

Presentation ThyssenKrupp

August 2006

ThyssenKrupp



# ThyssenKrupp Group 2004/2005

## ThyssenKrupp AG

Group sales €42.9 billion • EBT €1,677 million • TKVA\* €955 • Employees 185,932

Steel		Stainless		Automotive		Technologies		Elevator		Services	
Sales	€9.6 bn	Sales	€5.6 bn	Sales	€7.9 bn	Sales	€5.8 bn	Sales	€3.8 bn	Sales	€12.7 bn
EBT	€1,094 m	EBT	€286 m	EBT	€118 m	EBT	€40 m	EBT	€355 m	EBT	€261 m
TKVA	€593 m	TKVA	€68 m	TKVA	€(47) m	TKVA	€(204) m**	TKVA	€238 m	TKVA	€50 m
Empl.	31,634	Empl.	12,201	Empl.	43,537	Empl.	28,042	Empl.	34,151	Empl.	35,067
<ul style="list-style-type: none"> <li>• Steelmaking</li> <li>• Industry</li> <li>• Auto</li> <li>• Processing</li> </ul>		<ul style="list-style-type: none"> <li>• Nirosta</li> <li>• Acciai Speciali Terni</li> <li>• Mexinox</li> <li>• Shanghai Krupp Stainless</li> <li>• Stainless Int.</li> <li>• VDM</li> </ul>		<ul style="list-style-type: none"> <li>• Chassis</li> <li>• Body</li> <li>• Powertrain</li> </ul>		<ul style="list-style-type: none"> <li>• Plant Technology</li> <li>• Marine Systems</li> <li>• Mechanical Engineering</li> <li>• Transrapid</li> </ul>		<ul style="list-style-type: none"> <li>• 4 regional business units</li> <li>• Accessibility</li> <li>• Escalators/ Passenger Boarding Bridges</li> </ul>		<ul style="list-style-type: none"> <li>• Materials Services Europe</li> <li>• Materials Services North America</li> <li>• Industrial Services</li> <li>• Special Products</li> </ul>	
<b>Steel</b>				<b>Capital Goods</b>				<b>Services</b>			

Inter-segment sales unconsolidated; employees as at Sept 30, 2005 \* ThyssenKrupp Value Added \*\* impacted by disposal loss of MetalCutting



# Steel – At a Glance (I)

## Steel



- European #2 in flat-rolled carbon steel\*, leading position in electrical steel and tailored blanks
- Structure of Duisburg site unique in Europe: capacity of 17.3 million metric tons of crude steel p.a.
- Concentration on flat steel products with high value-added
- Highly innovative in products and processes
- Targeting quality and margin leadership in Europe through efficiency enhancement, sustainable investment policy and portfolio optimization
- Further strengthening of international presence with production sites in global growth markets as well as strategic alliances and cooperative ventures

\* production / latest figures available

# Planned Slab Plant in Brazil Creates Competitive Advantages

## Location

- Sepetiba, Brazil
- Link to iron ore logistics from Minas Gerais (CVRD South System ore mines)
- Rail connection and own dock

## Plant configuration



- Capacity: 5.0 million t/a

## Startup

- Production of first slab beginning of 2009

**Low-cost slab sourcing as ideal basis for further processing in North America**

## Competitive advantages

- Secured high-quality iron ore supply
- Location advantages
- Modern and efficient technology and processes
- Optimal logistic setting



**Outstanding cost position**

\* investment by partner



# Downstream Strategy for North America Based on Three Scenarios



Status quo		Export strategy from production in Germany	Existing facilities
Scenario I	CSA	Greenfield	Existing facilities
Scenario II	CSA	Acquisition/brownfield	Existing facilities
Scenario III	CSA	Joint venture or other cooperation	Existing facilities

## Targeted market segments

- Auto (top priority)
- Appliances
- Packaging
- Machinery

**High-value added flat steel products**



## Steel – At a Glance (II)

### Stainless



- One of the world's biggest producers of flat-rolled stainless steels and leading position in nickel-base alloys
- Global market presence through local production sites, steel service centers and distribution warehouses
- Full range of stainless, acid- and heat-resistant steels (added value for customers)
- Concentration on high-quality stainless steel products
- Systematic focus on customers through strong delivery performance and consideration of individual customer needs
- Development and expansion in high-profit growth markets: Asia, North America and Eastern Europe

# Capital Goods – At a Glance (I)

## Automotive



- Aiming for position amongst relevant global Top 3 players
- Providing creative solutions based on competitive and innovative component capabilities
- High competence in product and process technologies
- Cross-segment cooperation and joint product development
- Strong focus on Asia, especially China and India, to balance customer structure
- Main task: Streamlining of portfolio and eliminating underperforming businesses, especially in North America

# Capital Goods – At a Glance (II)

## Technologies



- Focus on 3 highly profitable business units: Plant Technology, Marine Systems, Mechanical Engineering
- Strong regional and global top 3 market positions, based on innovativeness and leading-edge technology:
  - Large-scale plant construction (fertilizer plants, petrochemical plants and cement plants)
  - Surface naval shipbuilding, conventionally powered diesel submarines and mega-yachts
  - Large-diameter bearings (e.g. for wind power plants)
- Rapid expansion of service business
- Focus on activities with clear growth potential (e.g. oil sands, renewable energy)
- Sustainable value creation and generation of cash flow

## Capital Goods – At a Glance (III)

### Elevator



- Number 3 on world market for elevators and escalators; US number 1 for stair and platform lifts
- About 800,000 service contracts worldwide; services share of segment sales more than 50%
- Besides customer-oriented services, strong focus on modernization business
- Continuing growth through further acquisitions
- Increasing market share globally and locally, especially in Asia and Eastern Europe
- Developing and introducing innovative products (e.g. TWIN and Turbo Track)

# Services – At a Glance

## Services



- Service provider across the customer's value chain: procurement, logistics and production-related services as well as complete supply chain management
- Excellent market positions both in Materials Services and in Industrial Services
- After portfolio optimization and extensive restructuring back on track with sustainable earnings contribution throughout recent quarters
- Goal to increase share of high-end services – residual business serves as a base and trigger
- Boost internal growth especially in high-margin regions, mainly Eastern Europe and North America

## 23 Portfolio Optimizations in 2005/2006

### Steel

Special Profile operations (DE)\* **Disposal**

### Automotive

TK Stahl Company (US) **Disposal**

Aluminiumfeinguss Soest (DE) **Disposal**

Budd Plastics division (US, MX) **Disposal**

### Technologies

Maerz Ofenbau (CH) **Acquisition**

Atlas Elektronik (DE)\*\*\* **Acquisition**

BVI Steam Turbine division (DE) **Disposal**

Noske-Kaeser group (DE) **Disposal**

### Elevator

Sun Rhine Enterprises (TW) **Acquisition**

General Elevator Maintenance (CA) **Acquisition**

Atlantic Elevator (US) **Acquisition**

KR Liften (NL) **Acquisition**

SIAR (IT) **Acquisition**

TEAM/TRABOSA (ES) **Acquisition**

### Services

Jupiter Stomana (BG)\*\* **Acquisition**

Coferal (DE) **Acquisition**

RIP (BR)\*\*\*\* **Acquisition**

Krupp Druckereibetriebe (DE) **Disposal**

Standardkessel (DE) **Acquisition**

Hearn group (CA) **Acquisition**

Metalfast (GB) **Acquisition**

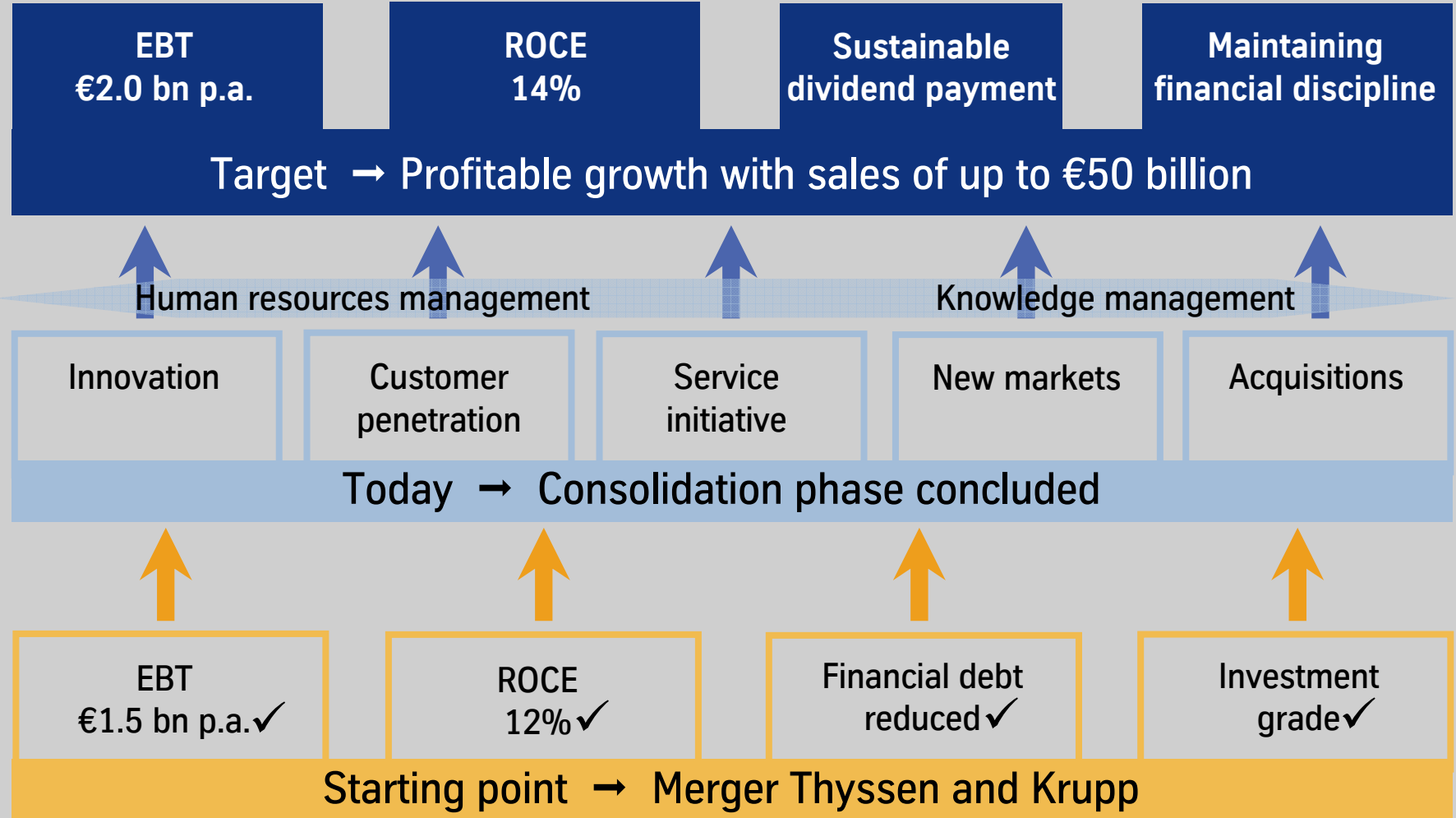
VPK Metal (CA) **Acquisition**

Hommel group (DE) **Disposal**

\* 75.1% / \*\* 80% / \*\*\* 60% / \*\*\*\* 51%



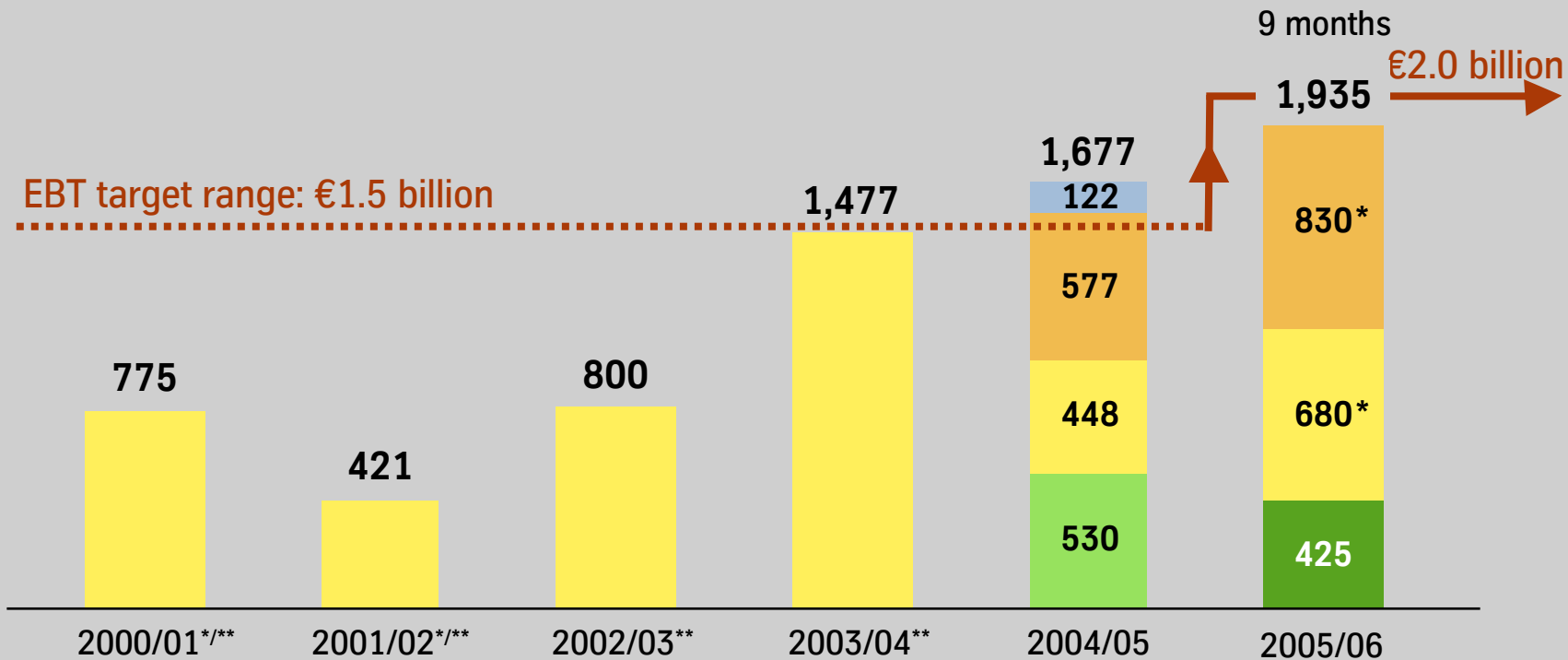
# ThyssenKrupp – Growth Strategy



# EBT – Track Record and Mid-term Target

EBT

million €



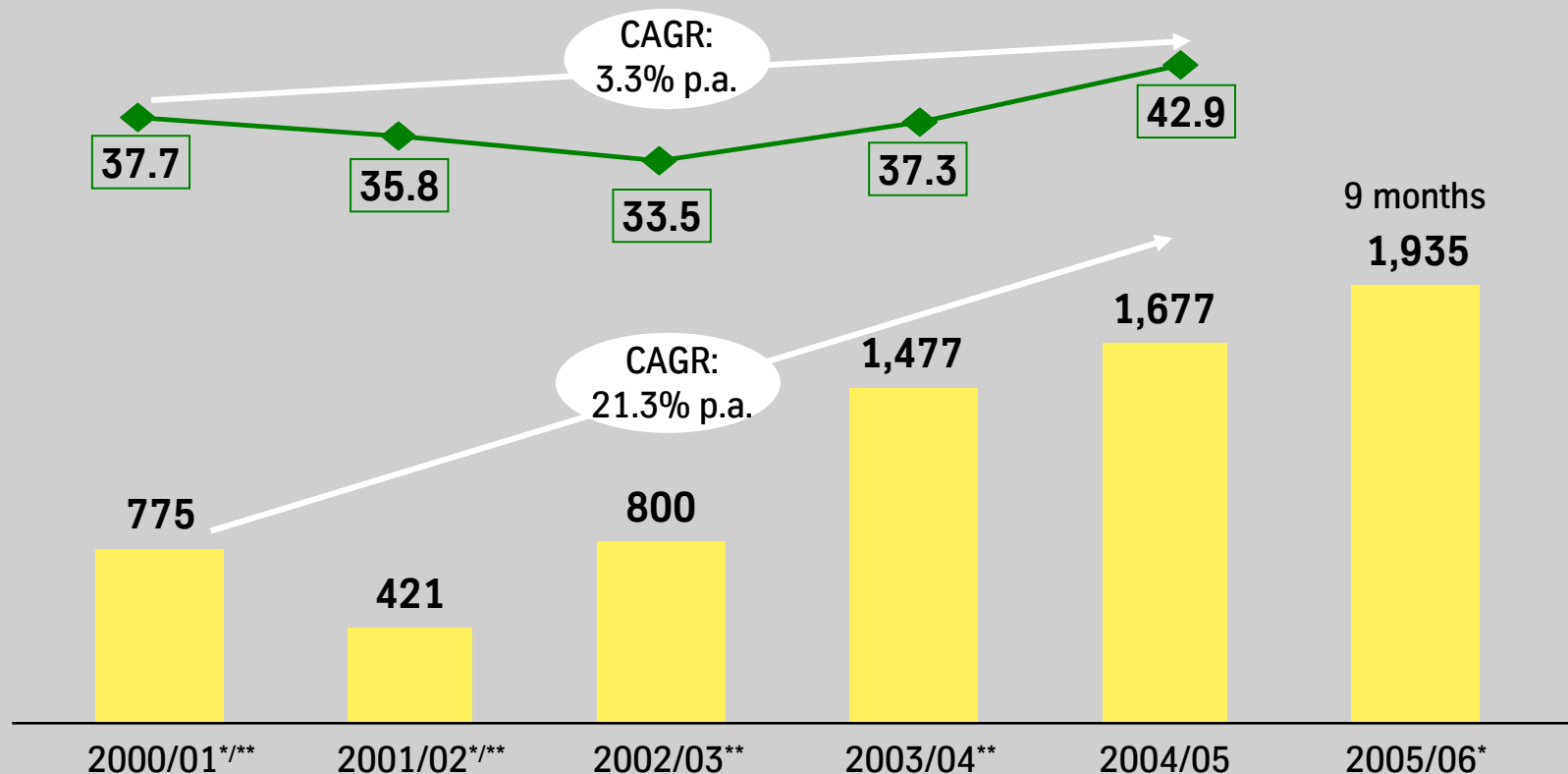
\* excluding major nonrecurring items    \*\* US GAAP



# Efficiency Enhancement – Track Record

Sales and EBT

billion € / million €



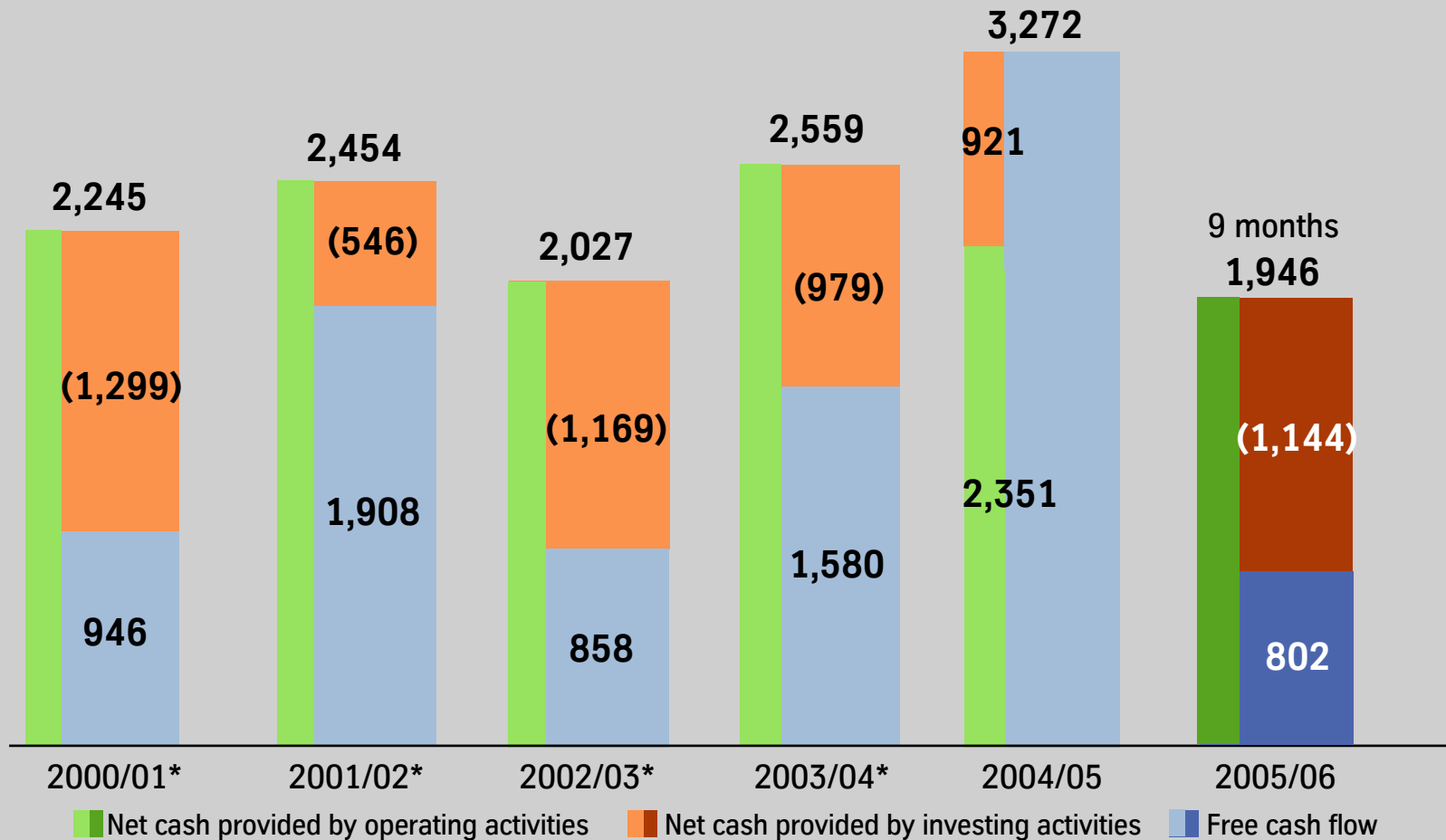
\* excluding nonrecurring items    \*\* US GAAP



# Cash Flow – Track Record

Net cash provided by operating and investing activities, free cash flow

million €



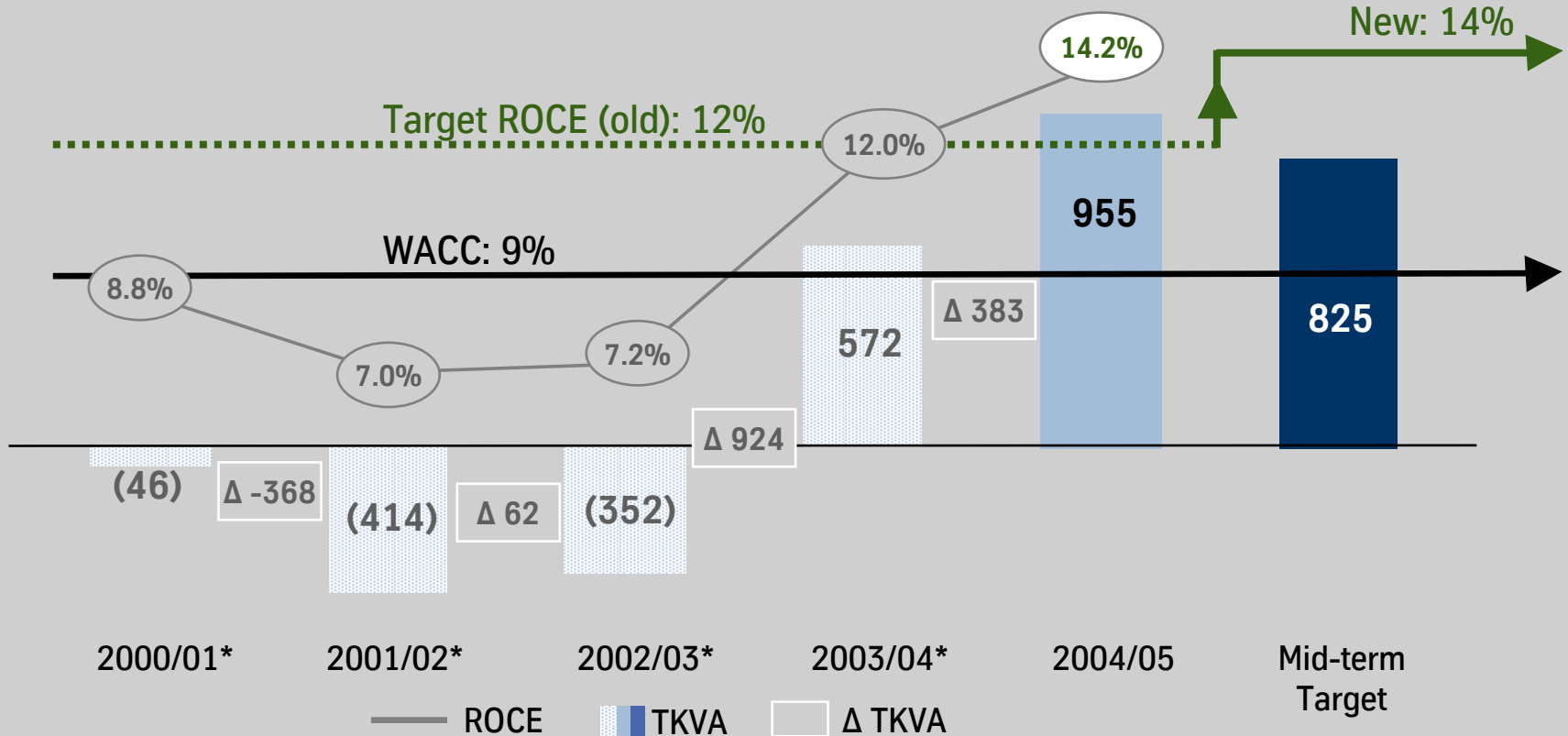
\* US GAAP



# Value Indicators – Track Record and Mid-term Target

ROCE and ThyssenKrupp Value Added

% / million €



\* US GAAP



## Value Indicators by Segment – Mid-term Targets

	Capital Employed in million € Ø 2004/05	WACC in %	ROCE in %		TKVA in million €		EBT in million €	
			2004/05	Target	2004/05	Target	2004/05	Target
Group	18,391	9.0	14.2	14.0	955	825	1,677	2,000**
thereof								
Steel	5,965	9.5	19.4	16.5	593	410	1,094	950
Stainless	2,996	9.5	11.8	13.5	68	110	286	320
Automotive	2,982	9.5	7.9	16.5	(47)	200	118	340
Technologies	435	9.5	(15.3)*	30.0	(204)*	270	40	320
Elevator	1,613	8.5	23.3	27.0	238	330	355	450
Services	3,089	9.0	10.6	14.0	50	160	261	375

All figures incl. discontinued operations except EBT.

\* impacted by disposal loss of MetalCutting

\*\* including risk buffer and corporate costs (pensions etc.)



# Overview of Segment Strategies

## Steel

- Clear strategy to enter NAFTA market with focus on high value-added products
- Secure growth opportunities by utilizing low-cost slabs from Brazil
- Expand strong European market position

## Stainless

- Further concentration on high-quality stainless steel products and nickel alloys
- Customer focus through strong delivery performance and distribution network
- Downstream expansion in high-profit growth markets

## Automotive

- Focus more on consolidation, especially restructuring of North American activities
- Strengthen global market position for competitive products
- Screening future growth opportunities: business in Asia/with Asian OEMs

## Technologies

- Strengthen 3 highly profitable business units and expansion of service business
- Focus on activities with clear growth potential
- Sustainable value creation and generation of cash flow

## Elevator

- Continuing growth through further acquisitions
- Increasing market share globally and locally, especially Asia and Eastern Europe
- Developing and introducing innovative products and focus on modernization business

## Services

- Growth through integrated services to further dampen volatility of business
- Expansion through organic growth and acquisitions, especially Eastern Europe and North America



# Objective: Profitable Growth Across all Businesses

**ThyssenKrupp AG**  
Sales: up to €50 billion EBT: €2 billion

**Product-oriented businesses**  
Sales: ~ €30 billion

**Service-oriented businesses**  
Sales: ~ €20 billion

Steel	
Steel Stainless	
Sales	EBT
Objective* 16 – 17	1,270
↑	↑
2004/05* 15.2	1,380

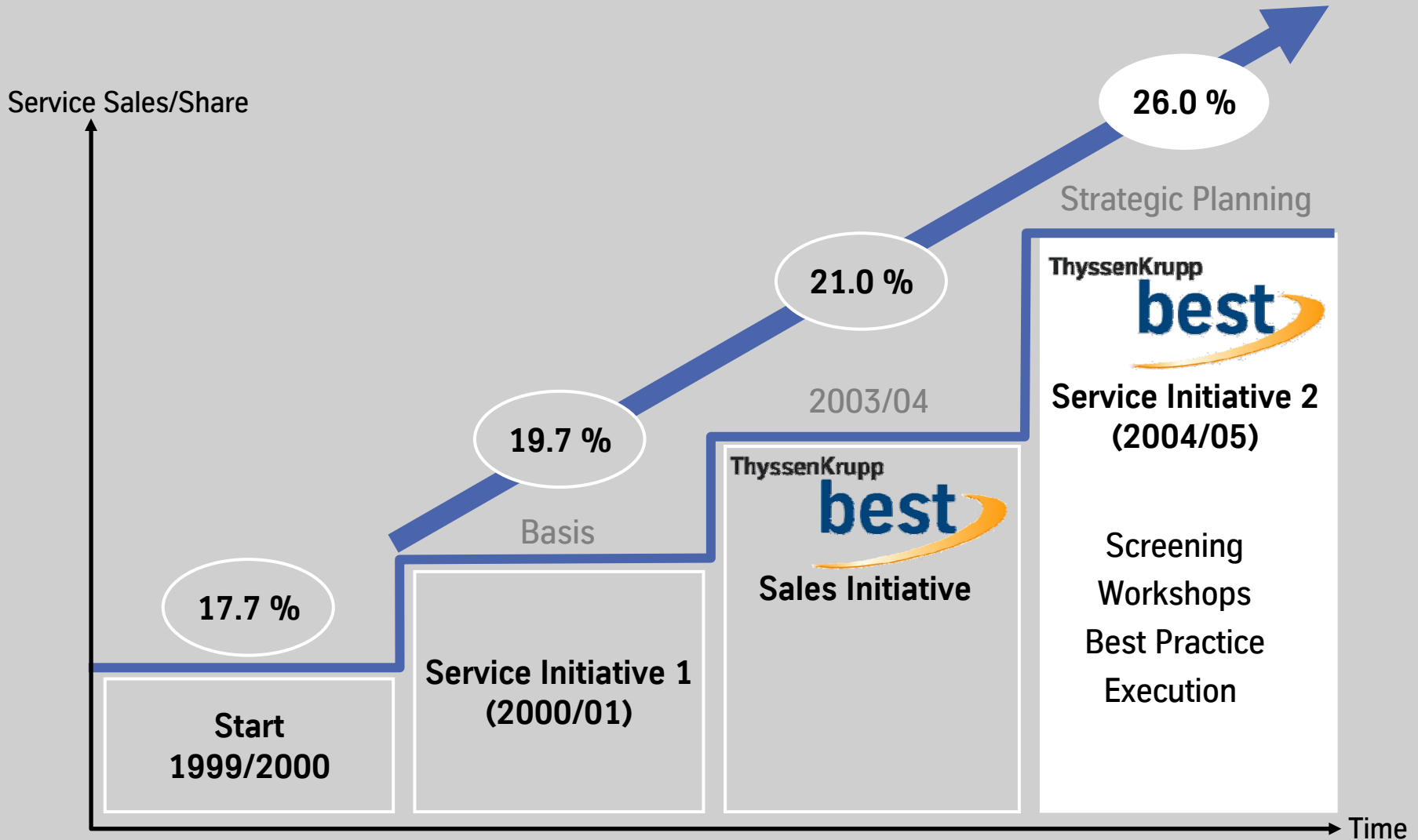
Capital Goods	
Automotive Technologies Elevator	
Sales	EBT
Objective* 19 – 20	1,110
↑	↑
17.5	513

Services	
Materials and Industrial Services	
Sales	EBT
Objective* 13 – 14	375
↑	↑
12.7	261

\* sales in €bn, EBT in €m



# Service Initiative Gains Momentum



# Innovations Pave the Way to Success

## Technologies

*ThyssenKrupp  
Innovation Award  
2006 (1st)*

### Air-independent propulsion system for submarines



- Air-independent propulsion through specific adaptation of the fuel cell technology
- Greater underwater endurance and range with no impact on signature
- A total of 20 fuel cell-powered submarines have been sold on the world market to date

## Stainless

*ThyssenKrupp  
Innovation Award  
2006 (2nd)*

### Silver Ice® UV – the anti-fingerprint formula

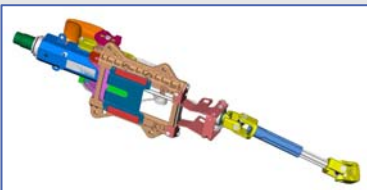


- Newly designed UV-cured coating for stainless steel surfaces providing protection from fingerprints
- High resistance to scratches and chemicals, good formability and easy to clean
- Applications: e.g. high-quality kitchen appliances, building and elevator paneling

## Automotive

*ThyssenKrupp  
Innovation Award  
2006 (2nd)*

### Adaptive linear crash systems



- Steering column crash system with energy-absorbing element based on electronically controlled intelligent materials
- Maximum safety for the person behind the wheel regardless of weight, seat position, etc.
- Currently still in the development phase with great potential (market trend “occupant protection”)

## Steel

*ThyssenKrupp  
Innovation Award  
2006 (3rd)*

### TriBond®



- Functional steel composite material with tailored properties (3-layer hot strip)
- Combination of properties such as wear resistance and ductility
- Application-specific layer materials and order simplify customer processing and realize improved end product properties



## Q3 2005/2006 – Overview

### Continued growth course

- **Order intake** increased to €12.4 billion, up 18% from a year earlier
- **Sales** rose by 8% to €12.1 billion
- **EBT** jumped to €806 million from €577 million in the prior-year quarter
- **EPS** reached €0.87, compared with €0.66 in the 3rd quarter of the prior year
- **Net financial receivables** of €496 million (Jun 30, 2006) improved by €2.32billion (Jun 30, 2005) and €673 million (Sep 30, 2005) respectively



# Highlights

---

- **Once again a record quarter:**
    - EBT of €830 million excluding restructuring charge for Automotive
    - Main profit contribution by Steel segment, improving year-on-year
    - Earnings situation significantly enhanced at Stainless
    - Technologies once again with major leap in profits (+170%)
    - Elevator: Stable, stable, stable
    - With highest-ever quarterly sales and EBT Services convincing top and bottom line
  - **Exceeding mid-term target of €2 billion already in this fiscal year –**  
EBT of €2.5 billion targeted for fiscal 2005/2006 excluding major nonrecurring items
  - **Net financial credit of €0.5 billion –**  
strengthening balance sheet and supporting future growth strategy
  - **Announced share buyback almost completed:**  
17.6 million shares or 3.4% of capital stock bought back by August 4, 2006
- 



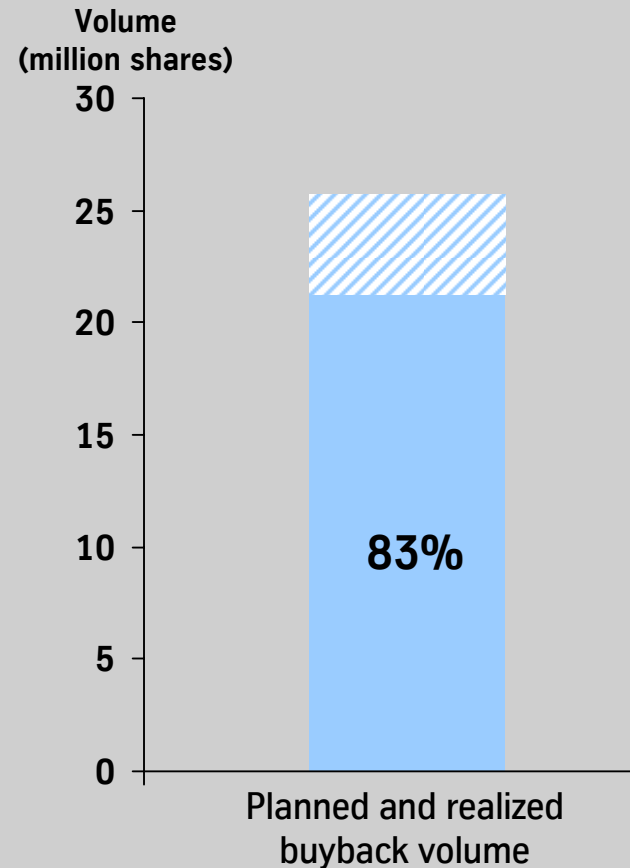
# ThyssenKrupp Stock and Share Buyback (I)

Key facts (as of August 11, 2006)

	Share Buyback	
	Volume (million shares)	Share of capital stock
Total buyback	25.724	5.0000%
Realized to date	21.280	4.1361%

⇒ About 83% of the planned buyback volume has already been realized:

- Ave. price (VWAP\*) €27.1826
- Ave. price of shares repurchased €27.1600
- Buyback costs €578.0 m

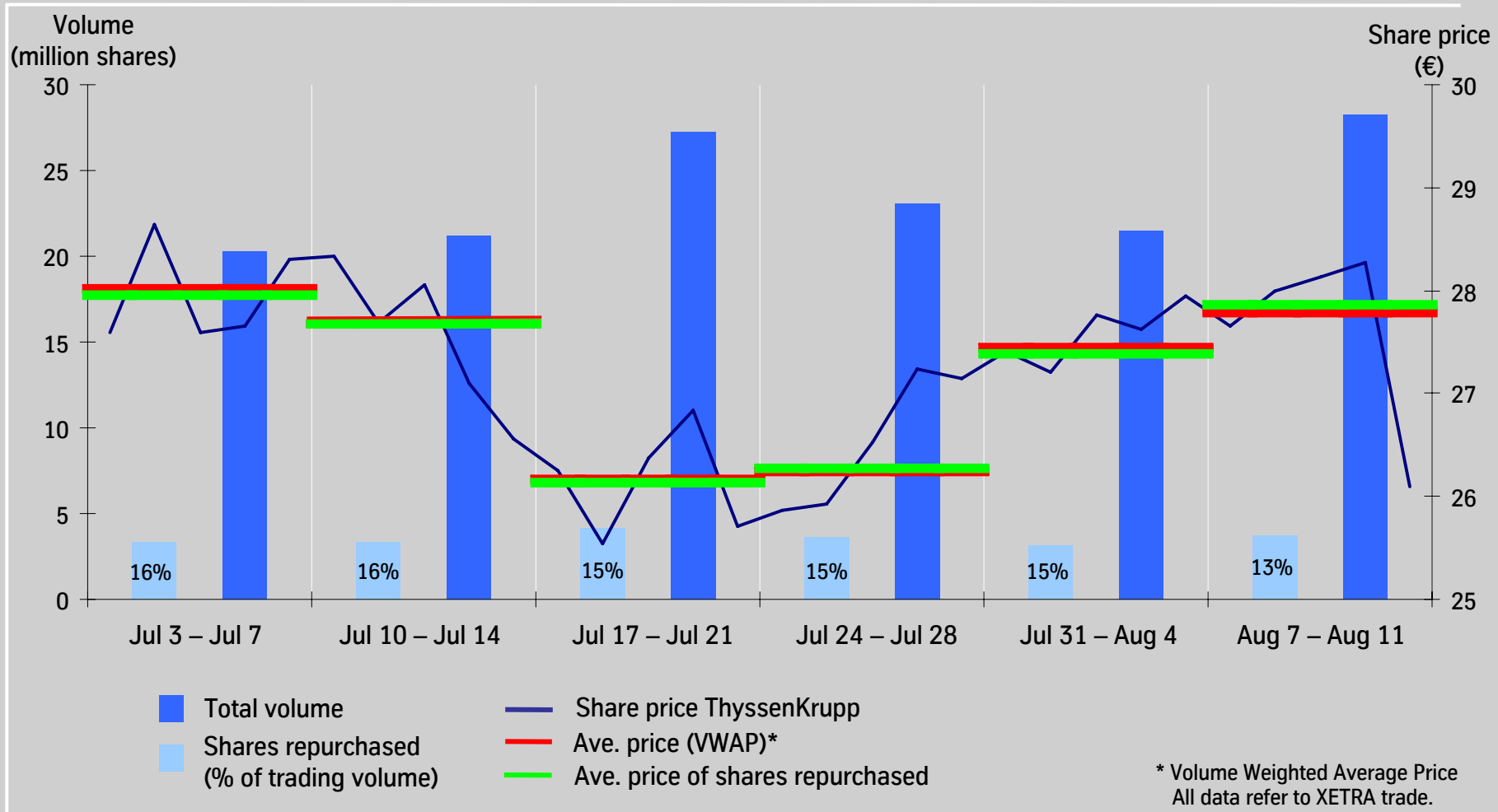


\* Volume Weighted Average Price  
All data refer to XETRA Trade.



# ThyssenKrupp Stock and Share Buyback (II)

Trading volume and volume of shares repurchased (as of August 11, 2006)



# Outlook

---

- We expect the generally positive business performance to continue in the further course of the year. For fiscal year 2005/2006 we currently plan sales of €46 billion.
  - Based on the very good performance in the first nine months of fiscal 2005/2006, for the full year we now aim to achieve earnings before taxes – excluding major nonrecurring effects – of around €2.5 billion.
- 

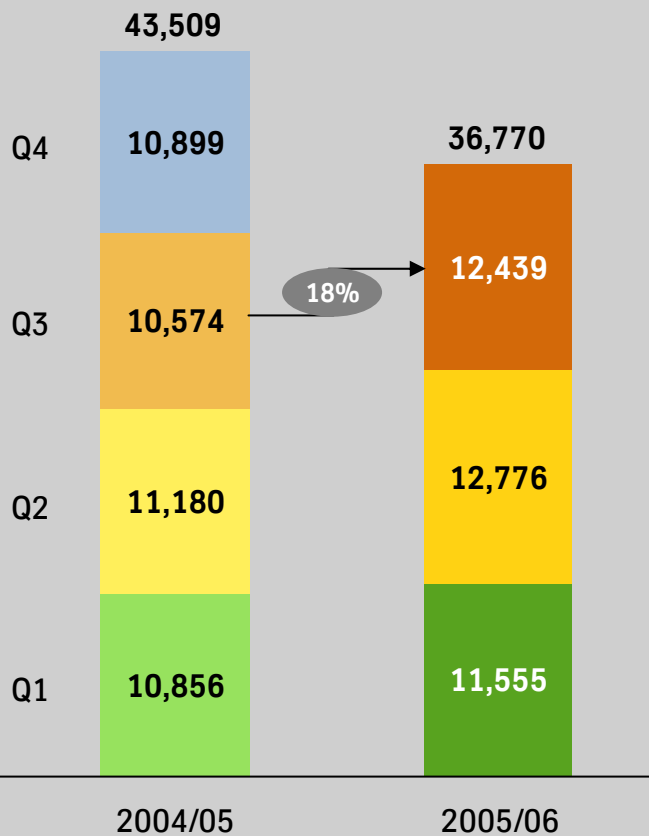
As published in the Interim Report on the 3rd Quarter 2005\_2006, August 11, 2006



# Group in Figures (I)

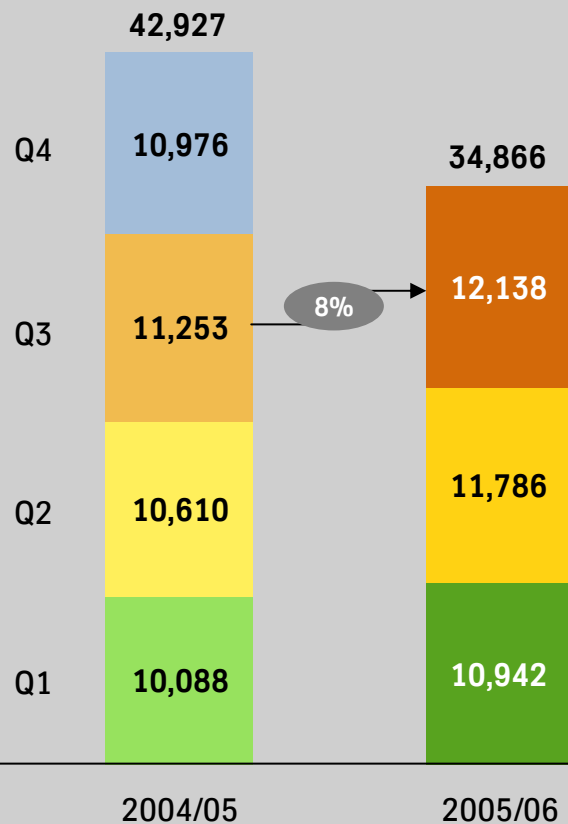
Order intake

million €



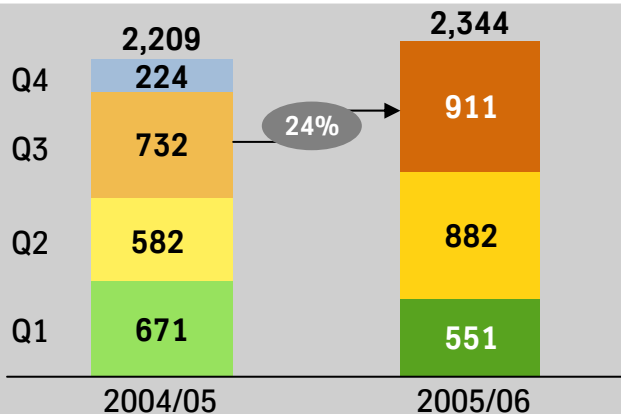
Sales

million €

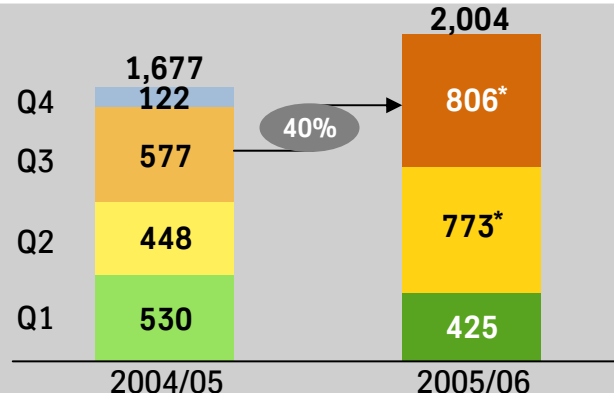


# Group in Figures (II)

**EBIT** million €

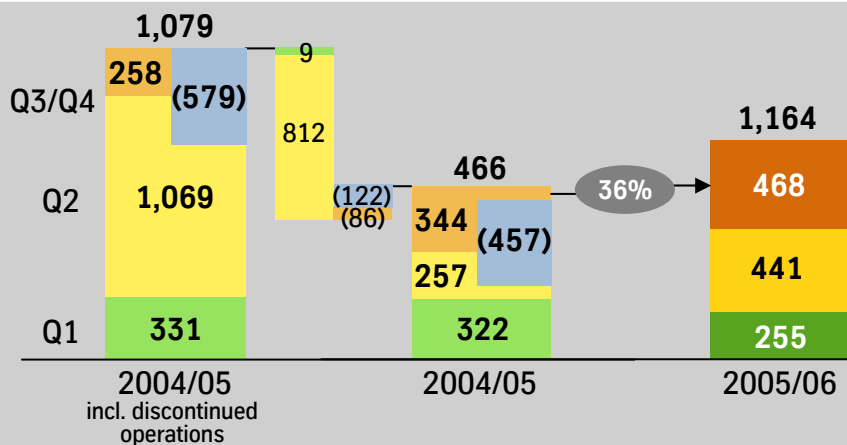


**EBT** million €

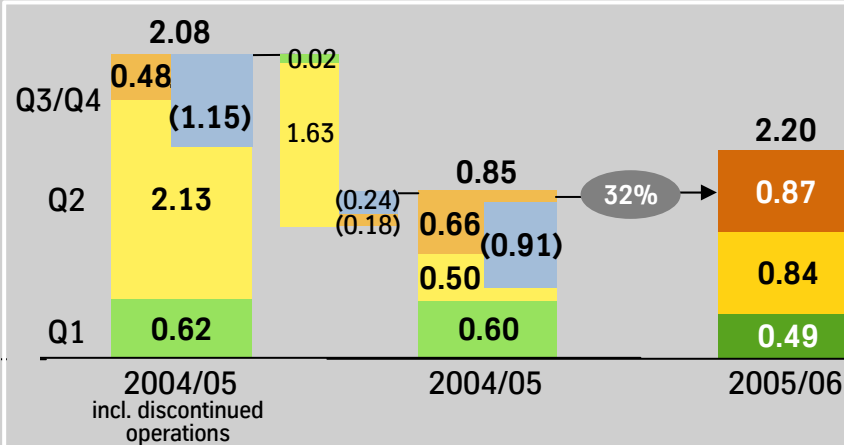


\* incl. major nonrecurring items

**Net income** million €



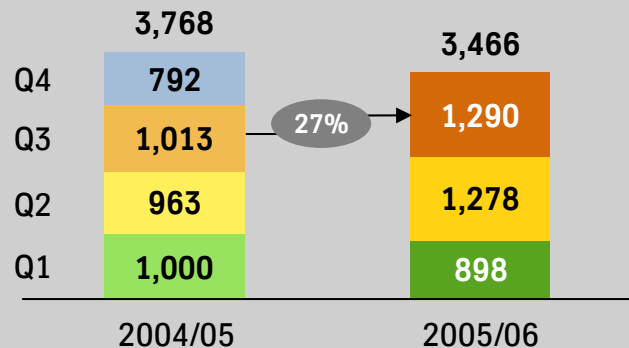
**Earnings per share** €



# Group in Figures (III)

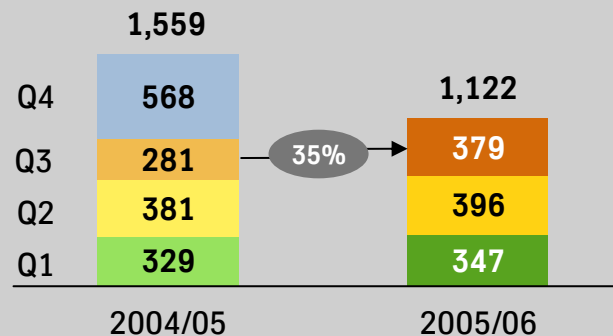
## EBITDA

million €



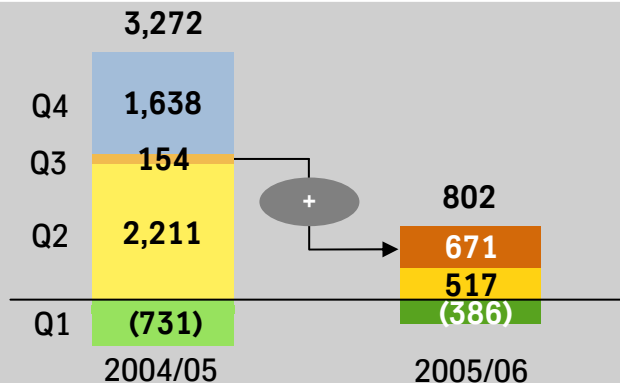
## Depreciation and amortization

million €



## Free cash flow\*

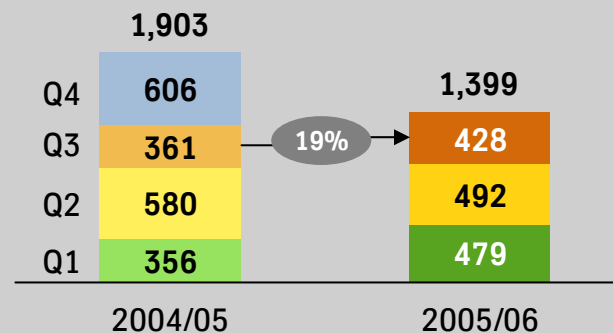
million €



\* figures not adjusted for discontinued operations

## Capital expenditures\*

million €



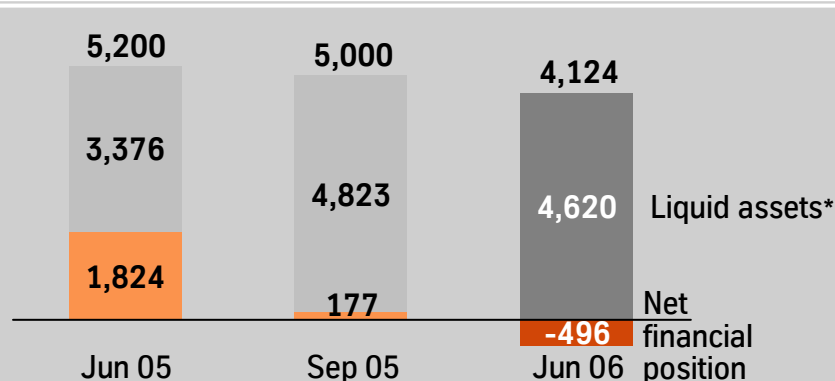
\* incl. financial investments; figures not adjusted for discontinued operations



# Group in Figures (IV)

## Financial liabilities

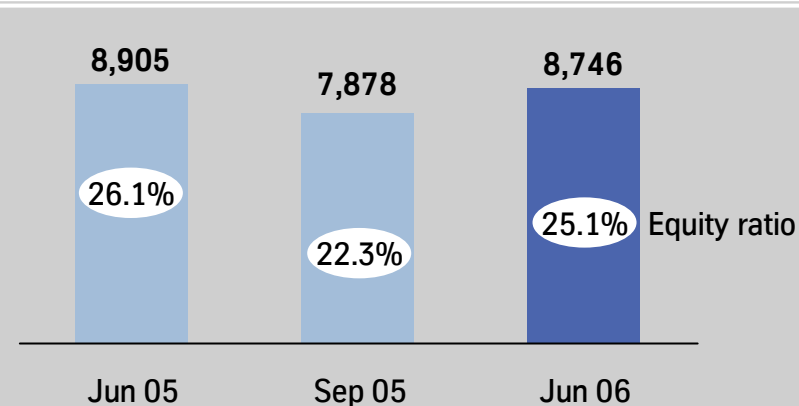
million €



\* cash and cash equivalents, marketable securities

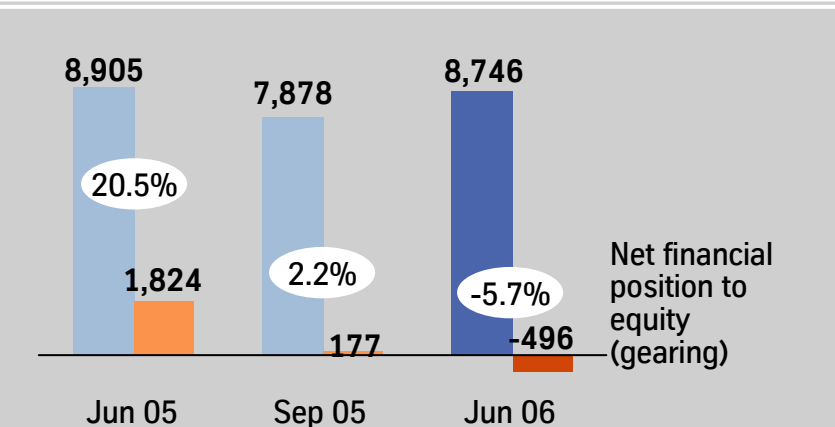
## Stockholders' equity

million €



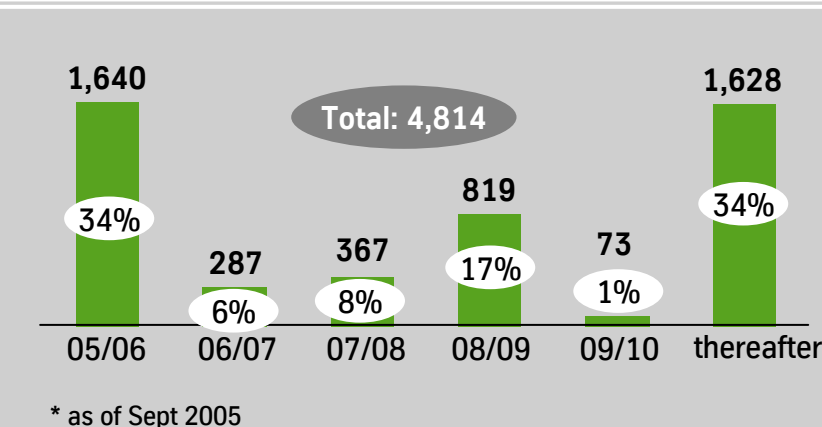
## Gearing

million €



## Maturity profile of gross financial payables\*

million €



\* as of Sept 2005



## Investment Conclusion

---

- Strong commitment to sustainable profit generation and value enhancement throughout business cycles

---

- Value creation for shareholders not only by profitable growth initiatives, but also by stable and sustainable dividend payment

---

- Continuation of systematic value management by concentrating only on high-performance business areas and active portfolio management

---

- Further expansion of service orientation as well as fostering technological and innovative capabilities

---




## Financial Calendar 2006/2007

---

- October 25, 2006      Quiet Period  
to November 30, 2006
  - December 1, 2006      Annual Press Conference  
Analysts' and Investors' Meeting (Essen, Germany)
  - January 19, 2007      Annual General Meeting (Bochum, Germany)
  - January 24, 2007      Quiet Period  
to February 12, 2007
  - February 13, 2007      Interim Report 1st quarter 2006/2007 (Oct to Dec)  
Conference call with analysts and investors
- 



## Financial Calendar 2007

- 
- April 24, 2007 to May 10, 2007 Quiet Period

---

  - May 11, 2007 Interim Report 2nd quarter 2006/2007 (Jan to Mar)

---

  - May 15, 2007 Analysts' and Investors' Meeting (London, UK)

---

  - July 24, 2007 to August 9, 2007 Quiet Period

---

  - August 10, 2007 Interim Report 3rd quarter 2006/2007 (Apr to Jun)  
Conference call with analysts and investors
- 



# How to Contact ThyssenKrupp Investor Relations

## Institutional Investors and Analysts:

- Phone: +49 211 824-36464
- Fax: +49 211 824-36467
- E-mail: [ir@thyssenkrupp.com](mailto:ir@thyssenkrupp.com)
- Internet: [www.thyssenkrupp.com](http://www.thyssenkrupp.com)

To be added to the IR mailing list, send us a brief e-mail with your details!

## Disclaimer

In this presentation all figures are prepared in accordance with IFRS. Moreover the figures in the income statement refer to continuing operations unless otherwise stated.

**Due to the conversion process figures included here should be seen as provisional as the IASB may still enact provisions that could be applied retroactively. The audit of the restated figures will be in conjunction with the audit of the full financial statements under IFRS for the fiscal year ending September 30, 2006.**

This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. ThyssenKrupp does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.

