

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 Mr. Schulz's observations: Fiscal 2007/2008 overall was a good year for the Group. ThyssenKrupp managed to assert itself in a more challenging market environment. Our business expectations generally developed in line with our expectations, in some cases even exceeded them.

Again, we achieved a significant rise in shareholder value. Since 2002/2003, ThyssenKrupp has generated a shareholder value of €6.8billion in total.

The ThyssenKrupp share continued its upward trend right into the second half of the reporting period, bucking the trend of the DAX. In May 2008, the share reached a historical peak at €46.63. As of August, however, it failed to withstand the general downturn at the stock markets, triggered by an international financial crisis and global economic concerns. By the end of September, the share price amounted to €21.03, which corresponds to a market capitalization of some €11billion.

Another year in succession, ThyssenKrupp generated record sales for the Group. Income before taxes and special effects surpassed our profit-and-loss forecast last raised in August. A closer look at the figures also reflects the quality and continuity in the course of this development:

...

- The **ROCE**, i.e. the total rate of return on capital employed before taxes, amounted to 18.3%. Again, our cost of capital, amounting to 8.5%, was significantly exceeded by 10%-points, which is rather relevant from the Group's point of view.
- As a result, the **value added** amounted to **€1.9billion**, falling short of the previous year's level by €192million.
- The **capital employed average rose** by some **8% to €19.5billion**. This was largely attributable to stepped-up capital expenditure activities throughout the Group, focused on major projects in Brazil and the USA. The reduction in the net working capital curbed the results of the Segments Steel and Stainless.
- Due to more intense capital expenditure activities as well as the acquisition of treasury stock, **net financial debts** in the reporting period increased to almost €1.6billion.
- **Income before taxes of €3.1billion** was a reassuring result, after €3.3billion in the previous year. The income level of the previous year, largely driven by an extraordinarily high demand for quality flat steel and extremely high base prices for stainless steel, could not be matched, as was expected.
- Due to a reduced rate of taxation, **net income** increased to almost €2.3billion.
- The **optimization of the portfolio** was consistently continued in the reporting period. The disposal of the **Präzisionsschmiede** (precision ...

forge) further reduced activities in the automotive sector. In Marine Systems, the **Nobiskrug shipyard** was sold. In North America, the major part of the **Tailored-Blanks activities** was acquired. Through the takeover of the **Apollo Group**, we were in a position to significantly extend our activities in metal distribution and supply chain management.

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, 2008, along with those of the previous year. Despite a rise in sales of 3%, net income before taxes declined by 6% to €3.1billion, owing to higher raw material costs. However, net income rose by 4%, to approximately €2.3billion, as a consequence of the reduced rate of taxation.

Earnings per share rose by €0.29, to amount to €4.59. As in the previous year, we propose to pay a dividend per share of €1.30, continuing our sustainable dividend policy.

The **ROCE**, and the value added – the so-called **TKVA** – amounted to 18.3% and €1.9billion respectively.

As of September 2008, we posted **net financial debts** of some €1.6billion. 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 by more than 3%, to reach €53.4billion, **cost of sales** rose over-proportionately by 4%, to amount to €44.2billion. This rise was mainly attributable to higher material expenses as a result of cost increases for raw materials and energy as well as higher payroll expenses, which were recorded within cost of sales. The gross margin decreased from 18% to 17% in total.

General and administrative expenses rose by some 10%. This increase primarily occurred in conjunction with project costs for the erection of the steel plants in Brazil and USA.

Other operating income decreased by €295million, this decrease being largely attributable to reductions in gain on the disposal of property, plant and equipment and investment properties, totaling €115million. Moreover, insurance compensation payments decreased by €154million. The reduction in **other operating expenses** of €351million was due to expenses burdening the previous year and not being incurred in the reporting period. These mainly included the fine imposed by the EU commission as well as impairment losses of goodwill.

Net financial income in 2007/2008 overall improved, primarily as a result of a higher capitalization of borrowing costs during construction in the wake of the erection of the new steel plant in Brazil and an improvement in the income from companies accounted for using the equity method. The decline in the net interest income, largely as a consequence of higher net financial debts, had an adverse effect.

Income tax expense dropped by €288million to €852million. I will deal with this item later on.

Let us now take a closer look at the decisive key figures of the individual Segments.

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

Although the economic slowdown was stronger than projected, **order intake** of €55.2billion surpassed the level of the previous year by 1%. The Segments Steel, Elevator and Services, in particular, recorded stronger order activities, whereas Stainless and Technologies sustained declines.

Steel and Technologies experienced **substantial sales growth**, these changes essentially being ascribable to higher prices at Steel and an improved project situation in plant engineering at Technologies. Elevator and Services also managed to raise sales. Stainless alone generated lower sales as a result of retrograde prices for stainless steel.

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 income taxes**. The upper illustration on the left provides a breakdown by segments and the changes compared to the previous year. In fiscal 2007/2008, we achieved a reassuring result, posting income of €3.1billion.

The Segments Technologies, Elevator and Services achieved noticeable growth rates in parts. Steel and Stainless could not sustain the high level of the previous year.

Once again, the Segment **Steel** generated the highest income contribution with €1.5billion. It managed to surpass our expectations, owing to the positive development for high-quality special products, while the situation at Steel's Automotive Business Unit had already tensed up. The decline compared to the previous year resulted from considerably higher raw material and energy costs, which – with virtually constant shipment volumes - could not be fully passed on to the customers. The increases were compensated for, though only in parts, through efficiency improvement and cost reduction programs. Preproduction costs for the steel mills in Brazil and the USA as well as restructuring expenses in the sector of Metal Forming further lowered income.

After the record income posted in the previous year, the Segment **Stainless** sustained a plain decline in income. This downturn was caused by a subdued demand, significantly lower base prices and higher energy costs as well as partial under-capacity in the 1st and 4th business quarter. In addition, the persistently strong euro led to weakened export business in the US-dollar region. Gains from the market assessment of hedging activities along with a successful inventory management had a positive effect.

Page 6 **Technologies** posted the highest income ever recorded in the history of the Segment. Income improved against the previous year's by €197million to €741million. This very positive development was primarily a result of the favorable business situation in plant engineering as well as for large-scale roller bearings and rings, thanks to the continuous growth in wind power plants. The Business Units Plant Technology and Mechanical Components again provided the largest income contributions.

The Segment **Elevator** stayed on its expansion course in the reporting period and generated profits of €434million. Without the fine imposed by the EU Commission, this figure would constitute a plus of 18% against the previous year.

Services achieved the third record result in succession, posting €750million in the reporting period. Successful growth initiatives and efficient programs for portfolio optimization and sustainable performance enhancement impacted positively, aided on by favorable raw material and material business cycles.

Expenses exceeding earnings is characteristic of **Corporate** increased by more than half to €417million. While income in the previous year benefited from gains of real estate disposals amounting to €115million, some additional expenses were incurred in the reporting period for legal litigations and warranties in conjunction with company disposals. Furthermore, the net interest income situation deteriorated largely as a result of higher borrowing requirements.

Page 6 The lower illustration on the left indicates **restructuring expense** and so-called **impairment losses** of the past and the previous fiscal years. “Impairment loss“ is the technical term applied under IFRS to extraordinary depreciation and amortization. Impairments primarily affected the Business Units Mechanical Components, Automotive Solutions and Transrapid of the Segment Technologies. Restructuring expenses in the Segment Steel was mainly incurred in Metal Forming.

The upper illustration on the right presents **income and external sales in and outside Germany**. While the impact of inland sales on income before income taxes rose by 10%-points to 68%, the distribution of external sales by customer location remained unchanged.

The lower illustration on the right provides you with details on the changes in our **EBIT**, i.e. earnings before interest and taxes. The reduction here was €46million lower than that of EBT, which was due to the fact that, as a result of the rise in net financial debts, the **net interest income** contained in EBT worsened.

Page 7 I would like to continue with **income after income taxes** as shown on page 7. The upper table on the left of this page 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 decreased by €288million against the previous year's, to amount to €852million, corresponding to a tax rate reduction from 34% to 27%. The change to the tax rate was a direct result of amended tax rates in Germany and an improved tax situation outside Germany.

The illustration in the lower section on the left shows that **current income tax expense** was largely incurred in **Germany**.

Page 7 The upper picture on the right of page 7 provides detailed reconciliation of the income before income taxes to the **net income and earnings per share**. Deducting income tax expense amounting to €852million resulted in a rise in net income of 4%, amounting to €2,276million against €2,190million the previous year.

Related to the number of shares issued in the weighted annual mean, earnings per share amounted to €4.59 against €4.30 in the previous year.

The lower picture on the right of page 7 shows you the **distribution ratio** based on the dividend payment proposal of €1.30 for shares entitled to dividend as of September 30, 2008. The ratio of 27.5%, related to the net income of existing stockholders of ThyssenKrupp AG as of September 30, 2008, compares to 30.2% 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 €3.7billion, compared to €2.2 billion in the previous year. The noticeable improvement is to be attributed to the reduction in working capital in general, and particularly to the significant improvement in tied-up capital for inventories.

The **cash flow from investing activities** amounted to €3.9billion. By definition, this is the balance resulting from capital expenditure for property, plant and equipment and financial investments, proceeds from divested or assumed cash and cash equivalents. The negative value essentially resulted from high capital expenditures in conjunction with the erection of the steel and processing plants in Brazil and the USA. Capital expenditure of €4billion are counter-balanced by write-downs of €1.4billion, reflecting the growth path ThyssenKrupp is set on. After consideration of the cash-outflow from investing activities, **free cash flow** amounted to minus €0.2billion. After payment of the dividend for the previous year in the amount of €635million, cash and cash equivalents decreased by €933million, still high at €2.7billion, 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 by €3.6billion. Reasons for this development were the capital-expenditure-related increase in property, plant and equipment as well as a rise in inventories resulting from business expansion and accounts receivable. On the liability side, equity rose consequently due to the high level of net income and the actuarial gains recorded for the measurement of accrued pensions and similar obligations. The acquisition of treasury stock as well as the dividend distribution of ThyssenKrupp AG had an adverse effect. In addition, accounts payable and financial debts increased.

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 **non-current assets by geographical area**. The geographical allocation was based on the location of intangible assets, property, plant and equipment as well as investment properties. As you can see, slightly less than half are still situated in Germany. This is largely to be explained by the fact that the extremely capital-intensive activities of the Segment Steel are still primarily located in Germany at present.

The table in the lower left section presents **capital expenditures by geographical area** for intangible assets, property, plant and equipment as well as investment properties, totaling more than €4billion. Capital expenditures for the new plants in Brazil and the USA led to America, with some €2.3billion, clearly overtaking Germany as the major capital expenditure location. However, with a capital expenditure volume of €1.1billion, Germany still plays an important part.

In the upper right section of page 10, you see the respective **capital expenditures by segments**. Again, the two major strategic projects in Brazil and the USA, but also the expansions in Germany are clearly reflected in the capital expenditure volume of the Segment Steel. In the Technologies Segment, more than half of capital expenditures served to extend production facilities, in particular the expansion of capacities in the area of large-scale roller bearings. Capital expenditures are focused on international markets, mainly America, Europe and Asia.

Page 10 The lower section on the right provides details on **capital expenditures for corporate acquisitions**. A major transaction in the reporting period was the acquisition of the British Apollo Group within the Services Segment. The purchase price including acquisition-related incidental costs amounted to €96million. Apart from this, there were some further minor acquisitions.

This takes **the sum total of capital expenditures** in the reporting period to nearly €4.3billion.

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

The positive income development of the last fiscal years led to a significant rise in equity. As of September 30, 2008, the equity ratio stood at nearly 28%, forming a solid base for the testing times ahead of us. The cover of non-current assets through equity was reduced compared to the previous year.

The lower chart on the left shows the changes in **net financial debts**, which is the balance of gross financial debts of €4.4billion and cash and cash equivalents of some €2.8billion. For the first time in two years, we posted a net financial debt.

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

The lower chart on the right provides a further overview of changes in **net financial debts** related to **cash flows**. The increase in net financial debts of €1.8billion resulted from the funding of the negative cash flow caused by intense capital expenditure activities as well as payments for the acquisition of treasury stock and the dividend. It becomes evident that the recognition of a net financial debt amounting to €1.6billion is attributable to our continuous growth strategy.

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 €5.2billion. 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 €1billion at ThyssenKrupp. In addition, there are **partial retirement obligations** of €242million.

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 09/30/2007 to 09/30/2008 is primarily due to a rise in the discount rate in Germany from 5.25% to 6.75%. A closer look at accrued pensions worldwide shows that the reductive effect of higher interest rates in individual countries was lessened by the decline of pension plan assets.

Page 12 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**, is shown. As of September 30, 2008, these assets amounted to €1.7billion, largely accounting for pension obligations in the USA as well as Great Britain and Canada. The strong impact of the financial crisis on the development of the share price led to a decrease in pension funds of €201million as of 09/30/2008. The impact of further share price deterioration since that date has been cushioned by the strength of the US dollar. Our pension funds on average consist of 44% in shares and 48% in fixed-interest bearing securities. At present, falling share prices worldwide have led to the share ratio in the actual portfolio to fall short of the targeted portfolio structure, providing for a 50-65% share ratio. The targeted structure will be resumed as soon as the current market situation returns to normal.

Overall, the share price deterioration on the stock markets has had a moderate and controllable impact on the funding of our pension obligations owing to the relatively small share of outside funding. Even additional cash contribution requirements, if any, appear to remain moderate. The recent development on the financial markets has essentially

proved us right in our approach to securing pensions and similar obligations through a financial policy based on provisions.

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 value added as generated by the capital employed. They indicate directly if the company has created shareholder value. Despite a decrease of €192million against the previous year, €1.9million constitutes one of the **highest values added** that have been generated in the past fiscal years. At least as important as the absolute figure is the value added in relative terms.

With a return before taxes on capital employed of 18.3%, the relevant cost of capital was again significantly exceeded. Due to the volatile environment of the financial and real markets, we will have to sustain a serious setback in sales in fiscal 2008/2009, as a result of the economic downturn. This will be reflected accordingly in our value-oriented key performance indicators. Should the world economy manage to get out of the melt-down and gain in growth, ThyssenKrupp shall also resume its long-term growth strategy.

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 8.5%. Multiplying the spread by the interest-bearing **capital employed**, results in a **value added**, called **TKVA** or ThyssenKrupp value added in our terminology, of €1.9billion. This means that ThyssenKrupp created €1.9billion 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 segments except Stainless achieved an ROCE exceeding 21%.

Page 15 Page 15 shows the development of **employment figures** and division by segments and regions. As of September 30, 2008, ThyssenKrupp employed nearly 200.000 people worldwide. The Segments Elevator and Services in particular significantly increased their numbers of employees. Additional jobs were created in the Segment Steel thanks to the erection of new facilities in Brazil and the USA. The development at Technologies was slightly retrograde, whereas employment figures remained practically unchanged at Stainless. As of the end of the reporting period, 43% of the employees worked in Germany. We employed 24% on the American continent, with 12% thereof in the USA and 7% in Brazil.

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

The figures speak for themselves.

In 2007/2008, the equity success story continued.

Ladies and Gentlemen,

let us take a final look at the right column, presenting fiscal 2007/2008 in figures.

- Once more in succession, ThyssenKrupp experienced a business year with a **high growth in sales**.
- **Income before taxes** with €3.1billion ranges at a very high level and turned out much better than expected a year ago.
- With **net income** and earnings per share of €2.3billion and €4.59 per share respectively, we have managed to achieve a peak value since the year of the merger.
- Even the past fiscal year saw a high **value added** of €1.9billion.
- The **financial basis is strong** and allows us to stay on course for our ambitious growth strategy to be continued in the future. On account of the erection of the new plants in Brazil and the USA as well as capacity optimization measures at our Duisburg location, the current capital

expenditure volume clearly exceeds the previous years' average. The funding, though, is based on a solid footing.

- In fiscal 2008/2009, we are expecting a decline in sales due to an economic downturn that is bound to impact on income. As Mr. Schulz has already pointed out, the tougher framework conditions as a result of uncertain real and financial markets do not allow us to make any quantified projections. For this reason, we shall keep you informed about the current fiscal year in more concrete terms, based on our quarterly reporting.

Thank you very much for your attention.