Remarks

by

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Chairman of the Executive Board
of ThyssenKrupp AG

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Check against delivery

Following an unprecedented fiscal year in 2006/2007, ThyssenKrupp again achieved excellent results in fiscal 2007/2008. They validate our strategy of further focusing the Group in its conglomerate structure and going for long-term sustainable and profitable growth.

The key data of fiscal 2007/2008

- Earnings before taxes and major nonrecurring items came to €3.5 billion, exceeding our raised forecast of August 2008 of over €3.2 billion. Earnings before taxes (EBT) were €3,128 million (fiscal 2006/2007: €3,330 million).
- Demand for the Group's products and services increased further. Order intake reached €55.2 billion, compared with €54.6 billion in fiscal 2006/2007.
- Sales at €53.4 billion (€51.7 billion) were higher than forecast and higher year-on-year.
- Earnings per share reached €4.59, up 7 percent from fiscal 2006/2007 (€4.30).
  ThyssenKrupp's stock reached a new all-time high of €46.63 in May 2008. However, in the final quarter of the reporting year the stock's performance was severely impacted by the international financial market crisis. On September 30, 2008 the ThyssenKrupp stock stood at €21.03, down 52.9% from September 30, 2007. As the financial crisis deepened and spread to the real economy, the stock price slipped further, like that of our competitors, and on November 25, 2008 stood at €14.55. The fundamental value of the Company is not reflected in the stock's performance. The management has expressed this in numerous stock buybacks.
- The solid earnings situation allows us to continue our policy of dividend continuity. In January 2009, the Executive Board and Supervisory Board will propose to the Annual General Meeting the payment of an unchanged dividend of €1.30 per share. Compared with the first dividend in 1998/1999 of DM1.40 – or €0.72 – the payout has now almost doubled.
- ThyssenKrupp employed 199,374 people worldwide on September 30, 2008, 4% more than at the end of the previous fiscal year (191,350). 85,097 of these were employed in Germany, roughly the same as in the prior year.

The biggest earnings contribution came from the Steel segment. Steel performed successfully in a more difficult environment. Earnings before taxes were €1,540 million, down €122 million from the prior year (€1,662 million), but above our expectations. Following record prior-year earnings the Stainless segment saw its profits fall by €651 million to €126 million (€777 million). The main reason for this was a significantly lower average base price level. The Technologies segment continued its dynamic growth in the reporting year. Profits improved year-on-year by €197 million to €741 million (€544 million). The Elevator segment generated a profit of €434 million (€367 million excluding anti-trust fine). The Services segment achieved record earnings of €750 million (€704 million).

What are the reasons for our success?

Consistent portfolio optimizations and process improvements since the merger almost ten years ago have laid the foundations for our success. Our products and services are marked by high quality, high technological standards and a focus on customer needs. ThyssenKrupp's conglomerate structure with different and very profitable activities in Steel, Capital Goods and Services makes the Group less vulnerable to cyclical swings.

In the uncertain environment of the financial crisis we have reviewed our plans and targets for the current fiscal year 2008/2009. The downturn in the auto, machinery and construction industries will also leave its mark on ThyssenKrupp. We therefore face a significant drop in sales in 2008/2009, the extent of which cannot yet be predicted. This will have a corresponding effect on earnings. The increasing uncertainty on the global financial and real markets makes it impossible to provide a quantifiable forecast at this time. We will supply more concrete information on the current fiscal year in our quarterly reporting. If - as currently predicted - the global economy emerges from the downturn and gathers momentum again in 2010, ThyssenKrupp will also return to its long-term growth track.

We are firmly convinced that the growth strategy we launched in 2005 is right. The financial crisis will cause delays, but the long-term success of the Company will remain unaffected.

The Group's business model and strategy

ThyssenKrupp's strategy is based on three pillars: 'active portfolio management', 'growth in core businesses', and 'corporate initiatives and programs' such as ThyssenKrupp best and innovation.

The Group operates throughout the world and has longstanding customer relationships, a balanced product and technology portfolio, and highly skilled and motivated employees. This is the basis for the future success of the Company. We won't be able to escape the effects of the current downturn, but we are well prepared and solidly financed. Our large backlog of orders in the project business, our high share of services and the custom tailoring of our products and solutions provide stability and make us more crisis-resistant than other companies.

The **Steel** segment is focused on premium carbon steel flat products and with its intelligent materials solutions is successfully positioned in its core European market. We are pursuing a long-term business model with long-term relationships with our suppliers and customers. This is underlined by our high proportion of long-term contracts compared with our competitors. In recent months these contracts have been switched to new and higher prices and new contract periods. Our high proportion of long-term contracts and our focus on numerous premium markets is also reflected in a much more stable revenue situation compared with our competitors.

In addition, we have the ability to adjust our slab purchases to changes in demand, so we do not have to scale back the production of our high-fixed-cost blast furnaces and steelmaking shops.

The high level of uncertainty among market players due to the global recession is resulting in a wait-and-see attitude, massive destocking and postponement of orders. This will lead to a decline in steel consumption in the current fiscal year. There will be a shift in the medium- and long-term growth of steel consumption, but it will remain intact.

We are continuing to press ahead with our transatlantic growth strategy at ThyssenKrupp Steel. The construction of the new slab plant in Brazil is progressing well despite weather-related delays. Due to the in-sourcing of further plant functions (energy supply and slab logistics) and the optimization of the technical design to allow future capacity increases, the volume of investment is expected to be around €4.5 billion. The plant, favorably located on the Atlantic coast, will in the future supply our European and North American production locations with high-quality, low-cost slabs. It will have its own port terminal, a power plant, coke plant, sinter plants, two blast furnaces and two converters. The mill will achieve a slab capacity of around 5 million t/a and significantly improve our cost base. Start of production is scheduled for fiscal 2009/2010. Our return expectations will be fulfilled.

In Mt. Vernon, Alabama, USA, work on building the new joint steel and processing mill of ThyssenKrupp Steel and ThyssenKrupp Stainless is continuing to schedule. The start of production for Steel will be in 2010. The capital costs of the project have increased, mainly because of the tight situation on the international engineering and construction market. We expect a budget overrun of around 10% in the Steel segment and over 30% in the Stainless segment. However the profitability of the two projects in Brazil and the USA remains assured.

The plant in Alabama is also ideally located on the Tombigbee River. It will have hot and cold rolling and coating lines and will process slabs produced in Brazil into high-quality flat products. Hot-rolled capacity will be over 5 million t/a. ThyssenKrupp Steel will serve the premium segments in the NAFTA region from this mill in the future. The target groups include the auto industry, electrical goods manufacturers, steel service centers and the tube industry, particularly for the energy sector.

In its core European market ThyssenKrupp Steel will continuously strengthen its quality and cost position by expanding and modernizing existing facilities and by rigorously continuing its successful efficiency programs.

The **Stainless** segment has positioned itself as a global specialist for stainless flat products and high-performance materials such as nickel alloys and titanium mill products. With its products and accompanying services it exploits opportunities on the market for high-value materials. Naturally our stainless business is more volatile than our carbon steel business, but compared with the competition we offer a high level of value-added as well as a large proportion of high-performance materials. Our service offensive will enable us to expand our range of value-adding services and tie customers to us even in difficult times.

The situation will remain tight in the near term. Both distributors and customers are ordering more cautiously, focusing on inventory reduction as raw material prices decline. Imports from Asia have also risen sharply. Against this background we expect weaker demand in the short term. However, prices should stabilize. In response to the current order situation large parts of our production operations will close down temporarily for up to four weeks. We will take advantage of the stoppage to carry out maintenance and repairs. Overall, the start of the new fiscal year has been difficult for the stainless business.

In the medium term, however, we expect the stainless steel market to return to its long-term trend of around 5-6 percent growth per year, although export pressure from Asian overcapacities remains a risk.

In recent years China has built up capacities which far exceed national and international demand, now and in the medium term. This has had a massive impact on the entire world stainless market. Both here and in the carbon steel sector, unprofitable mills that meet neither environmental nor health & safety regulations are not disappearing from the market.

By building the new plant complex in the US state of Alabama, in conjunction with the existing cold rolling mill in Mexico, we aim to achieve cost and quality leadership in the North American stainless market.

The installation of around 1 million t/a of crude steel making capacity is progressing as planned. The plant will also supply hot-rolled coil to ThyssenKrupp Mexinox in the future. This concept will set new standards in the NAFTA region.

As well as expanding its position on the North American market, ThyssenKrupp Stainless is also optimizing its European plants. At ThyssenKrupp Acciai Speciali Terni (AST), our stainless steel operation in Italy, these optimization efforts involve expanding the plant in Terni into an integrated stainless steel mill, concentrating all melting and rolling capacities in one location. It will rank among the most advanced and efficient production sites in the world.

For the **Technologies** segment, major opportunities lie in the global trends in areas such as raw materials, environment, energy, security, infrastructure and food, and in the still growing regions of the emerging markets. Here, the segment can leverage its technological and innovative strengths. We aim to attain or extend existing market leadership in profitable areas of business.

The range of technologies provided by the segment offers important solutions for these global trends. They include eco-friendly technologies such as the EnviNOx plants from Uhde which make a major contribution to reducing harmful waste gases, or the mobile crusher plants from ThyssenKrupp Fördertechnik, which help achieve a substantial reduction in CO_2 emissions in surface mining. The pioneer plant began operation in China in 2007. Around 30 percent of the world's raw materials are mined, transported and handled using systems from ThyssenKrupp Technologies. Efforts to reduce emissions are also being helped by advances in fuel cell technology at Marine Systems and by innovations for fuel-efficient automobiles thanks to tailored weight reduction not just in the car body but also in vehicle components.

We also see major opportunities in population growth and increasing demand for high-quality food. Both are creating demand for additional fertilizer capacities and driving the growth potential of Uhde as a leading engineering contractor.

Regardless of temporary downturns in the world economy, fossil fuels will remain scarce. Against the background of strategic security of supply and climate change, this is driving demand for renewable energy.

This explains the persistent strong growth in demand for slewing bearings and seamless rings in the wind power sector. At ThyssenKrupp Technologies we have therefore launched a special investment program to expand production capacities both in our plants in America and Europe and in Asia.

In geographical terms, we see particular opportunities in the entire Asia-Pacific region. To this end Technologies is building further capacities in India and China. One particular focus is the Middle East including North Africa. Thanks to its major oil and gas reserves, this region will invest substantially in building domestic industry and infrastructure. To exploit our opportunities and serve this market more intensively, we have opened the ThyssenKrupp Technologies TechCenter Middle East in Dubai. More than five billion people can be reached within a five-hour flight radius from this location.

Our specialized service business also holds major long-term opportunities. Technologies is looking to increase sales in this area by around 30 percent.

Our orders in hand already secure around two thirds of our planned sales for the current year and stretch several years into the future with high earnings quality.

In the **Elevator** segment, where we are the world number 3 in elevators and escalators, we are expanding our existing operations and pursuing further strategic acquisitions, particularly in Asia and Eastern Europe. Growth of our existing operations will be driven above all by intensified service business and by the introduction of product innovations. Based on our wide-ranging performance program we expect to not just maintain but increase our margins and profits in the Elevator area. One such product innovation is the TWIN elevator, which has established a new era in elevator technology. More and more clients and architects are turning to this innovative passenger transportation concept. In addition, various measures have been developed to reduce the energy consumption of our products.

Our Elevator segment is one of the world's leading manufacturers and service providers for elevators, escalators, moving walks, passenger boarding bridges, and stair and platform lifts. We have a wide range of high-performance products – from standard systems to customized solutions to service, maintenance and modernization packages. In particular, new product developments such as the TWIN elevator create good opportunities for the segment. The TurboTrack is another innovative passenger transportation product developed by Elevator. This high-speed system has three speed zones and moves people significantly more quickly than conventional walkways. Elevator anticipates strategic opportunities from the further optimization of its worldwide branch and service network and through additional maintenance orders for existing passenger transportation systems. We also intend to strengthen our activities in the international growth regions. Through effective marketing and the provision of detailed information to clients and architects, we aim to highlight the specific strengths of our products in terms of cost-efficiency, technology and design.

Due to its high proportion of services and large order backlog Elevator is comparatively less sensitive to cyclical fluctuations. The main determinant of earnings at Elevator is the maintenance and services business, which in turn is driven by prescribed maintenance intervals and not or hardly by economic cycles.

Today, the **Services** segment comprises three very healthy business units, all of which hold good market positions. The strongest of these is the Materials Services unit with a very broad range of products and services, a global network with some 400 bases and around 250,000 customers in all sectors. In its core business the segment holds leading positions in Europe and ranks among the top 5 in North America, and aims to achieve further targeted expansion through organic growth and acquisitions. We see excellent opportunities for this in the growth markets, particularly Asia and Eastern Europe, but also in the established markets as they continue to consolidate.

The second business unit of our Services segment which is to be systematically expanded is Special Products. Global trading in rolled steel and tubes has close links with our warehousing business and offers good opportunities for growth worldwide. In our raw materials business with metallurgical products, minerals and foundry/blast furnace coke, many of our customers are suppliers to our materials business. Last but not least, our engineering business with its system solutions for railway, harbor and civil engineering (rails and sheet piling) is also a materials business, albeit with a far wider service dimension. By acquiring minority interests on the raw materials side and in the rolled steel and tube areas, we see good opportunities for securing long-term sales rights and growing the business profitably. With the help of a strategic partner, who would be offered a substantial minority interest, we aim to drive forward business in Asia and Eastern Europe in particular.

The third business unit of the segment, Industrial Services, also performs strongly in all its activities and has achieved profitable growth in recent years. But the opportunities to take further major growth steps are restricted. This is due to the characteristics of the business and the markets - growth is very limited in developing and low-wage countries. Compared with Materials Services, achieving global growth in Industrial Services would take us longer and would be more complex, while synergies with our materials services business are very limited.

For this reason the Services segment will focus its growth strategy on the materials business and to finance its expansion plans will divest the Industrial Services business unit - with the exception of the steel mill service operations in Germany and Brazil. For these operations - with sales of around €1.7 billion and 23,000 employees - we see better development opportunities with a best owner outside the ThyssenKrupp Group.

Overall we have significantly improved in this segment in recent years. We therefore expect that the price and volume risk in the current fiscal year will be cushioned by our widely diversified product portfolio, our high share of services, our global presence and our efficient logistics systems.

Portfolio further streamlined

Following on from previous years, ThyssenKrupp continued its active portfolio management strategy in fiscal 2007/2008. Key measures included in the Steel segment the acquisition of a majority interest in the tailored blanks operations in North America. Technologies further reduced its automotive activities, including in particular the sale of the precision forging group to an industrial investor. Marine Systems disposed of the Nobiskrug shipyard, which specializes in the construction of medium-size mega yachts. Elevator made numerous minor acquisitions to further strengthen its global market positions in the areas of elevators and accessibility products. The Services segment acquired Apollo Metals and thus significantly expanded its operations in metal distribution and supply chain management for aerospace customers. With sales of around US$700 million and 30 locations in 13 countries, the newly formed ThyssenKrupp Aerospace group is the world’s largest materials service provider for the aerospace industry. Several minor acquisitions were also made to strengthen the segment’s competitive position.

We also sold our 25% financial interest in Bertrandt AG. This will have no effect on our successful project-related cooperation with Bertrandt.

In the reporting year we acquired companies with sales of €0.5 billion and disposed of companies with sales of €0.4 billion. Since the merger of Thyssen and Krupp we have therefore sold companies with sales of €9.5 billion and acquired others with sales of €8.7 billion.

As the example of Industrial Services shows, we will continue our active portfolio optimization in the current fiscal year.

ThyssenKrupp best

For seven years now the Groupwide value enhancement program ThyssenKrupp best has been supporting the process of continuous improvement in the Group. In fiscal 2007/2008 alone, over 1,100 new projects were launched. Since the program was initiated in 2001, ThyssenKrupp best has significantly increased the value of the Group. At the end of the fiscal year, the program comprised 7,337 projects. In 2007, the Sales & Services initiative was launched and has already produced initial results. The initiative will exploit the potential for sustained improvement in sales and services, focusing on products, customers and services as well as internal processes and organizational structures. The purchasing initiative was launched back in 2005. To date over 1,300 ThyssenKrupp best purchasing projects have been registered. In the past fiscal year alone, 200 new projects were started and are being rigorously pursued in the segments.

Major research and development efforts

On our continued growth track in the future, ThyssenKrupp will invest strongly in innovations. In the fiscal year 2007/2008, total innovation spending came to €841 million, an increase of 3 percent compared with the prior year (€815 million).

To develop our product spectrum in line with market and customer requirements, we work closely with our customers. One current example of a long-term strategic partnership is the establishment of the Interdisciplinary Center for Advanced Materials Simulation (ICAMS) at the Ruhr University Bochum. The institute began work in June 2008. ICAMS is a unique European development center for new high-tech materials. It is financed in a public-private partnership by leading German materials producers and users, and the state of North Rhine-Westphalia. The lead industrial partner is ThyssenKrupp.

The segments are important centers of research and development. ThyssenKrupp has outstanding capabilities in particular in the areas of materials, lightweight construction, automotive supply, plant construction, marine systems, elevators and services. Numerous innovations also promote the efficient use of resources and climate protection.

The InCar project, linking the automotive capabilities of the Steel and Technologies segments, represents a new stage in our research and development activities for innovations in auto manufacturing. The project is conceived as a vendor-independent ideas pool for body, powertrain and chassis solutions.

Crash safety and weight reduction are at the center of a cross-segment project by Steel and Stainless. ThyssenKrupp’s developers have succeeded in combining stainless steel and carbon steel and exploiting the benefits of both in one tailored strip.

Outlook

What does ThyssenKrupp expect for the 2008/2009 fiscal year?

The global economy will find itself in recession in 2009. This will impact the performance of companies including ThyssenKrupp.

Ups and downs are part of global economic activity. However, owing to the worldwide financial crisis the recession is likely to be considerably more severe than expected just a few months ago.

In the past five years ThyssenKrupp has significantly increased its sales and earnings. After a phase of consolidation we embarked on a profitable growth track with a €20 billion investment program.

In the current environment we will stretch our expenditures where it makes economic sense to do so. But we will systematically continue to implement our key projects.

In addition to our internal efficiency enhancement program ThyssenKrupp best, which has been ongoing for seven years and now comprises almost 8,000 projects, in the past fiscal year we initiated a Groupwide program named ThyssenKrupp STeP (Stronger Team Play). The aim of the program is to further increase the efficiency of internal cooperation. As regards possible adjustments in the personnel area, we have very flexible models with working time and leave accounts. However, production shutdowns, short-time working and personnel cutbacks cannot be ruled out. They will depend on the severity and duration of the global economic crisis. We will also implement additional cost-reduction programs.

In general it can be said that we have confidence in the future and in the systematic expansion of our competitive positions and growth areas.

Nevertheless: Our sales markets in Western and Eastern Europe, North America and Asia are in the grips of an economic recession. Our major customers, in particular the international automakers, have already introduced massive production cutbacks. In other important sectors, too, such as mechanical engineering, the signs are pointing to a downturn.

With its global presence, innovative products, high share of services, stable customer relationships and technology-based portfolio, ThyssenKrupp is well positioned. As a balanced and value-based conglomerate with the Steel, Stainless, Technologies, Elevator and Services segments, the Group is well structured and therefore better able to cushion the economic risks. ThyssenKrupp has already achieved a high degree of strategic robustness.

We are currently in a situation which is very challenging. The consequences of the financial crisis and its impact on the real economy cannot yet be accurately assessed. This makes forecasts for the coming fiscal years extremely difficult.

What does this mean for ThyssenKrupp?

In the 2008/2009 fiscal year the international financial crisis will impact heavily on economic activity. ThyssenKrupp expects world GDP to grow by less than 3% and the global economy to go through a phase of recession. At present, it is difficult to estimate what effect the distortions caused by the financial crisis will have, but it will be reflected in earnings. This is being taken into account in our planning. The increasing uncertainties on the financial and goods markets make it impossible to provide a quantifiable forecast at this time. We will supply more concrete information on the current fiscal year in our quarterly reports.

In this difficult environment governments must make the right economic policy decisions for the future. Additional burdens on companies must be avoided at all costs. Emissions trading is one example. ThyssenKrupp expressly supports measures to protect the climate. But climate protection is a global concern and isolated solutions for Europe or Germany are not the answer. All the major emitters - i.e. above all the USA and China - must be involved. Otherwise sooner or later steel will only be produced in countries which take a less serious view of climate protection.

A viable energy concept is also crucial. Affordable electricity depends on a balanced energy mix. The growth in the use of renewable energies must take place at competitive prices and existing nuclear power plants must be included in the energy mix.

Governments should swiftly implement their planned programs to stimulate growth. They must create investment incentives. Investment in infrastructure, innovation and education should take precedence over short-term measures to boost consumption.

There is then hope that the global economy will come out of recession and growth will accelerate again moderately in 2009/2010. Assuming our business is not impacted by lasting economic weakness, we will then return to our long-term growth path and expect sales and earnings to improve again. In the longer term, particularly after the completion of the major investment projects by Steel and Stainless in North and South America and by the other segments in other regions, we expect earnings before taxes and major nonrecurring items of 4 to 5 billion euros and sales of 60 to 65 billion euros.

For ThyssenKrupp this means that in response to the financial crisis we must significantly speed up the implementation of already planned efficiency enhancement measures and associated structural changes and give even greater priority to our growth program. We are confident that in this way we will master the current challenges and emerge strengthened from this difficult global phase.