

Interim Report 2nd Quarter 2003_2004
January 01 – March 31, 2004

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ThyssenKrupp



Interim Report 1st half 2003/2004
January 01 – March 31, 2004

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THE GROUP IN FIGURES

Group

		2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	1st half ending March 31, 2003	1st half ending March 31, 2004
Order intake	million €	9,081	10,744	18,063	20,313
Sales	million €	9,165	9,847	17,806	18,534
EBITDA	million €	681	656	1,260	1,241
Income*	million €	248	249	388	412
Net income	million €	158	277	212	366
Basic earnings per share	€	0.31	0.56	0.41	0.74
Normalized earnings per share from continuing operations	€	0.22	0.31	0.38	0.49
Employees (March 31)		187,740	186,204	187,740	186,204

* from continuing operations before income taxes and minority interest

		Sept. 30, 2003	March 31, 2004
Net financial payables	million €	4,235	4,280
Stockholders' equity	million €	7,631	7,705

Segments

	Order intake million €		Sales million €		Income* million €		Employees		
	2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	March 31, 2003	Sept. 30, 2003	March 31, 2004
Steel	3,299	4,261	3,222	3,617	157	138	49,128	49,286	48,836
Automotive	1,596	1,887	1,601	1,888	47	69	37,736	41,414	43,158
Elevator	836	918	812	833	83	81	29,054	29,689	30,817
Technologies	1,068	1,436	1,336	1,215	15	2	31,500	29,871	27,346
Services	2,792	2,882	2,719	2,819	17	38	38,892	38,487	34,692
Real Estate	84	100	84	100	21	17	747	638	633
Corporate	8	8	8	8	(91)	(96)	683	717	722
Consolidation	(602)	(748)	(617)	(633)	(1)	0			
Group	9,081	10,744	9,165	9,847	248	249	187,740	190,102	186,204

* from continuing operations before income taxes and minority interest

THYSSENKRUPP IN THE 2ND QUARTER – BUSINESS PICKING UP

The overall economic environment continued to brighten in the first months of 2004, impacting positively on ThyssenKrupp's performance. Sales and in particular order intake increased significantly. The Group's income from continuing operations before taxes and minority interest reached €249 million in the 2nd fiscal quarter, compared to €248 million in the corresponding prior-year period.

The highlights for the 2nd quarter of fiscal 2003/2004 were as follows:

- Order intake in the reporting quarter was €10.7 billion, up 18% from the corresponding prior-year figure.
- Sales in the 2nd quarter were €9.8 billion, up 7% from a year earlier.
- EBITDA declined slightly year-on-year by €25 million to €656 million.
- Income from continuing operations before income taxes and minority interest was €249 million in the 2nd quarter, up €1 million from a year earlier. Excluding the €41 million gain on the sale of the quarto plate operations in the prior-year period, income increased by €42 million.
- Earnings per share from continuing operations reached €0.31 in the reporting quarter, compared to €0.26 in the prior-year period. Excluding the nonrecurring quarto plate effect in the 2nd quarter 2002/2003, normalized earnings per share from continuing operations rose to €0.31 from €0.22. Earnings per share from discontinued operations amounted to €0.25 in the 2nd quarter 2003/2004, giving total earnings per share of €0.56.
- The Group's net financial payables amounted to €4,280 million at March 31, 2004, €45 million more than on September 30, 2003 and €651 million less than on March 31, 2003.

For the 2nd half of fiscal 2003/2004 we currently expect an unchanged economic environment, even though the risks of an economic weakening have increased. For the full year we forecast sales in the magnitude of roughly €38 billion. In terms of earnings before taxes, excluding the effects of disposals, we aim to get as close as possible to €1 billion. With support from the economy and without major fluctuations in the currency and raw material markets, we could pass the €1 billion mark this year.

ECONOMIC ENVIRONMENT

The worldwide economic upswing outside the euro zone gathered strength at the beginning of 2004. Nevertheless, the economic risks increased as a result of new terrorist attacks and developments on the energy and raw material markets.

The economic revival in the USA in the year to date has been particularly strong. Business spending and exports have increased sharply, as has private consumption. The continuing growth in Japan is due to increased domestic demand as well as high exports.

In the main, the emerging markets also performed positively at the beginning of the year. Thanks to robust exports the emerging economies of Asia recorded continuing strong growth. The growth in China continues unabated. The economies of Latin America continued their recovery and the countries of Central and Eastern Europe posted above-average growth at the beginning of the year.

The euro zone, however, continued to lag behind the rest of the world. Subdued exports due to the strength of the euro and weak internal demand slowed economic activity. In Germany too, private consumer spending was disappointingly weak. Capital spending and exports showed only a slight recovery.

In the sectors of importance to ThyssenKrupp the picture was as follows:

- The international steel market was characterized by high demand and drastically increased raw material costs at the beginning of the year. Heavy demand for steel and starting materials in China led to an explosion in freight rates and the costs of ore, coal, coke and scrap. Coke prices and freight rates in the 1st quarter 2004 were almost three times higher than a year earlier. Crude steel production increased by 9% worldwide in the first three months of 2004 and in China alone by 26%. In the European Union (15) and Germany, the growth in production was more moderate at 2 and 1% respectively. The German steel industry recorded a 22% increase in order intake in the 1st quarter 2004. There were supply shortages on both the German and Western European steel markets. Against the background of low imports from non-EU countries and the limited delivery capabilities of some Western European producers, supply was unable to fully meet the rise in demand due to the consumption and inventory cycle. Following the steel price rises at the start of the year, further price increases became effective at the beginning of April 2004 due to developments on the raw material markets; however, they were unable to offset the cost increases on the procurement markets.
- Demand for stainless steel flat products was encouraging. The Western European producers recorded higher orders and shipments. Base prices remained steady in Europe and increased in the USA in the 1st quarter 2004. Sharply rising prices for nickel and chromium remain a problem for stainless producers. There have also been massive rises in other costs recently, particularly for unalloyed scrap, operating materials and energy which are not covered by alloy surcharges, and these are putting extreme pressure on margins. To counter the significant cost increases the European stainless mills have announced base price increases.

- Auto sector activity in the main sales regions was mostly stable in the first months of 2004. Vehicle production in the NAFTA region at the beginning of the year was unchanged from a year earlier. Production of passenger cars decreased but the light truck sector including minivans and sport utility vehicles recorded further growth. The Brazilian vehicle market showed a significant improvement. In Western Europe, sales of passenger cars increased slightly on the whole but there were marked regional differences. German vehicle production in the 1st quarter 2004 was slightly up from a year earlier, with higher imports making up for lower new car registrations.
- After a lengthy phase of restraint, investment activity improved. The German mechanical engineering industry reported increasing production levels following high orders received at the end of last year. The us machine tool market is also reporting high growth, albeit from a low base.
- The construction industry showed a very mixed regional pattern at the beginning of the year. There was no improvement in the situation in Germany. However, there was steady growth in the countries of Central and Eastern Europe, while in China the construction boom continued.

BUSINESS SITUATION

Sales and order intake

Demand for ThyssenKrupp products and services improved noticeably in the 2nd quarter 2003/2004. Order intake was €10.7 billion, up 18% from the corresponding prior-year quarter. There was above-average growth at Technologies and Steel. The appreciation of the euro against the us dollar again impacted our performance. If the euro to us dollar exchange rate had been unchanged, total order intake would have been 22% higher.

Sales billion €

2002/2003	1st quarter	8.6
	1st half	17.8
	9 months	26.6
	12 months	35.9
2003/2004	1st quarter	8.7
	1st half	18.5

Sales rose to €9.8 billion, up 7% from the prior-year quarter. Apart from Technologies, all segments reported growth, particularly Steel and Automotive. The fall in sales at Technologies is due to disposals. Excluding exchange rate effects, the Group's order intake was 11% higher than a year earlier.

Earnings

ThyssenKrupp achieved income from continuing operations before taxes and minority interest of €249 million in the 2nd quarter of fiscal 2003/2004; earnings were therefore roughly equal to the prior-year figure of €248 million. However, in the prior-year period the Steel segment realized a nonrecurring gain of €41 million from the disposal of the quarto plate business. Excluding this effect, earnings rose by €42 million or 20%.

In March 2004 the IT service provider Triaton, part of the Information Services business unit in the Services segment, was sold to Hewlett-Packard. This produced a pre-tax gain of €127 million in the 2nd quarter 2003/2004. With the sale, ThyssenKrupp finally and completely discontinued its hosting, on site services and IT consulting operations, which had generated sales most recently of €365 million. The Information Services business unit is therefore shown as a "discontinued operation". The disposal gain and the contributions of this business unit to ongoing earnings are consequently no longer contained in the figures for continuing operations in the 2nd quarter 2003/2004; the prior-quarter results have been restated accordingly.

The earnings improvement was mainly driven by the Steel, Services and Automotive segments. In the Carbon Steel business unit, Steel profited from strong prices and continuing high volumes due to the general economic improvement and indirectly because of high demand from China. In the Services segment, earnings more than doubled due to strengthening demand worldwide for materials and above all thanks to successful restructuring and portfolio streamlining. Successful restructuring

programs also led to a significant increase in profits in the Automotive segment. Despite adverse currency effects and tight economic conditions in some areas, Elevator again achieved high earnings roughly level with a year earlier. In the Technologies segment, the Mechanical Engineering companies reported higher profits. The losses of the Metal Cutting unit were significantly reduced. However, these positive developments were outweighed by the loss from the sales financing of two cruise ships, resulting in Technologies posting lower profits than a year earlier. Real Estate reported decreased earnings as a result of lower real estate sales and increased risk provisions. Risk provision for real estate was also the reason for the higher expenses at Corporate.

Income* million €

2002/2003	1st quarter	140
	1st half	388
	9 months	606
	12 months	706
2003/2004	1st quarter	163
	1st half	412

*from continuing operations before income taxes and minority interest

Net income in the 2nd quarter totaled €277 million, compared to €158 million a year earlier; this represents earnings per share of €0.56 compared to €0.31 a year earlier. The continuing operations achieved net earnings of €155 million, compared to €136 million a year earlier. Taking into account the fact that the prior-year quarter included a gain on the disposal of the quarto plate activities and normalizing the prior-year figures accordingly, normalized net earnings from continuing operations increased by €43 million from €112 million to €155 million; this corresponds to an increase of €0.09 to €0.31 per share. The discontinued operations achieved after-tax earnings of €122 million or €0.25 in the 2nd quarter 2003/2004, almost all of which was from the disposal gain for Triaton.

Net financial payables and capital expenditures

Net financial payables at March 31, 2004 stood at €4,280 million, €45 million higher than at September 30, 2003. The funds required for the usual cash outflows in the 1st quarter and the dividend payment in the 2nd quarter were for the most part offset by portfolio measures. Compared with March 31, 2003 the Group's net financial payables were €651 million lower.

The €750 million 5% ThyssenKrupp bond issued on March 29, 2004 and maturing March 29, 2011 was successfully placed. The cash influx will mainly be used to refinance existing financial payables. In response to high investor demand, ThyssenKrupp increased the amount of the bond issue from the €500 million originally planned to €750 million. The bond positions ThyssenKrupp AG as a major issuer in the investment grade market.

Net financial payables million €

2002/2003	Dec. 31	4,864
	March 31	4,931
	June 30	4,868
	Sept. 30	4,235
2003/2004	Dec. 31	4,553
	March 31	4,280

Capital expenditures in the 2nd quarter of fiscal 2003/2004 totaled €369 million, 3% less than a year earlier. €358 million was invested in property, plant and equipment and intangible assets, with the remaining €11 million used for the acquisition of businesses, shareholdings and other financial assets.

Employees

ThyssenKrupp had 186,204 employees worldwide on March 31, 2004, a decrease of 3,898 or 2.1% compared with the end of the last fiscal year. The number of employees fell in particular in the Technologies and Services segments due to disposals. By contrast, the workforce at Automotive and Elevator increased as a result of acquisitions.

The headcount decreased in Germany by 4.6% to 94,931, while outside Germany it increased by 0.8% to 91,273. At the end of March 2004, 71% of the workforce was employed in the countries of the current EU and 17% in the NAFTA region.

The Group's employee share program at the beginning of 2004 met with a good response from employees. Almost 47,000 of the 93,000 eligible employees in Germany subscribed to ThyssenKrupp shares. This represents a participation rate of almost 51%, compared with around 48% in the first program conducted in 2001. From this year onwards the first foreign workforces in selected EU countries will be included step-by-step in the program.

SEGMENTS

Steel: High demand

Steel in figures

		2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	1st half ending March 31, 2003	1st half ending March 31, 2004
Order intake	million €	3,299	4,261	6,236	7,628
Sales	million €	3,222	3,617	6,014	6,606
Income*	million €	157	138	229	229
Employees (March 31)		49,128	48,836	49,128	48,836

* from continuing operations before income taxes and minority interest

Thanks to high demand, the Steel segment significantly expanded its business volume in the 2nd quarter 2003/2004. Order intake climbed 29% to €4.3 billion. Sales reached €3.6 billion, 12% more than in the prior-year quarter. Crude steel output was level with a year earlier at 4.4 million metric tons. Despite increasing problems with starting material supplies worldwide, there were no major production cuts due to raw material shortages. However, capacity was not sufficient to fully meet the explosive rise in demand from our customers. As far as possible, inventories were depleted to compensate for this.

In the Carbon Steel business unit order intake rose 29% to €2.4 billion. The growth reflects an increase in both revenues and volumes. The upswing in demand was noticeable in all regional markets, with orders from abroad showing disproportionate growth. Sales increased 11% to €2.1 billion. Almost all companies in the business unit expanded their sales. ThyssenKrupp Stahl achieved growth thanks to higher shipments. ThyssenKrupp Tailored Blanks again performed very strongly; the company is expanding capacity to meet growing demand from the automobile industry. Sales of the steel service center activities in Europe were level with the previous year; in North America business picked up slightly compared with the weak prior-year quarter.

Stainless Steel increased its order intake by 28% to €1.4 billion in the 2nd quarter 2003/2004, reflecting high demand for flat-rolled stainless steel products. Total shipments were 9% lower than a year earlier, mainly as a result of a strike at the Terni location in Italy which caused considerable production and delivery problems at the end of January 2004. Shipments only returned to normal again in mid-February. Sales in the Stainless Steel unit climbed 15% to €1.3 billion. The higher revenues for the core product cold-rolled strip were mainly due to increased alloy surcharges caused by higher raw material prices, while base prices in the European market remained stable at a low level. Business in nickel-base alloys was again unsatisfactory.

The Special Materials business unit recorded growth in both order intake and sales in the reporting period, in particular for specialty steel long products. In response to the increasingly difficult competitive situation in the EU caused by rising imports from non-EU countries, the electrical steel activities are being reorganized.

The Steel segment achieved earnings of €138 million. The previous year's profit of €157 million included €41 million from the disposal of the quarto plate activities of the Stainless business unit. After deducting this nonrecurring effect, income amounted to €116 million, representing an increase of €22 million or 19% for the reporting quarter.

Income at Carbon Steel was €86 million higher at €146 million. All operating groups contributed to this leap in profits. The biggest growth came from ThyssenKrupp Stahl AG. The main reason was the increase in production and shipments. Improving market prices had little impact on earnings on account of the shipments structure and the high proportion of annual and multi-year agreements. The price increases for key raw materials such as ore and coal/coke substantially cut into earnings. Freight rates rose sharply, too, especially in the spot market. These cost increases were mitigated by the strong euro. The efficiency-enhancement programs also contributed to the earnings improvement. Despite the continued market weakness, the construction elements business likewise achieved significantly improved income, mainly as a result of the restructuring measures. However, the business continued to post a loss. The tinplate, medium-wide strip, steel service and tailored blanks activities further increased their good level of profits.

Stainless Steel achieved a profit of €14 million in the reporting period, compared with €104 million in the year-earlier quarter, though this figure included a €41 million gain from the sale of the quarto plate activities. Excluding this nonrecurring income, the fall in profits was €49 million. The main factors here were lower base prices and substantial cost increases for nickel, chromium and scrap which, in the case of cold-rolled stainless products, cannot be passed onto the market immediately in the form of an alloy surcharge. A further burden on earnings was the increased value of the euro against the us dollar; this led to increased import pressure in Europe and caused problems for exports. After reporting a profit a year earlier, nickel-base alloys posted a loss. The reason for this was the continued market weakness affecting the aerospace, electronics and plant engineering sectors.

Special Materials reported a loss of €22 million – compared with a prior-year loss of €1 million. The income figure for Electrical Steel includes the cost of the strike at the Terni plant in Italy totaling €19 million. Even without this burden on earnings, the grain-oriented electrical steel product group would have posted negative income. The restructuring programs in the non-grain-oriented electrical steel product group have stabilized the income situation. The rationalization programs carried out at the specialty steel long product activities produced significant improvements, leading to almost breakeven earnings. Much of the success of the rationalization programs was offset by the price increases for scrap and nickel, which cannot be passed onto the sales market immediately.

Automotive: Acquisitions successfully integrated

Automotive in figures

		2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	1st half ending March 31, 2003	1st half ending March 31, 2004
Order intake	million €	1,596	1,887	3,107	3,576
Sales	million €	1,601	1,888	3,093	3,549
Income*	million €	47	69	67	106
Employees (March 31)		37,736	43,158	37,736	43,158

* from continuing operations before income taxes and minority interest

The Automotive segment achieved sales of €1.9 billion, an increase of 18% against the year-earlier quarter. If the euro/us dollar exchange rate had remained unchanged, sales would have climbed 26%. In the markets relevant to ThyssenKrupp Automotive, demand generally showed a slight improvement. All three business units, Chassis, Body and Powertrain, contributed to the higher sales.

The slight growth in sales in the Chassis business unit was mainly due to the ramp-up of new model programs in the systems business. In Mexico a new plant went into operation. In addition, growth in demand had a positive effect on sales.

In the Body business unit, sales were significantly higher than the year before, due in particular to the acquisition of the French body and chassis manufacturer Sofedit. In the North American plants, sales were impacted by lower call-off orders for individual vehicle models.

The Powertrain business unit achieved strong sales growth, mainly due to the takeover of the DaimlerChrysler steering system business, which now goes by the name ThyssenKrupp Presta SteerTec. Higher demand at the South American plants also contributed to the sales growth. The recovery of the market for heavy trucks was a further positive factor.

The Automotive segment achieved a profit of €69 million, €22 million more than in the prior-year quarter. All three business units contributed to this improvement. The highest growth was achieved by the Body business unit, while the main contribution to earnings came once again from the Powertrain business unit.

Following the successful turnaround in the year-earlier quarter, the Chassis business unit achieved a further improvement in income. Alongside higher earnings at the European stamping plant activities, the restructurings at the Kitchener plant and at ThyssenKrupp Federn had a sustained positive impact. A negative factor was the sharp increase in scrap prices at the North American foundries, which cannot be passed onto customers immediately.

The Body business unit reported a substantial profit in the reporting period after posting a loss in the same period of the previous year. Positive factors were the inclusion of the French company Sofedit, acquired at July 01, 2003, and improvements at some of the other European companies; negative factors were further increases in pension and healthcare costs in the USA.

The Powertrain business unit again posted a year-on-year profit rise in the 2nd quarter 2003/2004. The aluminum castings and steering systems activities achieved significantly improved earnings, while profits in the crankshaft business remained roughly level with the year before.

Elevator: Market position consolidated

Elevator in figures

		2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	1st half ending March 31, 2003	1st half ending March 31, 2004
Order intake	million €	836	918	1,790	1,857
Sales	million €	812	833	1,632	1,708
Income*	million €	83	81	164	168
Employees (March 31)		29,054	30,817	29,054	30,817

* from continuing operations before income taxes and minority interest

At Elevator, new installation business in the EU and USA remained weak for cyclical reasons. Exports, particularly to Eastern Europe and Asia, were impacted by exchange rate developments. By contrast, the service business performed well despite strong competition. Overall Elevator succeeded in consolidating its market position in the 2nd quarter 2003/2004. Order intake was 10% higher than a year earlier at €918 million. Sales climbed 3% to €833 million. This positive performance is attributable to acquisitions, mainly Dongyang in South Korea, and improved marketing efforts. Without the effects of the us dollar/euro exchange rate, sales would have been 8% higher.

On account of the continued weakness of the construction sector, sales of the Germany/Austria/Switzerland business unit fell just short of the prior-year level. In the France/Benelux business unit, business expanded following intensified marketing efforts in France and the Netherlands. The growth in sales in the Spain/Portugal/Latin America business unit was mainly achieved on the Iberian peninsula. In the North America/Australia business unit, sales were weaker, reflecting adverse exchange-rate effects and continued high vacancy rates in both office buildings and residential property.

Thanks to acquisitions and intensive marketing efforts, the Other Countries business unit significantly expanded its sales. A key contributory factor was the acquisition of Dongyang in South Korea. Business in China remained positive.

The Passenger Boarding Bridges business unit achieved higher sales thanks partly to progress made on major orders. The Accessibility business unit likewise recorded sales growth.

The Elevator segment reported a 2nd-quarter profit of €81 million, compared with €83 million a year earlier. This means that despite the substantial reduction in the value of the us dollar against the euro, Elevator again achieved the earnings level of the year before in an environment characterized by intense price competition and declining demand for new installations – especially in Western Europe and the USA.

The Germany/Austria/Switzerland business unit achieved significantly improved earnings compared with the prior-year quarter, while the France/Benelux business unit matched the previous year's very good income level. By contrast, the Spain/Portugal/Latin America business unit reported lower earnings. While the activities on the Iberian peninsula held their ground successfully, in Brazil the weakness of the economy in recent years meant that the value of receivables had to be adjusted. The profit of the North America/Australia business unit was lower than a year earlier. The weakness of the us dollar against the euro had a translation impact on the business unit's earnings in euros. In addition, subdued demand for new installations led to severe price pressure which had a significant knock-on effect on

margins. This was only partly offset by the continued stable earnings contribution from the service activities. The Other Countries business unit substantially improved its profit. Successful growth in Asia more than compensated for the market weakness in Northern Europe. Organic growth in China and the South Korean acquisition Dongyang were the main driving forces behind the improvement. The Passenger Boarding Bridges business unit moved into profit in the reporting period, benefiting from the initial signs of a recovery on the airport equipment market. The Accessibility business unit, too, confirmed its positive development with further growth in earnings.

At the beginning of 2004, the EU Commission conducted investigations at Europe's four biggest elevator manufacturers, including ThyssenKrupp Elevator, in relation to suspected infringements of competition regulations. Only preliminary investigations have been carried out to date, and the findings are yet to be announced.

Technologies: Strong improvement in orders

Technologies in figures

		2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	1st half ending March 31, 2003	1st half ending March 31, 2004
Order intake	million €	1,068	1,436	2,406	2,977
Sales	million €	1,336	1,215	2,699	2,317
Income*	million €	15	2	11	5
Employees (March 31)		31,500	27,346	31,500	27,346

* from continuing operations before income taxes and minority interest

There was a significant improvement in the order situation of the Technologies segment. Despite the disposal of several companies, new business was up 34% from the prior-year period to €1.4 billion. Particularly high growth was reported in the Plant Technology business, where Polysius won a major order for a cement plant in Saudi Arabia, and Uhde and Fördertechnik also recorded higher orders. Marine received orders for two further container ships and thus exceeded the order intake of the weak prior-year quarter. In the Production Systems business, orders were higher at Metal Cutting and Assembly Plant but lower at Autobody Manufacturing Systems. Orders at Mechanical Engineering were lower only because of disposals.

At €1.2 billion, 2nd-quarter sales at ThyssenKrupp Technologies were 9% lower than a year earlier. This decrease is mainly due to disposals; excluding the structural changes, sales were slightly higher. Plant Technology achieved significantly higher sales thanks to the improved business situation. The reduction in business volume at Marine resulted from a combination of order deferrals and lower billings. Production Systems reported lower sales in Metal Cutting, partly due to the closure and sale of operations, and Assembly Plant. Mechanical Engineering achieved higher sales of large-diameter bearings and construction machinery components. At the beginning of April 2004, the customer for the Transrapid order in Shanghai signed the overall acceptance.

The Technologies segment generated a profit of €2 million compared with €15 million in the prior-year quarter. Earnings were heavily impacted by a loss of €27 million realized on the sales financing of two cruise ships built at the end of the 1990s.

Production Systems reported a slight loss and thus achieved a significant earnings improvement. At Metal Cutting, the absence of nonrecurring charges and a reduction in costs as a result of restructuring measures impacted positively on earnings.

Plant Technology again posted double-digit earnings which were slightly higher than the corresponding prior-year quarter. The negative impact of foreign currency effects was outweighed by improved earnings on orders.

At Marine, the loss on the sales financing of the cruise ships resulted in negative earnings. Excluding this write-off, profits would still have been down from the prior-year quarter.

Thanks to the improved business situation, Mechanical Engineering achieved higher earnings in all areas except the Transrapid. This produced an overall profit which was significantly higher than in the year-earlier quarter. Inadequate workloads and higher project costs for the Transrapid had a negative impact. Higher profits were achieved in the large-diameter bearing, construction machinery component and tire-building machinery businesses. Following a loss in the prior-year quarter, the turbine components business reported approximately breakeven earnings.

Services: Growth in materials business

Services in figures

		2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	1st half ending March 31, 2003	1st half ending March 31, 2004
Order intake	million €	2,792	2,882	5,491	5,568
Sales	million €	2,719	2,819	5,362	5,424
Income*	million €	17	38	39	61
Employees (March 31)		38,892	34,692	38,892	34,692

* from continuing operations before income taxes and minority interest

At €2.8 billion, 2nd-quarter sales at the Services segment rose 4% from the prior year, despite the disposal in the meantime of the Construction Services business unit. As part of the portfolio optimization, the activities of the Information Services business unit are being discontinued. In this connection, the Triaton group was sold effective March 31, 2004 and the business unit's remaining activities were terminated. Sales and order intake for the Information Services business unit have been removed from the periods shown.

Sales at Materials Services Europe, which in the 1st quarter were still lower than a year earlier, grew significantly in the 2nd quarter. This performance reflects the upward trend in business with flat products, coupled with significantly higher price levels, and the continuing growth of the Eastern European companies.

The us market also showed an improvement. However, the weakness of the dollar meant that sales at Materials Services North America remained decisively lower than in the prior-year period.

Sales at the Industrial Services business unit declined. The economy failed to provide any stimulus for new service orders. The disposal of the environmental activities also impacted sales.

Sales at the Special Products business unit again showed a strong improvement in the 2nd quarter. This was mainly due to lively demand for steel from Asia, in particular China, and the sharp rise in raw material prices.

Formed October 01, 2003, the new Services segment reported a profit of €38 million, up €21 million from the prior-year quarter, and thus more than doubled its earnings. The Information Services business unit has been removed from the earnings figure of the reporting period and the corresponding prior-year quarter, as following the sale of IT service provider Triaton this business unit is being treated as a discontinued operation and its results reported separately outside the segment.

The earnings situation of the segment's continuing operations is characterized on the one hand by the success of the portfolio adjustments and restructurings. On the other hand, the measures implemented to further improve the quality of earnings also resulted in nonrecurring charges in the reporting quarter.

The Materials Services Europe business unit made the biggest contribution to earnings and reported the highest profit growth. This reflects not only the improved business situation but also the performance-enhancement and restructuring measures carried out in the previous year. The same applies to the Materials Services North America business unit, which more than doubled its profit on a euro basis compared with the prior-year quarter despite the negative effects of translating its us dollar earnings into euros. By contrast, Industrial Services was impacted by necessary value adjustments in European countries outside Germany and again by nonrecurring restructuring charges in the facility systems business. The business unit closed with a loss. The Special Products business unit matched its high year-earlier earnings due to strong business with steel and raw materials.

Real Estate achieved sales of €100 million in the 2nd quarter 2003/2004. The 19% increase in sales reflects changes in the billing pattern for overheads at Residential Real Estate.

Real Estate generated earnings before taxes and minority interest of €17 million in the 2nd quarter 2003/2004, a decrease of €4 million from the corresponding prior-year quarter. The biggest contribution to earnings came from the Residential Real Estate business unit. The decline in income was the result of lower profits from real property sales and provisions for risks.

Corporate includes the Group's head office and the companies not assigned to the individual segments.

In the 2nd quarter Corporate reported a loss of €96 million, compared with the €91 million loss in the same period of the previous year. The deterioration reflected the risk provision for real estate and the elimination of equity income from the Ruhrkohle investment. Improved earnings in other areas, including higher interest income at head office and the national holding companies, were unable to offset these effects.

Consolidation mainly includes the results of intercompany profit elimination.

INNOVATION

At ThyssenKrupp, innovation is a top management priority. The main task of the holding company is to set the strategic direction and provide the stimulus for innovation activities in the Group. The actual research and development work is carried out by the Group's operating companies.

Creating a good climate for innovation is also a top priority. There is no innovation without motivation. ThyssenKrupp's annual innovation contest plays a major role in this, with impressive results: For example, our NSB® NewSteelBody – an independently developed body-in-white – has met with a highly positive response from customers in the automotive industry. The air suspension system we developed optimizes ride comfort and enhances safety, e.g. in the Mercedes-Benz S-Class and the new E-Class. A further prize-winning innovation from ThyssenKrupp is the TWIN elevator with two independent cabs arranged one above the other in a single shaft, a concept which saves time, energy and building space.

Alongside our actual innovation work, which is key to securing the Group's future, ThyssenKrupp is also committed to improving the public perception of technology and innovation. To keep moving forward, Germany needs a technology and innovation renaissance and a new climate in society which is favorably disposed to technology. To do this we need to spark young people's interest in technology, encourage greater knowledge sharing among universities, research institutes and businesses, and communicate the benefits of forward-looking technologies more effectively than in the past.

Our long-standing cooperation with schools in Germany's Ruhr area is aimed at arousing interest and enthusiasm for technology among the younger generation at an early stage. In addition, we have been sponsoring regional heats of the "Jugend forscht" youth science competition for several years.

We also promote close cooperation with universities and colleges – focusing mainly on business and engineering sciences – to intensify the exchange of information between research, teaching and industry. We currently have cooperative agreements with the renowned technical universities of Aachen, Berlin, Bochum, Dortmund, Dresden, Hamburg-Harburg and Shanghai. We also collaborate closely with various institutes of the Fraunhofer and Max-Planck research organizations.

The German government has proclaimed 2004 the "Year of Technology", with a broad range of activities and events providing plenty of opportunity to stimulate interest in technology and present its opportunities and benefits. In partnership with the government, we are heavily involved in these events and are jointly promoting innovation.

We also give strong support to Acatech, the Council of Technical Sciences of the Union of German Academies of Sciences and Humanities. Acatech aims to promote dialogue on forward-looking technologies and their significance for sustainable growth and intensify the exchange of knowledge between science, business, politics and society.

OUTLOOK

With strong growth continuing initially particularly in the USA and Asia, we do not expect any fundamental changes in the economic situation over the further course of 2004. However, the pace of global growth is expected to slow gradually. In Western Europe and Germany, economic growth will remain noticeably lower. The enlargement of the EU as of May 01, 2004 is expected to generate slight positive momentum in the medium-term. Overall, however, we believe the risks for a sustained economic recovery to be higher than at the beginning of the year due to the geopolitical situation and developments on the raw material and energy markets.

We expect the following developments on the markets important to ThyssenKrupp:

- Given the strong demand for steel from China, steel output will rise further. High capacity utilization and cost increases on the procurement side will lead to further price rises. Having raised its prices for carbon steel flat products on April 01, 2004 by €30 to €40/t depending on product, ThyssenKrupp Stahl plans further price increases of €90 to €100/t from July 01. ThyssenKrupp Stainless raised its base prices for stainless steel products in Europe by €50/t from April 2004. Substantial cost increases necessitated a further €50/t price increase in May 2004. Moreover, from May 01, 2004 it became necessary to add a scrap component to the calculation of alloy surcharges due to the drastic rise in scrap prices.
- We expect a further slight increase in global automobile production in 2004. Above-average growth is forecast for the emerging Asian markets. At present, the order books of the German automobile industry show no sign of a clear upward trend.
- The mechanical engineering sector in particular will benefit from the revival of investment activity. The German mechanical engineering industry anticipates moderate production growth in 2004. Growth is expected to be much higher in the USA, where exchange rates will also be a factor.
- There is no improvement in sight for the German construction industry. By contrast, strong growth is expected in 2004 in the UK, the USA and above all China.

In this economic environment we forecast sales for ThyssenKrupp in the magnitude of roughly €38 billion in fiscal 2003/2004. In terms of earnings before taxes, excluding the effects of disposals, we aim to get as close as possible to €1 billion. With support from the economy and without major fluctuations in the currency and raw material markets, we could pass the €1 billion mark this year.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

million €, earnings per share in €

	Note	2nd quarter ending March 31, 2003*	2nd quarter ending March 31, 2004	1st half ending March 31, 2003*	1st half ending March 31, 2004
Net sales	12	9,165	9,847	17,806	18,534
Cost of sales		(7,593)	(8,212)	(14,708)	(15,374)
Gross margin		1,572	1,635	3,098	3,160
Selling expenses		(686)	(692)	(1,384)	(1,344)
General and administrative expenses		(549)	(614)	(1,153)	(1,216)
Other operating income	4	119	104	229	178
Other operating expenses		(158)	(133)	(308)	(253)
Gain/(loss) on the disposal of subsidiaries, net		(6)	1	(8)	1
Income from operations		292	301	474	526
Financial expense, net		(44)	(52)	(86)	(114)
Income from continuing operations before income taxes and minority interest	12	248	249	388	412
Provisions for income taxes		(100)	(84)	(147)	(150)
Minority interest		(12)	(10)	(25)	(20)
Income from continuing operations		136	155	216	242
Discontinued operations (net of tax)	2	1	122	2	124
Cumulative effects of changes in accounting principles (net of tax)		21	0	(6)	0
Net income		158	277	212	366
Basic earnings per share	13				
Income from continuing operations		0.26	0.31	0.42	0.49
Net income		0.31	0.56	0.41	0.74

* adjusted due to the presentation of "discontinued operations"

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS**Assets** million €

	Note	Sept. 30, 2003	March 31, 2004
Intangible assets, net	6	3,473	3,474
Property, plant and equipment, net		10,919	10,753
Financial assets, net		1,002	1,006
Fixed assets		15,394	15,213
Inventories, net		5,720	5,977
Trade accounts receivable, net		5,301	5,744
Other receivables and other assets, net		1,242	1,323
Marketable Securities		20	19
Cash and cash equivalents		690	877
Operating assets		12,973	13,940
Deferred income taxes		1,290	1,264
Prepaid expenses and deferred charges		204	266
Assets held for sale		280	0
Total assets		30,141	30,683

Stockholders' Equity and Liabilities million €

	Note	Sept. 30, 2003	March 31, 2004
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		2,790	2,900
Accumulated other comprehensive income		(754)	(809)
Treasury stock		(406)	(387)
Total Stockholders' Equity	7	7,631	7,705
Minority interest		318	339
Accrued pension and similar obligations		7,387	7,277
Other accrued liabilities	8	2,959	2,866
Accrued liabilities		10,346	10,143
Financial payables		4,944	5,176
Trade accounts payable		3,051	3,355
Other payables		2,917	2,969
Payables		10,912	11,500
Deferred income taxes		732	756
Deferred income		108	240
Liabilities associated with assets held for sale		94	0
Total Stockholders' Equity and Liabilities		30,141	30,683

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

million €

	1st half ending March 31, 2003	1st half ending March 31, 2004
Operating:		
Net income	212	366
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes (net)	33	57
Minority interest	25	20
Depreciation, amortization and impairment of fixed assets	783	737
(Earnings)/losses from companies valued at equity, net of dividends received	(35)	0
(Gain)/loss from disposal of assets	5	3
Gain on disposal of discontinued operations	0	(127)
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
- inventories	(129)	(198)
- trade accounts receivable	107	(419)
- other assets not related to investing or financing activities	(127)	(195)
- accrued pension and similar obligations	(27)	(66)
- other accrued liabilities	(39)	(69)
- trade accounts payable	(220)	305
- other liabilities not related to investing or financing activities	(61)	28
Net cash provided by operating activities	527	442
Investing:		
Purchase of financial assets and businesses	(128)	(225)
Cash acquired from acquisitions	1	2
Capital expenditures for property, plant and equipment	(586)	(658)
Capital expenditures for intangible assets	(23)	(23)
Proceeds from the sale of financial assets and businesses	29	443
Cash of disposed businesses	(2)	(19)
Proceeds from disposals of property, plant and equipment	43	125
Proceeds from disposals of intangible assets	10	10
Net cash used in investing activities	(656)	(325)
Financing:		
(Decrease)/increase of bonds	(2)	745
Increase/(decrease) of payables to financial institutions	58	(640)
Proceeds from notes payable and other loans	188	162
(Decrease)/increase in bills of exchange	(2)	6
Decrease in securities classified as operating assets	1	3
Proceeds from treasury shares issued	0	12
Payment of ThyssenKrupp AG dividend from the preceding year	(206)	(249)
Other financing activities	(37)	38
Net cash provided by financing activities	0	77
Effect of exchange rate changes on cash and cash equivalents	(15)	(10)
Net (decrease)/increase in cash and cash equivalents	(144)	184
Cash and cash equivalents at beginning of reporting period	921	693*
Cash and cash equivalents at end of reporting period	777	877

* thereof cash and cash equivalents in the amount of €3 million within the disposal group Novoferm

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

million € (except number of shares)

	Number of shares outstanding	Capital stock	Additional paid in capital	Retained earnings	Accumulated other comprehensive income				Treasury stock	Total
					Cumulative translation adjustment	Available- for-sale securities	Minimum pension liability	Derivative financial instruments		
Balance as of Sept. 30, 2002	514,468,024	1,317	4,684	2,484	32	1	(180)	(51)	0	8,287
Net income				212						212
Other comprehensive income					(134)	0	(18)	8		(144)
Total comprehensive income										68
Dividend payment				(206)						(206)
Treasury stock issued	70			0					0	0
Balance as of March 31, 2003	514,468,094	1,317	4,684	2,490	(102)	1	(198)	(43)	0	8,149
Balance as of Sept. 30, 2003	497,546,991	1,317	4,684	2,790	(197)	1	(525)	(33)	(406)	7,631
Net income				366						366
Other comprehensive income					(64)	0	5	4		(55)
Total comprehensive income										311
Dividend payment				(249)						(249)
Treasury stock issued	791,278			(7)					19	12
Balance as of March 31, 2004	498,338,269	1,317	4,684	2,900	(261)	1	(520)	(29)	(387)	7,705

See accompanying notes to the condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of presentation

The accompanying 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.

In the opinion of Management, the accompanying 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, 2004, 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 2002/2003.

During the previous fiscal year, management revised its assessment concerning the Group's ability to exercise significant influence over the operating and financial policies of a significant investee, RAG Aktiengesellschaft, as a result of its inability to obtain timely reviewed US GAAP financial information on a quarterly basis. Accordingly, the Group has discontinued using the equity method of accounting to account for its investment in RAG Aktiengesellschaft. Beginning April 01, 2003, the Group accounted for its investment in RAG Aktiengesellschaft using the cost method under which the investment was recorded at its carrying amount as of the end of the second quarter 2002/2003. The effect of this change in estimate on the current and subsequent periods cannot be determined.

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

In December 2003, the FASB issued SFAS 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits". The standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information on an annual basis. In addition,

companies are required to report the various elements of pension and other postretirement benefit costs on a quarterly basis. The guidance is effective for fiscal years ending after December 15, 2003, and for quarters beginning after December 15, 2003.

In December 2003, the us government passed the Medicare Prescription Drug, Improvement and Modernization Act (the "Act") into law. The law provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the benefit established by the law. The Group has elected to defer accounting for the economic effects of the new Medicare Act and therefore these effects have not been recognized in the measure of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost as of December 31, 2003. The economic effects of the Act will be recognized when specific authoritative guidance on accounting for the federal subsidy is issued, which may require the Group to change previously reported information.

In December 2003, the SEC published Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition". This SAB updates portions of the SEC staff's interpretive guidance provided in SAB 101. SAB 104 deletes interpretive material no longer necessary, and conforms the interpretive material retained, because of pronouncements issued by the FASB's EITF on various revenue recognition topics. The adoption of SAB 104 did not have a material impact on the results of operation or the financial position of the Group.

2 Discontinued operations

As part of the portfolio optimization program, in the Services segment the activities of the Information Services business unit have been discontinued. In this context as of March 31, 2004, the Triaton group was sold and the other remaining activities within the business unit were terminated. The selling price amounted to €249 million, which will result in a total profit before taxes in the amount of €191 million. Due to the continuation of service contracts between ThyssenKrupp and Triaton for a fixed period of seven years, €64 million of the disposal gain will be recognized ratably over a period of seven years. In the second quarter ending March 31, 2004, a gain of €127 million (€126 million net of tax) was realized.

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the transaction has been classified as a discontinued operation. Accordingly the income from discontinued operations as well as the gain on the disposal of the discontinued operation have been presented separately (net of tax) in the consoli-

dated statements of income in the line item "income from discontinued operations (net of tax)". Prior period presentations have been adjusted accordingly.

The results from discontinued operations are as follows:

million €

	2nd quarter ending March 31, 2003	2nd quarter ending March 31, 2004	1st half ending March 31, 2003	1st half ending March 31, 2004
Net sales*	91	86	187	181
Other income / expenses (including cost of sales)	(89)	(87)	(184)	(179)
Income/(loss) from discontinued operations before taxes	2	(1)	3	2
Provisions for income taxes	(1)	(3)	(1)	(4)
Income from discontinued operations (net of tax)	1	(4)	2	(2)
Gain on the disposal of discontinued operations	0	127	0	127
Provisions for income taxes	0	(1)	0	(1)
Gain on the disposal of discontinued operations (net of tax)	0	126	0	126
Discontinued operations (net of tax)	1	122	2	124

* net sales include internal sales within the Group of €38 million in the 2nd quarter ending March 31, 2003 and €42 million in the 2nd quarter ending March 31, 2004 as well as €76 million in the 1st half ending March 31, 2003 and €82 million in the 1st half ending March 31, 2004

3 Expense for share-based compensation

Management incentive plans

In the 2nd quarter, the appreciation rights granted in the third installment of the long-term management incentive plan were settled with payment of €11.1 million as a result of the performance hurdles being met at the end of the performance period. In addition, as of March 31, 2004, the performance hurdles for the fifth installment of the Group's long-term management incentive plan were met. As a result, the Group recorded total compensation expense from the plan in the amount of €2.7 million in the 2nd quarter of 2003/2004.

In January 2004, ThyssenKrupp granted 88,486 stock rights under the second installment of the mid-term incentive plan. The number of stock rights will be adjusted at the end of the performance period based on the average economic value added (EVA) over the three-year performance period (fiscal years 2003/2004 to 2005/2006) set against the average EVA over the previous three fiscal years (2000/2001 to 2002/2003). At the end of the performance period the stock rights will be settled in cash based on the average price of

ThyssenKrupp stock during the period from October 01 to December 31, 2006.

For the obligations under the mid-term incentive plan, ThyssenKrupp recorded compensation expense of €0.4 million in the second quarter.

Employee share purchase program

In the 2nd quarter, the Group offered eligible members of its domestic workforce the right to purchase up to €270 in ThyssenKrupp shares at a 50% discount as part of an employee share purchase program. The issuance of 790,498 treasury shares for this program resulted in the Group recording compensation expense of €7 million.

4 Other operating income

Other operating income includes €24 million from an insurance settlement in connection with a fire at the Dortmund cold rolling facility in November 2003.

5 Cost for pensions and similar obligations

The net periodic pension cost for the defined benefit plans is as follows:

million €

	2nd quarter ending March 31, 2003		2nd quarter ending March 31, 2004		1st half ending March 31, 2003		1st half ending March 31, 2004	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Service cost	11	16	9	15	22	32	19	30
Interest cost	30	84	26	76	60	168	53	151
Expected return on plan assets	(36)	0	(31)	0	(73)	0	(63)	0
Amortization of transition obligations	0	9	(1)	9	(1)	18	(1)	18
Amortization of prior service cost	2	0	2	0	5	0	4	0
Amortization of actuarial loss	0	0	5	1	1	0	9	2
Settlement and curtailment loss	0	0	1	0	0	0	1	0
Net periodic pension cost	7	109	11	101	14	218	22	201

The net periodic postretirement benefit cost for health care obligations is as follows:

million €

	2nd quarter ending March 31, 2003 US/Canadian plans	2nd quarter ending March 31, 2004 US/Canadian plans	1st half ending March 31, 2003 US/Canadian plans	1st half ending March 31, 2004 US/Canadian plans
Service cost	3	5	7	10
Interest cost	14	13	28	28
Amortization of prior service cost	(1)	(1)	(1)	(2)
Amortization of actuarial loss	5	7	9	16
Net periodic postretirement benefit cost	21	24	43	52

6 Goodwill and other intangible assets

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

million €

	Gross values March 31, 2004	Accumulated amortization March 31, 2004	Net values March 31, 2004
Customer base and relationship	23	18	5
Prohibition to compete	1	1	0
Licences and franchises	108	69	39
Patents, copyrights and similar	8	4	4
Service contracts	207	56	151
Other contractual positions	9	8	1
Acquired software and website	309	219	90
Internally developed software and website	64	40	24
Intangible assets subject to amortization	729	415	314

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 2nd quarter ending March 31, 2004, was €23 million.

Estimated amortization expense for each of the next five years will be approximately €78 million.

The change in the carrying amount of goodwill (excluding goodwill of equity method investments) is as follows:

million €

	Steel	Automotive	Elevator	Technologies	Services	Real Estate	Corporate	Total*
Balance as of Sept. 30, 2003	807	364	1,065	464	403	0	16	3,119
Currency changes	(7)	(3)	(40)	(4)	(4)	0	0	(58)
Acquisitions/(divestitures)	20	8	134	(57)	(54)	0	0	51
Balance as of March 31, 2004	820	369	1,159	403	345	0	16	3,112

* 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 €39 million.

7 Stockholders' Equity

In connection with an employee share purchase program (see note (3)), the Group issued 790,498 treasury shares to the employees.

By resolution of the Annual Stockholders' Meeting on January 23, 2004, the Executive Board is authorized, subject to the approval of the Supervisory Board, to issue bearer bonds with a total par value of up to €500 million and to grant the bond holders the right to convert the bonds into bearer shares of the Company (convertible bonds). The authorization is valid until January 22, 2009. In addition, ThyssenKrupp is authorized through July 22, 2005, to purchase treasury shares for certain defined purposes up to a total of 10% of the current capital stock issued.

8 Other accrued liabilities

The accrued liability for asset retirement obligations consists primarily of obligations associated with mining activities and recultivating landfills. In most cases the associated asset is already fully depreciated.

The change in the accrued liability for asset retirement obligations is as follows:

million €

	Total
Balance as of Sept. 30, 2003	243
Accretion	2
Amounts utilized	(2)
Reversals	(12)
Balance as of March 31, 2004	231

Product warranties and product defects represent the Group's responsibility for the proper functioning of the goods sold (product warranty) as well as the obligation to compensate the clients for damages that arise from the use of the products sold (product defect).

The change in the accrued liability for product warranties and product defects is as follows:

million €

	Total
Balance as of Sept. 30, 2003	304
Currency changes	(5)
Acquisitions/(divestitures)	(2)
Amounts utilized	(40)
Changes from product warranties and product defects issued in 6 months of 2003/2004	44
Changes from prior periods product warranties and product defects issued	(20)
Balance as of March 31, 2004	281

9 Issuance of bearer bonds

On March 29, 2004, ThyssenKrupp AG issued €750 million 5% bearer bonds which will be due on March 29, 2011. Proceeds from the bonds are primarily used to refinance existing financial payables.

10 Contingencies including pending lawsuits and claims for damages

Guarantees

ThyssenKrupp AG and its segment lead companies as well as – in individual cases – its subsidiaries have issued guarantees in favor of customers or lenders. The following table shows obligations under guarantees where the principal debtor is not a consolidated Group company.

million €

	Maximum potential amount of future payments as of March 31, 2004	Accrued liability as of March 31, 2004
Advance payment bonds	12	0
Performance bonds	247	0
Third party credit guarantee	91	0
Residual value guarantees	55	1
Other guarantees	100	13
Total	505	14

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.

Variable interest entities

ThyssenKrupp has leased facilities used in 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". The application of the rules of this Interpretation to the companies acting as operators of these facilities resulted in the consolidation of these variable interest entities as of July 01, 2003. The consolidation of these companies does not have a material effect on the results of operations or the financial position of the Group. In addition, upon review of the owner companies of the leased facilities, that are also considered variable interest entities under the scope of the Interpretation, it was determined that the Group is not the primary beneficiary of those companies and consequently will not include these entities in the consolidated financial statements. The obligations of the Group existing under the leasing and purchasing agreements will continue to be considered future minimum lease payments from operating lease in the Notes to the Group's consolidated financial statements and amounts to approximately €68 million in the current fiscal year. The Group's maximum exposure to loss from both facilities amounts to approximately €55 million and results from the residual value guarantees for the assets at the end of the lease and purchasing agreements.

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.

11 Derivative financial instruments

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

million €

	Carrying value Sept. 30, 2003	Fair value Sept. 30, 2003	Carrying value March 31, 2004	Fair value March 31, 2004
Derivative financial instruments				
Assets				
Foreign currency derivatives incl. embedded derivatives	198	198	180	180
Commodity derivatives	9	9	14	14
Liabilities				
Foreign currency derivatives incl. embedded derivatives	105	105	107	107
Interest rate derivatives	59	59	48	48
Commodity derivatives	7	7	7	7
Total	378	378	356	356

12 Segment reporting

Effective as of October 01, 2003, the Group combined the former Serv and Materials segments to form the new Services segment. Amounts reported for the previous period were adjusted accordingly. Regarding the presentation of the Information Services business unit

as a discontinued operation the amounts disclosed for the Services segment were adjusted for all periods presented.

Segment information for the 2nd quarter ending March 31, 2003 and March 31, 2004 and for the 1st half ending March 31, 2003 and March 31, 2004 is as follows:

million €

	Steel	Automotive	Elevator	Technologies	Services	Real Estate	Corporate	Consolidation	Group
2nd quarter ending March 31, 2003									
External sales	2,790	1,594	808	1,306	2,578	81	8	0	9,165
Internal sales within the Group	432	7	4	30	141	3	0	(617)	0
Total sales	3,222	1,601	812	1,336	2,719	84	8	(617)	9,165
Income/(loss) from continuing operations before income taxes and minority interest	157	47	83	15	17	21	(91)	(1)	248
2nd quarter ending March 31, 2004									
External sales	3,144	1,881	829	1,200	2,690	95	8	0	9,847
Internal sales within the Group	473	7	4	15	129	5	0	(633)	0
Total sales	3,617	1,888	833	1,215	2,819	100	8	(633)	9,847
Income/(loss) from continuing operations before income taxes and minority interest	138	69	81	2	38	17	(96)	0	249
1st half ending March 31, 2003									
External sales	5,179	3,078	1,627	2,646	5,105	154	17	0	17,806
Internal sales within the Group	835	15	5	53	257	8	0	(1,173)	0
Total sales	6,014	3,093	1,632	2,699	5,362	162	17	(1,173)	17,806
Income/(loss) from continuing operations before income taxes and minority interest	229	67	164	11	39	41	(159)	(4)	388
1st half ending March 31, 2004									
External sales	5,666	3,534	1,703	2,292	5,166	153	20	0	18,534
Internal sales within the Group	940	15	5	25	258	10	0	(1,253)	0
Total sales	6,606	3,549	1,708	2,317	5,424	163	20	(1,253)	18,534
Income/(loss) from continuing operations before income taxes and minority interest	229	106	168	5	61	30	(181)	(6)	412

13 Earnings per share

Basic earnings per share is computed as follows:

	2nd quarter ending March 31, 2003		2nd quarter ending March 31, 2004	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
Numerator:				
Income from continuing operations (net of tax)	136	0.26	155	0.31
Income from discontinued operations (net of tax)	1	0.00	(4)	0.00
Gain on disposal of discontinued operations (net of tax)	0	0.00	126	0.25
Cumulative effect of changes in accounting principles (net of tax)	21	0.05	0	0.00
Net income	158	0.31	277	0.56
Denominator:				
Weighted average shares	514,489,044		497,831,300	

	1st half ending March 31, 2003		1st half ending March 31, 2004	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
Numerator:				
Income from continuing operations (net of tax)	216	0.42	242	0.49
Income from discontinued operations (net of tax)	2	0.00	(2)	0.00
Gain on disposal of discontinued operations (net of tax)	0	0.00	126	0.25
Cumulative effect of changes in accounting principles (net of tax)	(6)	(0.01)	0	0.00
Net income	212	0.41	366	0.74
Denominator:				
Weighted average shares	514,489,044		497,699,551	

Relevant number of common shares for the determination of earnings per share

Earnings per share have been computed by dividing income available to common stockholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Shares issued during the period and shares reacquired during the period have been weighted for the portion of the period that they were outstanding.

The weighted average number of outstanding shares was reduced by the reacquisition of shares on May 06, 2003 and

increased by the reissuance of a portion of those shares on March 01, 2004. The reacquisition of 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, does not effect the determination of the weighted average number of shares. As of March 31, 2004, there are 20,030 (March 31, 2003: 20,950) of these shares held in treasury included in the weighted average number.

There were no dilutive securities in the periods presented.

14 Additional information to the consolidated statements of cash flows

The liquid funds considered in the consolidated statement of cash flows correspond to the "Cash and cash equivalents" line in the balance sheet.

Included in the Group's cash flows from operations were the following amounts of interest and income taxes paid or received:

million €

	1st half ending March 31, 2003	1st half ending March 31, 2004
Interest paid	175	160
Income taxes paid, net	111	120

Non-cash investing activities

In the 1st half 2003/2004, the acquisition and first-time consolidation of companies created an increase in fixed assets of €247 million (2002/2003: €12 million).

The non-cash addition of assets under capital leases in the 1st half 2003/2004 amounts to €14 million (2002/2003: €12 million).

Non-cash financing activities

In the 1st half 2003/2004, the acquisition and first-time consolidation of companies resulted in an increase in gross financial payables in the amount of €99 million (2002/2003: 6).

DATES IN 2004_2005

May 17, 2004	Analysts' and investors' meeting
August 12, 2004	Interim report 3rd quarter 2003/2004 (April to June) Conference call with analysts and investors
December 01, 2004	Annual press conference Analysts' and investors' meeting
January 21, 2005	Annual General Meeting
January 24, 2005	Payment of dividend for the 2003/2004 fiscal year
February 14, 2005	Interim report 1st quarter 2004/2005 (October to December) Conference call with analysts and investors
May 13, 2005	Interim report 2nd quarter 2004/2005 (January to March)

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Forward-looking statements

This document contains forward-looking statements that reflect management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond ThyssenKrupp's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. ThyssenKrupp does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials

This report is available in German and English for downloading and as an interactive online version at <http://www.thyssenkrupp.com>.

On request, we would be pleased to send you additional information on the ThyssenKrupp Group free of charge.

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