this credit balance as of 09/30/2007 amounted to €0.2 billion, constituting a balance of €3.6 billion in gross financial liabilities and some €3.8 billion in cash and cash equivalents. The free liquidity attained was primarily utilized in reducing our debts and further continuing our growth strategy.

The upper chart on the right of page 11 presents the **maturity profile** of our gross financial liabilities. As you can see, the well-balanced long-term structure will enable us to invest and grow without being forced into any short-term refinancing.

The lower chart on the right provides a further overview of changes in **net financial receivables** related to **cash flows**. It becomes evident that the decline in net financial receivables was based on the high capital expenditure on fixed assets and financial investments of €3 billion. Furthermore, we were enabled to distribute €489 million in form of dividends to stockholders, a further rise against the previous year. We closed the fiscal year with a net financial credit balance of €223 million.

Page 12 Page 12 presents a balance sheet line item of particular importance to ThyssenKrupp, namely **accrued pension and similar obligations**.

The upper chart on the left shows the breakdown of accrued pension and similar obligations. These include not only **accrued pension liability in the closer meaning of the term**, which at ThyssenKrupp would amount to €5.9 billion. They also contain so-called **health care liability** for pensioners in countries without any distinctive public health care system, specifically in the USA, but also in Canada, amounting to €915 million at ThyssenKrupp, almost exclusively for retired US-American and Canadian employees of the former Automotive segment. **Partial retirement obligations** are also gaining relevance, amounting to some €300 million. These obligations largely result from workforce reduction programs, with more than half thereof being borne by the Steel segment.

The lower chart on the left reflects the changes in actual accrued pensions over the past five years. It is obvious that the figures – due to the valuation method applied - strongly fluctuate **with the discount rate**. The negative correlation between interest rate and value is presented, using German pension liabilities as an example, in the picture in light blue, and the German interest rate related thereto. The reduction in accrued pensions from 09/30/2006 to 09/30/2007 is primarily due to a rise in the discount rate in Germany from 4.5% to 5.25%.

The upper chart on the right provides details on the expected changes in **pension benefit payments** for Germany and remaining countries. Different from the valuation of accrued pensions, which fluctuate with the discount rate, we expect pension benefit payments to remain fairly constant for the next few years. For Germany, payments will decrease in the mid term due to a steady decline in the number of pensioners.

Payments outside Germany will be made to a very large extent out of pension funds. Funded pension benefit obligations are not covered by provisions. Therefore, in the lower left part of page 12, a presentation of assets tied up in pension funds, the **so-called plan assets**. As of 09/30/2007, these assets amounted to €2.1 billion, largely accounting for pension obligations in the USA as well as Britain and Canada. Our pension funds on average consist of 59% in shares and 37% in fixed-interest bearing securities.

Please let me point out once again: Any pension obligations at ThyssenKrupp are fully funded, either through pension funds or provisions. Ergo, unfunded obligations do not exist!

Page 13 Ladies and Gentlemen, let me now turn to our **value-oriented management performance indicators** on page 13. These are the ROCE, i.e. the rate of return on capital employed and the TKVA, i.e. the economic value added as generated by the capital employed. They indicate directly if the company has met its task, that is create shareholder value. €2.1 billion constitutes the **highest economic value added** that has **ever** been generated in a single fiscal year. It corresponds to a return on capital employed of 20.7% before taxes. At least as important as the absolute figure of value added is the constant increase in value added over the past five years, with increases ranging between €400 million and €900 million. With some €600 million in the reporting period of 2006/2007, the growth dynamics persisted despite the high starting basis of the previous year. It gives us the confidence that we will also achieve our ambitious medium and long-term group targets.

Page 14 Page 14 once again provides you with a summary of any relevant performance indicators for the value-oriented management of the Group, i.e. for the Group as a whole as well as the individual segments. The **spread** defines by how much the total return on capital employed, the **ROCE**, exceeds the cost of capital tantamount to 9%. Multiplying the spread by the interest-bearing **capital employed**, results in a value added, called TKVA or ThyssenKrupp value added in our terminology, of €2.1 billion. Hence, ThyssenKrupp created €2.1 billion worth of shareholder value more than could have been attained with an alternative investment bearing a comparable risk. The figures for the individual segments are similarly impressive. All the segments except Elevator achieved an ROCE exceeding 20%. And at 21.4%, even Elevator would have passed this threshold, had it not been for the EU fine.

Page 15 Page 15 shows the development of **employment figures** and division by segments and regions. Employment figures in the Steel, Elevator and Services segments increased. The strong decrease at Corporate resulted from the disposal of North-American body and chassis activities as a former part of Automotive, which was retroactively allocated to Corporate after its disposal in the first quarter of 2006/2007. In the regional division, the number of employees in Germany, Europe, South America, and Asia increased whereas it dropped in North America as a consequence of the disposal mentioned earlier on.

Page 16 On page 15, we have provided you once again with the **key data** in a comparison of annual figures.

The figures speak for themselves.

In fiscal 2006/2007, the success story continued.

Ladies and Gentlemen,

Let us finally take a look at the right column, presenting fiscal 2006/2007 for the ThyssenKrupp Group in figures.

- One more time in succession, ThyssenKrupp experienced a fiscal year with a **high growth in sales and income**, with our key performance indicators improving at a steady and continuous rate.
- The past fiscal year again saw a significant rise in **shareholder value** by some €0.6 billion to €2.1 billion, seamlessly continuing the by now 5-year long history of sustained growth of value added.
- **The financial basis is strong.** Equity and cash allow for the challenging growth targets we have set for ourselves.

Thank you very much for your attention.