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Interim Report 1st Quarter 2005\_2006  
October 01 – December 31, 2005

ThyssenKrupp





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October 01 – December 31, 2005

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## THE GROUP IN FIGURES\*

### GROUP

		1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Order intake	million €	10,856	11,555
Sales	million €	10,088	10,942
EBITDA	million €	1,000	898
Income**	million €	530	425
Net income	million €	331	255
Basic earnings per share	€	0.62	0.49
Earnings per share from continuing operations	€	0.60	0.49
Employees (December 31)		179,588	184,980

		Sept. 30, 2005	Dec. 31, 2005
Net financial liabilities	million €	177	315
Total equity	million €	7,878	8,392

### SEGMENTS

	Order intake million €		Sales million €		Income** million €		Employees		
	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005	Dec. 31, 2004	Sept. 30, 2005	Dec. 31, 2005
Steel	2,161	2,641	2,292	2,484	252	272	31,578	31,634	31,439
Stainless	1,334	1,529	1,304	1,352	125	7	12,366	12,201	12,157
Special Materials	223	—	178	—	4	—	2,694	—	—
Automotive	1,919	1,906	1,864	1,972	24	0	43,973	43,537	42,861
Technologies	1,588	1,648	1,133	1,603	47	92	22,777	28,042	27,404
Elevator	1,002	1,261	877	1,008	98	85	32,485	34,151	34,843
Services	3,222	3,127	3,198	3,066	92	85	32,789	35,391	34,940
Corporate	34	36	34	36	(102)	(111)	926	976	1,336
Consolidation	(627)	(593)	(792)	(579)	(10)	(5)			
<b>Group</b>	<b>10,856</b>	<b>11,555</b>	<b>10,088</b>	<b>10,942</b>	<b>530</b>	<b>425</b>	<b>179,588</b>	<b>185,932</b>	<b>184,980</b>

\* With the exception of net income, earnings per share, net financial liabilities and total equity, all figures relate to continuing operations.

\*\* before taxes

## THYSSENKRUPP – GOOD START TO THE NEW FISCAL YEAR

ThyssenKrupp made a good start to the fiscal year 2005/2006. Demand for the Group's products and services increased in a generally pleasing economic environment. Sales growth in the 1st quarter 2005/2006 was 9%. The Group's pre-tax income from continuing operations reached €425 million compared with €530 million in the prior-year period.

The reporting is based for the first time on IFRS; the prior-year figures have been adjusted accordingly. The highlights for the 1st quarter 2005/2006 were as follows:

- Order intake from continuing operations increased to €11.6 billion, surpassing the corresponding prior-year figure by 6%.
- Sales increased by 9% to €10.9 billion.
- EBITDA decreased from €1,000 million in the prior-year quarter to €898 million.
- Income from continuing operations before taxes amounted to €425 million, compared with €530 million in the prior-year quarter.
- Earnings per share from continuing operations reached €0.49, compared with €0.60 in the 1st quarter of the prior year.
- Net financial liabilities at December 31, 2005 stood at €315 million, an increase of €138 million compared with September 30, 2005. In comparison with December 31, 2004 net financial liabilities were reduced by €3,535 million.

We expect a generally positive performance in the further course of the year. For the full fiscal year 2005/2006 we anticipate sales in the region of €43 billion. Our target for earnings before taxes – excluding major nonrecurring effects – for the current fiscal year is in the region of €1.5 billion.

## ECONOMIC ENVIRONMENT

The expansion of the world economy continued in the 2nd half of 2005. Prices on the oil markets eased temporarily, reducing slightly the risks to the economy from high energy prices. Prices for industrial raw materials remained tight.

The main engines of growth were again the USA and the Asian countries. In the USA, the continuing upswing was driven by domestic demand. The dynamic performance of the Asian economies was due largely to continuing high growth in China. In Japan, the economic improvement continued in the second half of 2005 thanks to rising consumer and business spending. The high pace of economic growth in Latin America slowed slightly last year. The upswing in the countries of Central and Eastern Europe was largely stable.

Growth in Western Europe was slower than in the other regions, although the economic picture brightened slightly in the second half of 2005. The depreciation of the euro strengthened the price competitiveness of exports. In Germany, private consumption continued to show weaknesses, while German industrial performance improved markedly.

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

- Global steel output increased further in the 4th quarter of 2005. Most of the growth was again due to higher production in China and India. In the European Union and North America, on the other hand, production cutbacks from the high levels of the prior year dominated the scene. Increased efforts by steel producers in these regions to stabilize the market began to show an effect in the final quarter of 2005. Previously excessive inventories at steel distributors and processors returned largely to normal levels, including in Europe. One factor in this was reduced imports from third countries. At the beginning of the 4th quarter, Western European producers of carbon steel flat products were able to push through moderate price increases on the market. In North America, prices accelerated much faster. This was one of the reasons why import pressure in Western Europe remained relatively low in the reporting quarter. According to figures available so far, shipments by Western European carbon flat steel producers to the EU market were down from the high prior-year level, but new orders showed an improvement after the weak summer months, without quite reaching the high levels of the prior-year period. By contrast, third-country business showed extremely strong growth. The general workload situation of steel producers has largely returned to normal.

- The market for stainless steel flat products was generally weak. In Western Europe, demand was subdued and caused most producers to cut back production and shipments again in the 4th quarter 2005. Continuing strong pressure on base prices, which were at an all-time low in the reporting quarter, decreased only minimally. Towards the end of the reporting period there were signs of a slight easing of the market situation; one factor in this was a normalization of inventory levels. In the USA, the falling demand trend continued. In Asia and particularly in China, on the other hand, demand increased further. However, capacities in China grew even faster, resulting in an increasing imbalance between supply and demand. As a result, the clear downward trend in prices largely continued in the reporting quarter. In the nickel-base materials area, the market continued to perform strongly in the 4th quarter of 2005.
- The international auto industry showed a mixed regional picture. In North America, the auto market has weakened in recent months. In the USA, sales figures in the final quarter of 2005 were significantly lower than a year earlier. While passenger car sales decreased only slightly, sales of light trucks such as minivans and sport utility vehicles showed a larger drop due to increased fuel prices. US vehicle production also declined in the period. In Canada and Mexico, on the other hand, more vehicles were produced. The Brazilian auto industry continued its production upswing. China again showed high growth rates. In the European Union, demand for new vehicles decreased. In the German auto industry, subdued domestic demand for cars was outweighed by a strong rise in exports in the 4th quarter of 2005. The performance of the truck market also remained very positive.
- The robust growth of the world economy stimulated demand for capital goods. The mechanical engineering sectors in the USA and China in particular performed positively. German equipment manufacturers reported high orders from abroad, while domestic demand also accelerated in the final months of 2005. The situation in the German engineering construction industry was particularly pleasing.
- Construction activity remained favorable above all in Asia and Central and Eastern Europe. The situation in the German construction industry stabilized in the second half of 2005 after years of recession. Both orders and construction output showed a slight upward trend.

## BUSINESS SITUATION

### THYSSENKRUPP IN FIGURES

		1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Order intake	million €	10,856	11,555
Sales	million €	10,088	10,942
EBITDA	million €	1,000	898
Income*	million €	530	425
Employees (December 31)		179,588	184,980

All figures relate to continuing operations. \* before taxes

### Order intake and sales

In the 1st quarter 2005/2006 ThyssenKrupp continued its successful performance of the previous fiscal year. The divestment program launched in connection with the portfolio streamlining is virtually complete. The statements below regarding order intake, sales, earnings and employees relate only to continuing operations, unless otherwise stated.

Order intake and sales showed another improvement. Compared with the 1st quarter of the prior year, the development of the euro against the us dollar had no impact on performance.

ThyssenKrupp reported new orders worth €11.6 billion in the 1st quarter 2005/2006. Order intake from continuing operations was thus 6% up from the corresponding prior-year quarter. In particular the Steel, Stainless and Elevator segments achieved high growth rates. At Services there was a slight decrease.

Sales from continuing operations improved by 9% to €10.9 billion. The Technologies and Elevator segments in particular reported strong increases in business. The other segments, with the exception of Services, also achieved higher sales than a year earlier.

### SALES\* billion €

2004/2005	1st quarter	10.1
	1st half	20.7
	9 months	32.0
	12 months	42.9
2005/2006	1st quarter	10.9

\* from continuing operations

## Income

### INCOME\* million €

2004/2005	1st quarter	530
	1st half	978
	9 months	1,555
	12 months	1,677
2005/2006	1st quarter	425

\* from continuing operations before taxes

In the 1st quarter of fiscal 2005/2006, ThyssenKrupp achieved earnings before taxes of €425 million, down €105 million from the very good prior-year quarter. Profits increased at Technologies and Steel but decreased in particular at Stainless and Automotive.

The Stainless business, included in the Steel segment in the prior year, is an independent segment as of October 01, 2005; the Steel segment now only includes carbon steel flat products. The prior-year figures have been restated. In the Special Materials business, also part of the Steel segment in the prior year, no income or expense was recognized in the reporting quarter following completion of the disposal program.

The Steel segment increased its profits despite significantly higher expense for raw materials and freight rates. Key factors were the positive performance of the market and the restructuring successes in individual product groups. In the Stainless segment, lower demand in Europe and North America combined with falling base prices resulted in a significant profit drop. Earnings in China were impacted by the introduction of additional capacities onto the market. By contrast, the nickel-base alloy business achieved a significant rise in profits. The profit decrease at Automotive was the result of lower capacity utilization, particularly in the North American plants, and higher starting material costs. The change in exchange-rate relativities against the us dollar and the Brazilian real also impacted earnings. The Technologies segment almost doubled its profits as a result of increased sales and the absence of loss-making units. Elevator's profits were down from the prior-year quarter due to the effects of measuring exchange-rate hedges at fair value; at operating level the segment's profits were unchanged. Earnings in the Services segment were slightly down from the high prior-year level. Profits were lower from materials trading but higher from industrial services and business with technical products and raw materials.

After deducting Corporate expense and taxes, quarterly net income is €255 million. Deducting from this the minority interest in profits of €5 million, earnings per share is €0.49, compared with €0.62 in the comparative prior-year quarter. It should be noted that in the prior-year quarter €0.02 per share came from discontinued operations for which no expense or income was recognized in the reporting quarter.

## Net financial liabilities and capital expenditures

### NET FINANCIAL LIABILITIES million €

2004/2005	December 31	3,850
	March 31	1,975
	June 30	1,825
	September 30	177
2005/2006	December 31	315

Net financial liabilities at December 31, 2005 stood at €315 million, €138 million higher than at September 30, 2005. The fact that this increase in the 1st quarter 2005/2006 was only small compared with the corresponding prior-year period is mainly due to the cash proceeds from the sale of treasury stock (€268 million).

Compared with December 31, 2004 the Group's net financial liabilities were €3,535 million lower, mainly due to the sale of the residential real estate business.

Capital expenditures in the 1st quarter of fiscal 2005/2006 totaled €479 million, 35% more than in the prior-year quarter. €384 million was invested in property, plant and equipment and intangible assets, with the remaining €95 million being used for the acquisition of businesses, shareholdings and other financial assets.

### Employees

The number of employees fell slightly in the 1st quarter 2005/2006. ThyssenKrupp had 184,980 employees worldwide on December 31, 2005, 952 or 1% fewer than at the end of the last fiscal year. While the workforce increased at Elevator due to acquisitions and organic growth, it decreased in particular at Automotive and Technologies.

In Germany the headcount decreased by 2% to 85,600, while outside Germany it increased by 1% to 99,380. At the end of 2005, 46% of the workforce was employed in Germany, 24% in the rest of Europe and 18% in the NAFTA region.

## SEGMENTS

### Steel: Continuing very positive performance

#### STEEL IN FIGURES

		1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Order intake	million €	2,161	2,641
Sales	million €	2,292	2,484
Income*	million €	252	272
Employees (December 31)		31,578	31,439

All figures relate to continuing operations. \* before taxes

The focus of the Steel segment since the beginning of fiscal 2005/2006 has been on high-value carbon steel flat products including associated services. The four business units Steelmaking, Industry, Auto and Processing were formed to improve customer support; the prior-year figures have been restated.

In the 1st quarter 2005/2006 the segment continued to perform very positively. The value of new orders increased by 22% for volume and price reasons. Sales rose by 8% with shipments slightly lower than the good prior-year level. The main factors in this were price increases and shifts to higher-value products.

The Steelmaking business unit combines the metallurgical operations in Duisburg and the logistics activities. Crude steel capacities were fully utilized. Including purchases from investee company Hüttenwerke Krupp Mannesmann, the business unit produced 3.4 million metric tons of slabs in the 1st quarter 2005/2006, unchanged from a year earlier. Sales of pig iron, slabs and energy to external customers increased due to higher raw material costs.

The Industry business unit is focused on a broad spectrum of customers in the steel processing industries. Shipments in the core area showed a rising trend, with a continuing weakness in hot-dip galvanized products being offset by attractive project deals for hot-rolled products for tube/pipe. Heavy plate products continued to profit from a strong market environment. With regard to prices, the high level of contract business had a stabilizing effect. The €20 to €30/t price increase announced for quarterly deals from October 01, 2005 was not fully accepted by the market. Overall, average prices were higher than a year earlier. The construction elements business profited from brisker demand in the modernization and maintenance sector. However, prices remained under pressure.

The Auto business unit's customers are the global auto manufacturers. Orders showed a clear upward trend in the reporting quarter but this was not fully reflected in sales, due partly to fire damage to an electrolytic coating line. Sales of tailored blanks increased mainly due to the ramp-up of the new production sites in China; in Germany, business stabilized at a high level. The steel service operations in North America won additional spot market orders.

The companies in the Processing business unit are focused on specialized markets for carbon steel flat products. Shipments of tinplate increased in connection with the forward strategy at the Andernach site. Prices per ton were also higher than a year earlier. Sales of Hoesch Hohenlimburg's medium-wide strip products increased mainly for price reasons. The special profiles business, which is still included in the figures, was sold effective December 31, 2005 as part of a best-owner solution. The grain-oriented electrical steel business performed very well. Brisk global demand in the energy sector allowed prices to be raised significantly.

The Steel segment increased its profits in the reporting quarter by €20 million to €272 million.

The Steelmaking business unit comprises the cost centers Metallurgy Germany and Logistics as well as the administrative functions for the Steel segment. Drastic cost increases for key raw materials such as ore, coal/coke and scrap and for freight rates resulted in higher slab costs which were passed on to the customer-facing business units Industry, Auto and Processing. Earnings from the sale of pig iron and byproducts improved.

The Industry business unit reported a decline in profits. Slab cost increases due to higher raw material prices, together with increased energy costs, resulted in a significant drop in earnings at all of the unit's profit centers with the exception of heavy plate. Thanks to a very positive market performance heavy plate further improved on its good prior-year profits and made a substantial earnings contribution. The construction elements business comprising the building construction and cold room operations reported unchanged earnings in a continuing difficult market environment. Profits at the European steel service operations were lower due to volume and structural effects.

The Auto business unit achieved an increase in profits. Included in this is income from insurance payments in the amount of €35 million in connection with the fire damage to the electrolytic coating line in Duisburg. This was offset by reduced profits due to the business interruption. The operating earnings of the business unit decreased significantly reflecting lower shipments and considerably higher procurement prices. The tailored blanks operations performed positively and achieved a substantial earnings improvement. Profits at the North American steel service operations decreased.

The Processing business unit significantly increased its profits, benefiting in particular from the outstanding performance of the market and the restructuring measures carried out at grain-oriented electrical steel. Medium-wide strip also achieved a substantial earnings improvement. Profits at tinplate were well down from the good prior-year level.

## Stainless: Stainless steel market under pressure

### STAINLESS IN FIGURES

		1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Order intake	million €	1,334	1,529
Sales	million €	1,304	1,352
Income*	million €	125	7
Employees (December 31)		12,366	12,157

All figures relate to continuing operations. \*before taxes

Since the start of the fiscal year, the production and distribution of flat-rolled stainless steel as well as the high-performance materials nickel-base alloys and titanium have been combined in the Stainless segment. In a tight overall market environment, Stainless recorded higher orders and sales.

In terms of volume, order intake was up 7% from the weak prior-year period. Contributory factors were an increase in demand toward the end of 2005 and lively replenishment activity, particularly in European trading. Due to these higher orders and slight price improvements in December 2005, the value of orders received rose 15%. The ThyssenKrupp VDM business unit made a disproportionately large contribution to this. Thanks to continuing high demand from the aerospace and plant engineering sectors, the company's nickel-base alloys enjoyed strong growth. Overall, Stainless's shipments were

level with the comparable prior-year quarter. There was an increase in shipments of hot-rolled strip by the ThyssenKrupp Nirosta and ThyssenKrupp Acciai Speciali Terni business units, while shipments by the ThyssenKrupp VDM business unit remained virtually unchanged.

In the 1st quarter 2005/2006 Stainless achieved sales of €1.4 billion. This 4% year-on-year improvement was largely due to higher revenues for nickel-base alloys in the ThyssenKrupp VDM business unit; the slight increase in shipments and the influence of raw materials at the other business units in the Stainless segment resulted in only minor sales growth.

The ThyssenKrupp Mexinox business unit is Mexico's only producer of cold-rolled stainless products. In addition to the domestic Mexican market, the company serves the other NAFTA markets in the USA and Canada. By concentrating more strongly on end customer business, focusing on high-quality cold-rolled products and extending its value chain, in the 1st quarter 2005/2006 ThyssenKrupp Mexinox managed to grow its shipments and sales and strengthen its market position in a softening North American market.

The Shanghai Krupp Stainless business unit, a joint venture with Chinese steel producer Baosteel, operates a stainless cold rolling mill in Shanghai whose capacity was increased to around 250,000 metric tons in 2005 as further equipment was taken into operation. However, with the imbalance between supply and demand on the Chinese market increasing and base prices at an extremely low level, only part of this available capacity was utilized. A hot strip annealing/pickling line currently under construction will start operation in the 2nd quarter 2006 and allow starting material for cold-rolled strip production to be sourced locally. The plant will thus be able to respond more quickly to market changes in the future.

Despite a very difficult market environment, the Stainless segment closed the 1st quarter 2005/2006 with a profit of €7 million, compared with €125 million a year earlier.

The decline in base prices in Western Europe from the start of 2005, due mainly to a stagnant market, increased capacities at competitors and an accelerated reduction in inventories held by distributors, reached its low point in the first fiscal quarter. In part massive production cutbacks by all European producers succeeded in adapting supply to the change in demand. Rising costs for energy – in particular electricity and gas – and for transportation increased the pressure on margins. The temporary slight fall in raw material prices had an impact on earnings from the sale of inventories valued with higher manufacturing costs, but on the other hand it also stimulated demand for cold-rolled products. However, this only alleviated the trend to a minor extent, and as a result the German and Italian operations returned a significantly lower profit than in the prior-year quarter.

Despite the continued strong growth of the us economy, the North American market softened slightly. Moreover, the base price level decreased continuously in the course of 2005 due to subdued demand. The increasingly difficult market situation coupled with increases in energy and transportation costs resulted in a clear reduction in earnings at the Mexican cold rolling operations.

Despite persistently rising demand for cold-rolled stainless products in Asia, and in particular in China, a disproportionate increase in supply due to the start-up of new Chinese cold rolling capacities resulted in significant market uncertainty and a dramatic fall in prices from the 2nd quarter 2005. The consequent underutilization of capacity in combination with the market price level resulted in negative earnings.

Driven by the aviation, oil and gas segments, demand in the nickel-base alloys area remained strong. In this environment, the nickel-base alloys business unit achieved a significant improvement in profit compared with the prior-year quarter.

## Automotive: Impacted by weak auto market

### AUTOMOTIVE IN FIGURES

		1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Order intake	million €	1,919	1,906
Sales	million €	1,864	1,972
Income*	million €	24	0
Employees (December 31)		43,973	42,861

All figures relate to continuing operations. \* before taxes

The weakness of the international automobile market impacted Automotive's business performance. Despite this, the segment achieved a 6% increase in sales to €2.0 billion. The strengthening of the us dollar and the Brazilian real against the euro contributed to this improvement in sales. It should also be considered that the prior-year figures include the sales of the aluminum castings and truck springs businesses, both of which have now been sold.

Effective October 01, 2005, the segment reorganized its activities along product-oriented lines and combined them in the three business units Body, Chassis and Powertrain. The prior-year figures have been restated.

Sales in the Body business unit were slightly higher than a year earlier. While the North American stamping plants reported declining sales for volume reasons, the North American foundries achieved sales growth driven by volumes and prices.

The Chassis business unit recorded a significant year-on-year increase in sales. Both the chassis structure and suspension units contributed to this. The ramp-up of new plants allowed an expansion of system business. In addition, the production ramp-up of new vehicle models in Europe and the USA had a positive impact on the suspension unit.

The decrease in sales at the Powertrain business unit was mainly due to the disposal of the aluminum castings operations. In the crankshafts area, the strength of the Brazilian real against the us dollar impacted the value of exports from Brazil to the USA.

The Automotive segment returned a breakeven result. In the same quarter a year earlier, which included the earnings of the since-sold aluminum castings activity (Powertrain business unit), the segment generated a profit of €24 million.

The Powertrain business unit once again made the biggest contribution to earnings in the 1st quarter 2005/2006.

The Body business unit returned a loss, compared with a profit in the comparable prior-year quarter. Earnings were impacted by declining capacity utilization at the American and French stamping operations and by higher starting material prices at the North American foundries.

The Chassis business unit returned a higher profit than a year earlier. The fall in earnings at the Kitchener frame plant was outweighed by higher profits in the steering and suspension units.

The Powertrain business unit again returned a significant profit but failed to match the high level of the prior-year quarter. In addition to the absence of income from the sold aluminum castings unit, the exchange rate movements of the Brazilian real and us dollar also impacted earnings.

## Technologies: Still on growth course

### TECHNOLOGIES IN FIGURES

		1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Order intake	million €	1,588	1,648
Sales	million €	1,133	1,603
Income*	million €	47	92
Employees (December 31)		22,777	27,404

All figures relate to continuing operations. \* before taxes

In the 1st quarter 2005/2006, Technologies achieved a substantial 42% increase in sales to €1.6 billion. In addition to the inclusion of the HDW group, which was not included in the prior-year quarter, this pleasing development was attributable to sales growth in all three major business units. At €1.6 billion, order intake was also higher than a year earlier. The order backlog of €8.9 billion at December 31, 2005 covers more than a full year's sales.

The Plant Technology business unit recorded a significant increase in sales billings from its high order backlog in the 1st quarter 2005/2006. The encouraging trend in order intake also continued thanks to the strong project situation. Persistent high demand for raw materials, above all from developing and emerging countries, coupled with limited production and transportation capacities as well as raw material price increases for iron ore, coal, copper and nickel resulted in opportunities for new business with mining and handling equipment. Oil sands mining – now profitable due to the increase in crude oil prices – is another market with high growth potential and provides the opportunity for further orders.

Marine Systems almost trebled its sales compared with the prior-year quarter. This was mainly due to the inclusion of the HDW group, but also to higher sales billings in the pre-existing businesses. Order intake was slightly higher than a year earlier.

Mechanical Engineering benefited from the continuing good business situation in many branches of the mechanical engineering sector. Order intake was down from the prior-year period, particularly as a result of disposals made in the meantime. Sales increased slightly. Excluding the disposals, sales volumes climbed significantly on the back of strong demand. A major contribution to this positive performance came from business with large-diameter bearings and construction equipment components.

On December 30, 2005, an agreement was signed with BAE Systems to acquire the naval electronics company Atlas Elektronik; in the future, ThyssenKrupp Technologies will hold a 60% interest in this company and EADS the remaining 40%. Atlas Elektronik is market leader for integrated submarine sonar systems and a long-standing supplier to ThyssenKrupp Marine Systems. This acquisition represents a continuation of the consolidation of the German naval industry started by the merger of ThyssenKrupp's shipyards and HDW and helps strengthen our leading technology position in non-nuclear submarines. The acquisition will be consummated as soon as the relevant supervisory bodies and regulatory authorities have provided their approval.

The Technologies segment increased its profit to €92 million, almost double the figure in the prior-year quarter. This was mainly the result of demand-driven high capacity utilization in Mechanical Engineering, higher sales at Plant Technology and improved order earnings at Marine Systems. Mechanical Engineering and Plant Technology made the biggest contributions to the segment's income.

In the prior-year quarter, the earnings of the MetalCutting business unit, sold in October 2005, were posted under discontinued operations.

Plant Technology once again returned a double-digit million profit which was higher than a year earlier. This was mainly thanks to higher sales. Taking account of the fact that the prior-year earnings were boosted by gains from the fair-value recognition of currency hedges, operating profits climbed significantly.

Marine Systems returned a double-digit million € profit which showed a substantial improvement on the prior-year quarter. Key factors in this were improved order earnings and good utilization of ship repair capacities.

At Mechanical Engineering, sales growth, good workloads and the disposal of loss-making businesses resulted in a clear improvement in profit. As in the prior-year quarter, the business unit's earnings were in the double-digit million range.

Transrapid reported slightly lower losses, mainly due to cost-cutting measures and lower depreciation.

## Elevator: Strong growth in North America

### ELEVATOR IN FIGURES

		1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Order intake	million €	1,002	1,261
Sales	million €	877	1,008
Income*	million €	98	85
Employees (December 31)		32,485	34,843

All figures relate to continuing operations. \*before taxes

Elevator continued to perform very successfully at the start of fiscal 2005/2006. Despite continuing pressure on prices and margins, the segment grew its business volume on key markets in the 1st quarter. Of particular importance was the persistently strong demand for new installations in North America, but the service and modernization businesses also achieved further growth. In addition to positive operating effects, the development of the euro versus the us dollar also led to an increase in orders and sales. Overall, 1st quarter order intake was up 26% at €1.3 billion, while sales increased by 15% to €1.0 billion.

The Central/Eastern/Northern Europe business unit improved on its good prior-year figures for order intake and sales. Alongside a stable performance in Germany, growth in business volume was achieved in particular in France and Eastern Europe, also due to increased demand for new installations. By contrast, the situation in the United Kingdom was subdued.

The Americas business unit returned a particularly positive performance. Numerous small and medium-size projects provided significant growth in the new installations business. But the systematic expansion of the service activities and further efficiency improvements combined with favorable exchange rate developments also contributed to an increase in orders and sales in both North and Latin America.

The Southern Europe/Africa/Middle East business unit recorded higher orders. Positive impetus again came from the new installations business in Spain and the remainder of the Mediterranean region. By contrast, sales just failed to match the high level of the previous year due to temporary deferrals.

The Asia/Pacific business unit achieved higher orders and sales. The operations in China benefited significantly from continued strong demand for new installations. However, the operations in India and Southeast Asia also performed positively and further consolidated their market presence.

The Escalators/Passenger Boarding Bridges business unit reported a very strong order intake. Several new airport projects were won, including for London Heathrow, Cairo and Los Angeles. Sales were up slightly from the prior year.

The Accessibility business unit remains on a clear growth course. Pleasing increases were achieved in both order intake and sales. In addition to the effect from the inclusion of the Italian company Ceteco, business was also expanded in America and Europe.

The Elevator segment returned a profit of €85 million in the 1st quarter of fiscal 2005/2006, compared with €98 million a year earlier. It should be taken into account that in the prior-year quarter positive effects were realized from the fair-value measurement of currency derivatives, while in the reporting period this partly resulted in losses. At operating level, Elevator held up well in an intensely competitive market. The biggest contributions to earnings came from the Central/Eastern/Northern Europe, Americas and Southern Europe/Africa/Middle East business units.

The Central/Eastern/Northern Europe business unit matched its prior-year profit. The increase in earnings due to the inclusion of the Swiss company Trapo Küng and the positive performances in France and the Benelux countries was offset by the still subdued situation in the UK.

By contrast, income at the Southern Europe/Africa/Middle East business unit fell short of the prior-year figure. Earnings were impacted by effects from the fair-value measurement of currency derivatives, which had a positive effect in the prior-year quarter. At operating level, the activities consolidated their market positions. However, pressure on margins is increasing, particularly on the Iberian peninsula.

The Americas business unit reported a pleasing improvement in income. In the USA in particular, further efficiency improvements were realized in production and service; the strengthening of the US dollar also had a positive effect when converting earnings figures into euros. The Latin American activities – above all in Brazil – profited from the generally positive economic climate in the region.

By contrast, the Asia/Pacific business unit failed to match its prior-year earnings. While income from the Chinese activities was higher as a result of expanding volumes, in Korea continuing high price and cost pressure impacted negatively on the new installations business. Earnings of the other activities in the region remained stable.

Income in the Escalators/Passenger Boarding Bridges business unit was impacted by negative nonrecurring effects from the valuation of currency derivatives. In addition, falling prices on the European escalator market meant that margins were lower than a year earlier. Overall, the business unit posted a loss, compared with a profit a year earlier.

Earnings at the Accessibility business unit were again very pleasing. In addition to the profit contribution from the new company in Italy, the other activities also continued their positive earnings trend.

## Services: Materials market weaker

### SERVICES IN FIGURES

		1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Order intake	million €	3,222	3,127
Sales	million €	3,198	3,066
Income*	million €	92	85
Employees (December 31)		32,789	34,940

All figures relate to continuing operations. \* before taxes

The Services segment reported sales of €3.1 billion in the 1st quarter 2005/2006, down 4% from the comparable prior-year quarter.

Materials Services Europe, the biggest business unit, recorded a significant decrease in sales, particularly in Germany. This reflected the lower price level for rolled and specialty steel compared with the prior-year quarter, with demand largely stagnant. By contrast, there were positive developments in the plastics business and on the Eastern European markets, above all in Poland.

The Materials Services North America business unit experienced a similar business situation to Europe. Above all, the reduction in rolled steel prices compared with a year earlier had a significant impact on sales. By contrast, prices for most nonferrous metals were at a high level. Demand was stable overall.

The Industrial Services business unit recorded significant sales growth, mainly in its international business and primarily with North American customers. The number of employees increased markedly for order reasons. There was also encouraging growth in Germany.

Sales at the Special Products business unit suffered from weak demand and lower prices for rolled steel and some raw materials, in particular coke. By contrast, the technical trading business was significantly expanded.

Services reported earnings of €85 million, €7 million lower than a year earlier. Profits were down at the Materials Services Europe and Materials Services North America business units, mainly due to declining materials markets with in part significantly lower prices. The Industrial Services business unit returned higher earnings, in particular from its foreign business. Special Products achieved a further improvement on its good prior-year profit thanks to its technical and raw materials trading business.

**Corporate** includes the Group's head office and internal service providers as well as inactive companies not assignable to individual segments. The non-operating real estate is also managed and utilized centrally by Corporate. Sales at Corporate were €36 million compared with €34 million in the prior-year quarter.

Expense at Corporate rose by €9 million to €111 million. Reduced interest expense for financial liabilities and pensions was set against additional expenditure for a Groupwide project to promote research and development activities.

**Consolidation** mainly includes the results of intercompany profit elimination.

## OUTLOOK

The robust expansion of the world economy will continue this year. We expect global economic growth of over 4% in 2006. Major impetus will again come from the dynamic economies of North America and Asia. In the euro zone, the economy will show a moderate recovery, assuming a slight strengthening of the euro against the us dollar. In Germany, the economic prospects have brightened recently. Continuing strong export demand will be joined in 2006 by an improvement in domestic demand driven by capital investment. The economic risks of rising raw material and oil prices will remain high overall.

We expect the following developments on the major markets:

- With the world economic environment remaining favorable and the European economy improving, thanks also to increasing domestic demand, we expect global steel market growth to continue, driven as before by China and other emerging countries. Following stagnation last year, in 2006 we also expect steel consumption to increase in our core Western European market. In addition, positive inventory cycle effects will have an impact. This will result in higher steel production. German crude steel output is expected to clearly pass the 45 million metric ton mark. Steel prices will continue to be largely determined by high raw material and energy costs.
- Demand for flat-rolled stainless products is expected to recover after a generally weak year in 2005. Following declines last year, we anticipate renewed positive trends on the Asian, North American and Western European markets. New capacities will initially make it difficult for prices to stabilize and recover. The market for nickel-base alloys will continue to develop positively.
- World auto production is forecast to grow by 4% in 2006 to over 68 million vehicles. Growth impetus is expected above all from China, and also from India. We expect a slight increase in vehicle production for the North American and Western European markets. German auto production could once again reach 5.7 million cars and trucks in 2006.
- The international mechanical engineering industry will continue to expand in 2006, though at a slowing pace. Particularly high growth rates are expected for the Chinese mechanical engineering sector. In Germany, production growth is expected to slow to 2% due to moderate domestic demand.
- The situation in the international construction sector remains positive overall, but with large regional differences. Demand is expected to remain particularly buoyant in the markets of Central and Eastern Europe and Asia. In Germany, the recent slight recovery in orders could help stabilize construction output.

If these economic forecasts prove accurate, we expect a generally positive performance in the further course of the year. For the full fiscal year 2005/2006 we anticipate sales in the region of €43 billion. Our target for earnings before taxes – excluding major nonrecurring effects – for the current fiscal year is in the region of €1.5 billion.

## IFRS RECONCILIATIONS

### First-time adoption of international financial reporting and accounting standards

The Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards (IAS) was adopted on July 19, 2002. This regulation requires companies, publicly traded and domiciled in the European Union (EU), to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for fiscal years starting on or after January 01, 2005. Accordingly, ThyssenKrupp AG, as a publicly traded corporation domiciled in Germany, is required to prepare its consolidated financial statements for the fiscal year 2005/2006 under IFRS. ThyssenKrupp AG has decided to adopt the recommendation of the Committee of European Securities Regulators (CESR) to prepare its interim reports in the current fiscal 2005/2006 in accordance with IFRS.

The Group has applied IFRS 1 “First time adoption of International Financial Reporting Standards” to provide a starting point for reporting under International Financial Reporting and Accounting Standards. The date of transition to International Financial Reporting and Accounting Standards was selected as October 01, 2004. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided hereafter including reconciliations of equity and profit or loss for comparative periods reported under US GAAP (previous GAAP) to those reported under IFRS.

The opening balance sheet has been prepared using the Standards and Interpretations currently issued and expected to be effective as of September 30, 2006. With the exception of the exemptions granted by IFRS 1, the Group expects to adopt these accounting policies when it prepares its first complete set of IFRS consolidated financial statements as of September 30, 2006. A detailed presentation of the applicable accounting policies is provided on page 45 and following. Until September 30, 2006, the opening balance sheet as of October 01, 2004, the consolidated financial statements for the fiscal year ended September 30, 2005, and any interim consolidated financial statements issued for the period between October 01, 2004 and September 30, 2006 should be seen as provisional as the IASB may still enact provisions that could be applied retroactively. Accordingly, neither the opening

balance sheet as of October 01, 2004, nor the consolidated financial statements for the fiscal year ended September 30, 2005 have yet been certified under IFRS by the Group’s auditor. They form the basis for the first full consolidated financial statements under IFRS for the fiscal year ending September 30, 2006 and will only be certified in conjunction with the audit of these consolidated financial statements. The condensed consolidated interim financial statements have been prepared on the basis of IFRSs in issue that are effective or available for early adoption at the Group’s first IFRS annual reporting date, September 30, 2006. Based on these IFRSs, Management has made assumptions about the accounting policies expected to be adopted (accounting policies) when the first IFRS annual financial statements are prepared for the year ended September 30, 2006.

The Group has taken the following exemptions granted by IFRS 1 when preparing its preliminary opening balance sheet:

- **Business combinations**

The Company opted for the retention of the presentation of company acquisitions from the period before October 01, 2004, in place of an accounting treatment in accordance with the provisions of IFRS 3 “Business Combinations”. The goodwill arising from those acquisitions contained no intangible assets that should have been shown separately under IFRS and has been taken on to the IFRS opening balance sheet without modifications other than those resulting from the required review of the carrying amounts of goodwill for impairment as of the opening balance sheet date and the required accounting for put options in connection with existing minority interest.

- **Employee benefits**

As of October 01, 2004, all unrecognized actuarial gains and losses that arose in the period from the granting of the entitlement up to the date of transition to IFRS have been recognized directly in retained earnings (“fresh start”).

- **Cumulative currency translation gains and losses**

Cumulative currency translation gains and losses resulting from the translation of subsidiary and associated company financial statements up to the date of transition to IFRS have been directly recognized in retained earnings and have not been reported separately in equity. The recognition in retained earnings does not affect the reported equity. Currency translation adjustments arising after the transition are shown separately in equity and are recognized in income when the respective operations are disposed of.

The adoption of International Financial Reporting and Accounting Standards has resulted in the following changes to the Group's significant accounting policies:

### Consolidation

Upon acquisition of a subsidiary the interest of minority shareholders under US GAAP is stated at the minority's proportion of the carrying amount of assets and liabilities of the subsidiary at the date of acquisition. Under IFRS, this minority interest is stated at the minority's proportion of fair values of identifiable assets, liabilities and contingent liabilities recognized at the date of acquisition and reported within equity.

### Revenue recognition

Under US GAAP, the Group accounted for construction contracts using the percentage-of-completion method of accounting, if the performance of those contracts took place over a period of at least 12 months, beginning from the effective date of the contract to the date on which the contract is substantially completed. In accordance with IFRS, all construction contracts are accounted for using the percentage-of-completion method of accounting regardless the length of the performance period.

### Development Costs

Development costs have been expensed as incurred in accordance with US GAAP. IFRS requires the recognition of development costs as an intangible asset, if certain requirements are met.

### Components approach

Where under US GAAP no specific rules exist, IFRS requires a "component approach" when accounting for property, plant and equipment. Where fixed assets are comprised of significant parts those parts are accounted for as separate units and are depreciated accordingly.

### Investment property

Investments in land and buildings held to earn rental income or for capital appreciation are recorded as part of property, plant and equipment under US GAAP. Those investment properties are shown as a separate line item under non current assets in accordance with IFRS. Furthermore, the fair values of investment properties are included in the Notes to the consolidated financial statements where investment properties are recorded at amortized cost.

### Goodwill

Under US GAAP, the Group tested goodwill for impairment on Reporting Unit level which corresponded to the reporting one level below its segments. If the first step of such an impairment test resulted in a carrying value of the reporting unit including goodwill that exceeded the fair value of that unit, the goodwill was deemed to be impaired. In a second step, the fair value of the goodwill was determined and compared with its carrying value which then served as a basis of calculation for the amount to be recorded as impairment charge. IFRS requires testing of goodwill for impairment on Cash Generating Unit (CGU) level. The group of Cash Generating Units to which goodwill has been allocated represents the lowest level within the Group that is monitored for internal management purposes. The IFRS requirement leads to testing levels below the Reporting Unit level in certain segments of the Group. The one-step impairment test under IFRS compares the carrying amount of a CGU including goodwill to its recoverable amount with any excess recorded as impairment charge against goodwill. In cases where the carrying amount of goodwill is less than the determined amount of the impairment charge, the difference is generally allocated proportionally to the remaining non-current assets of the CGU to reduce their carrying amounts accordingly.

### Intangible assets, property, plant and equipment and investment property

If facts and circumstances indicate that intangible assets with finite useful lives, property, plant and equipment or investment property may have suffered an impairment loss, US GAAP requires a comparison of the carrying amount of those assets with the sum of undiscounted cash flows that are expected to be generated with these assets. If the carrying amount exceeds the sum of undiscounted cash flows, these assets are impaired. The necessary impairment charge is the amount by which the carrying amount of assets exceeds their fair values. Under IFRS, the assets are impaired if the carrying amounts of assets exceed the higher of a fair value less cost to sell or the sum of discounted cash flows that are expected to be generated with these assets (the recoverable amount). The excess carrying amount also represents the necessary impairment charge. Where under US GAAP the impairment creates a new cost basis for the asset, IFRS requires the carrying amount of the asset to be increased to a revised estimate of its recoverable amount if all or a portion of an impairment charge subsequently reverses.

## Inventories

US GAAP requires inventories to be stated at the lower of cost or market whereas under IFRS inventories are stated at the lower of cost and net realizable value with a net realizable value being the estimated selling price in the ordinary course of business less estimated costs of completion and selling cost. Where under US GAAP the impairment creates a new cost basis for the asset, IFRS requires the carrying amount of the asset to be increased to a revised estimate of its net realizable value if all or a portion of an impairment charge subsequently reverses.

## Receivables

Under US GAAP, receivables sold under the “true sale” concept are derecognized from the balance sheet at the time of the sale. In determining whether sold receivables can be derecognized from the balance sheet, IFRS is based primarily on a risk and rewards approach which in certain cases results in a treatment of the sale that differs from the one under US GAAP.

%

	Sept. 30, 2004/Oct. 01, 2004				Sept. 30, 2005			
	US GAAP		IFRS		US GAAP		IFRS	
	Germany	Outside Germany	Germany	Outside Germany	Germany	Outside Germany	Germany	Outside Germany
Weighted-average assumptions:								
Discount rate	5.50	6.10	5.00	5.53	4.00	5.08	4.00	4.88
Expected return on plan assets	6.00	7.81	6.00	7.57	6.00	7.83	6.00	7.53
Rate of compensation increase	3.00	4.12	3.00	3.76	2.50	2.37	2.50	2.36

As of September 30, 2004/October 01, 2004 and September 30, 2005, the following assumptions were used to determine the health care obligations:

%

	Sept. 30, 2004/Oct. 01, 2004		Sept. 30, 2005	
	US GAAP US/Canadian plans	IFRS US/Canadian plans	US GAAP US/Canadian plans	IFRS US/Canadian plans
Weighted-average assumptions:				
Discount rate	6.25	5.75	5.20	5.20
Health care cost trend rate for the following year	10.01	10.01	8.39	8.39
Ultimate health care cost trend rate (expected in 2009)	5.45	5.46	5.44	5.45

## Accrued pension and similar obligations

The measurement date of accrued pension and similar obligations under US GAAP is allowed to differ from the year end balance sheet date of a company. The Group therefore measured its obligations using the assumptions determined as of June 30 of each fiscal year. Under IFRS the measurement date must correspond to a company's year end. Accordingly, the Group measures its obligations using the assumptions determined as of September 30 of each fiscal year.

As of September 30, 2004/October 01, 2004 and September 30, 2005, the following assumptions were used to determine the pension obligations:

When recording an additional minimum pension liability as required under US GAAP, the recognition of an intangible asset is obligatory if certain conditions are met. IFRS has no rules regarding the recognition of an additional minimum pension liability or the related intangible asset.

Starting with balance sheet date September 30, 2005 the Group will no longer apply the corridor approach, but use the so-called "third option" in accordance with IAS 19 amendment (December 2004). Under the provisions of this amendment all actuarial gains and losses are recognized immediately and directly in equity.

The interest cost component and expected rate of return component of pension and health care cost have been included in income from operations under US GAAP. The Group elected to present those components of pension and health care costs within IFRS in net financial income/(expense) for its IFRS reporting.

### Share-based compensation

Under US GAAP, the Group had valued its share-based compensation programs using the intrinsic value method until July 01, 2005. Subsequent to the adoption of SFAS 123(R) as of July 01, 2005, the Group valued its plans at fair value. Under IFRS, these programs are also recorded at fair value.

### Embedded derivative financial instruments

US GAAP requires the recognition of an embedded derivative where parties conclude a contract that is not denominated in the functional currency of one of the parties to the contract. Under IFRS an embedded derivative is not recognized separately if the contract is denominated in a currency that is commonly used in business transactions in the environment in which the transaction takes place.

### Discontinued operations

The Group reports the results of a disposal group that qualifies as component of the Group under US GAAP as discontinued operations if its cash flows can be clearly distinguished operationally and for financial reporting from the rest of the Group and the Group does not have significant continuing involvement with the component subsequent to its disposal. In addition to the identification of a component, IFRS requires that the disposed component must also represent a major line of business or all operations within a geographical area. Therefore, certain disposals may qualify as discontinued operations under US GAAP but not under IFRS.

### Balance Sheet Classification

In previously published consolidated financial statements the balance sheet classification followed the 4th and 7th directive of the EU with additional disclosures required by US GAAP included in the Notes to the consolidated financial statements. Under IFRS, assets and liabilities are classified as current or non-current in the balance sheet.

To simplify the reconciliations of the consolidated balance sheets, the US GAAP presentation has been adjusted to the IFRS current/non-current classification.

The effect of the changes to the Group's accounting policies on the reported financial position, results of operations and cash flows of the Group is presented in the following.

## RECONCILIATION OF THE CONSOLIDATED OPENING BALANCE SHEET AS OF OCTOBER 01, 2004

### ASSETS million €

	Note	US GAAP Sept. 30, 2004	IFRS adjustments	IFRS Oct. 01, 2004
Intangible assets, net	A1, B1, C1	3,554	(385)	3,169
Property, plant and equipment, net	D1, E1, F1, G1	10,574	(1,856)	8,718
Investment property	H1, I1	—	1,618	1,618
Investments accounted for using the equity method	J1	341	(9)	332
Financial assets		679	0	679
Deferred tax assets	K1	1,148	(272)	876
<b>Total non-current assets</b>		<b>16,296</b>	<b>(904)</b>	<b>15,392</b>
Inventories	L1, M1	6,274	(368)	5,906
Trade accounts receivable, net	N1, O1	5,764	653	6,417
Other receivables	P1, Q1	1,049	(75)	974
Current income tax assets		189	0	189
Cash and cash equivalents		1,350	0	1,350
<b>Total current assets</b>		<b>14,626</b>	<b>210</b>	<b>14,836</b>
<b>Assets held for sale</b>	R1, S1	<b>219</b>	<b>37</b>	<b>256</b>
<b>Total assets</b>		<b>31,141</b>	<b>(657)</b>	<b>30,484</b>

### EQUITY AND LIABILITIES million €

	Note	US GAAP Sept. 30, 2004	IFRS adjustments	IFRS Oct. 01, 2004
<b>Equity attributable to ThyssenKrupp AG's stockholders</b>		<b>8,327</b>	<b>(1,284)</b>	<b>7,043</b>
Minority interest	A2	—	360	360
<b>Total equity</b>		<b>8,327</b>	<b>(924)</b>	<b>7,403</b>
<b>Minority interest</b>	A2	<b>410</b>	<b>(410)</b>	<b>—</b>
Accrued pension and similar obligations	B2, C2, D2	7,189	1,095	8,284
Other provisions	E2, F2	510	5	515
Deferred tax liabilities	G2	977	(757)	220
Financial liabilities	H2	3,618	60	3,678
Other liabilities	I2	0	42	42
<b>Total non-current liabilities</b>		<b>12,294</b>	<b>445</b>	<b>12,739</b>
Other provisions	J2	1,811	(852)	959
Current income tax liabilities		538	0	538
Financial liabilities	K2	614	238	852
Trade accounts payable	L2	3,644	(13)	3,631
Other liabilities	M2, N2, O2, P2	3,312	831	4,143
<b>Total current liabilities</b>		<b>9,919</b>	<b>204</b>	<b>10,123</b>
<b>Liabilities associated with assets held for sale</b>	Q2	<b>191</b>	<b>28</b>	<b>219</b>
<b>Total liabilities</b>		<b>22,814</b>	<b>267</b>	<b>23,081</b>
<b>Total equity and liabilities</b>		<b>31,141</b>	<b>(657)</b>	<b>30,484</b>

## Intangible assets, net

### A1 Development costs

Development costs that satisfied the criteria for recognition under IFRS resulted in an increase of intangible assets of €77 million.

### B1 Goodwill

The IFRS one-step goodwill impairment test applied on Cash Generating Unit level as of October 01, 2004, resulted in an impairment charge against goodwill in the amount of €437 million.

The recognition of a put option in connection with an existing minority interest of the Dongyang group resulted in an increase of goodwill by €32 million.

### C1 Intangible pension asset

The US GAAP intangible pension asset of €53 million was derecognized to account for pension obligations in accordance with IAS 19.

## Property, plant and equipment, net

### D1 Investment property

Based on the IFRS requirement to present investment property separately in the consolidated balance sheet, property, plant and equipment of €1,688 million were reclassified.

### E1 Components approach

Under IFRS, property, plant and equipment is required to be separated into significant accounting parts and depreciated over the expected useful lives of the corresponding units. As a result, the Group recognized an increase of property, plant and equipment of €19 million.

### F1 Impairment

The IFRS one-step impairment test of property, plant and equipment based on discounted cash flows resulted in an impairment charge against those assets of €247 million as the corresponding carrying values were no longer supported by the respective recoverable amounts.

### G1 Leases

Under US GAAP, the classification of a lease as either operating lease or capital (finance) lease is based on formal criteria. IFRS however, does not use such formal quantitative thresholds to determine the type of a lease. Therefore, the application of IAS 17 "Leases" can result in a different classification of lease transactions. Accordingly, a lease transaction accounted for as an operating lease under US GAAP (whereby the lease payments were expensed as incurred), was accounted for as a finance lease under IFRS (with the related asset and liabilities recognized in the Group's balance sheet). As a result, property, plant and equipment increased by €60 million.

## Investment property

### H1 Separate balance sheet line item

Based on the IFRS requirement to present investment property separately in the consolidated balance sheet, property, plant and equipment of €1,688 million was reclassified.

### I1 Impairment

The IFRS one-step impairment test of investment property based on discounted cash flows resulted in an impairment of €70 million.

## Investments accounted for using the equity method

### J1 Assets held for sale

Under US GAAP, apart from a disposal group only long-lived assets can be classified as held for sale if certain criteria are met, while under IFRS, all non-current assets can qualify for classification as held for sale. As a result, the Group reclassified an investment accounted for using the equity method in the amount of €9 million in assets held for sale.

## Deferred tax assets

### K1 IFRS adjustments

Deferred taxes are recognized generally due to different accounting under IFRS/US GAAP and the applicable national income tax calculation methods. As described above, the transition from US GAAP to IFRS accounting resulted in significant changes of various balance sheet items, but the national statutory income tax calculation methods remained unchanged. The transition therefore altered the aforementioned relationship with corresponding impacts on the balance sheet recognition of deferred taxes.

Regulations specifying different rules for the recognition of deferred taxes, under US GAAP and IFRS, as well as goodwill impairment and balance sheet reclassifications (e.g. the reclassification of minority interest to shareholders' equity) did not materially affect deferred taxes.

Compared to US GAAP, there are extended possibilities for balancing deferred taxes at single entity level. Because of this deferred tax assets and liabilities respectively are reduced compared to US GAAP. The netted amount of deferred tax assets and liabilities results in a deferred tax asset under IFRS, while there was a net deferred tax liability under US GAAP. This is in general due to the increased accrued pensions and similar obligations and due to the decreased property, plant and equipment under IFRS.

The IFRS adjustments resulted in a decrease of deferred tax assets of €272 million.

## Inventories

### L1 Percentage-of-completion method

Under US GAAP, the balance sheet item „Work in progress“ included construction contracts accounted for under the percentage-of-completion method. Under IFRS, these construction contracts are included in trade accounts receivable. In this context, €370 million were reclassified.

### M1 Lower of cost and net realizable value

The measurement of inventories under IFRS at the lower of cost and net realizable value resulted in an increase of inventories of €2 million.

## Trade accounts receivable, net

### N1 Percentage-of-completion method

Under US GAAP, the balance sheet item „Work in progress“ included construction contracts accounted for under the percentage-of-completion method. Under IFRS, these construction contracts are included in trade accounts receivable. In this context, €370 million were reclassified (ref. L1).

Moreover under IFRS, the percentage-of-completion method is applied to construction contracts which have not been accounted for using the percentage-of-completion method under US GAAP due to their performance duration of less than one year resulting in an increase of trade accounts receivable (“Future receivables from construction contracts”) of €47 million.

### O1 Sale of receivables

Under IFRS, a risks and rewards approach and control are applied to determine whether receivables sold can be derecognized. The application of this approach to receivables sold as of October 01, 2004, under existing programs resulted in an increase of the respective balance sheet caption by €238 million.

## Other receivables

### P1 Embedded derivatives

Under IFRS, several transactions do not qualify for a separate accounting as an embedded derivative because they are denominated in a currency that is commonly used in such business transactions. As a result, the Group derecognized assets of €3 million.

**Q1 Prepaid pension cost**

The IFRS pension accounting resulted in a reduction of the prepaid pension cost of €72 million primarily due to different discount rates and different fair values of plan assets as a result of different measurement dates.

**Assets held for sale****R1 Additional assets held for sale under IFRS**

Under US GAAP, apart from a disposal group only long-lived assets can be classified as held for sale if certain criteria are met, while under IFRS, all non-current assets can qualify for classification as held for sale. As a result, the Group reclassified an investment accounted for using the equity method in the amount of €9 million in assets held for sale (ref. J1).

**S1 IFRS adjustments**

Under IFRS, assets held for sale increased by €28 million resulting from IFRS adjustments of asset-backed transactions (ref. O1) of €18 million, separate accounting of significant parts (ref. E1) of €1 million and deferred tax assets of (ref. K1) of €8 million. Moreover, the reclassified amount of an investment accounted for using the equity method was increased by €1 million because the basis of presentation of the financial statements of the respective associate has also been changed from US GAAP to IFRS.

**Minority interest****A2 Reclassification**

Under US GAAP, minority interest is presented as a separate item between equity and liabilities in the consolidated balance sheet. Under IFRS, minority interest is required to be presented as part of equity. This reclassification resulted in an increase of equity of €410 million. Thereof, €50 million refer to IFRS adjustments in the financial statements of the single entities with minority shareholders due to IFRS 1 and the recognition of the put option in connection with the Dongyang group (ref. B1).

**Accrued pensions and similar obligations****B2 Pension obligations**

A reduced discount rate as of October 01, 2004, compared to the rate used at the early measurement date June 30 under US GAAP, and the allowed recognition of all actuarial gains and losses in equity in the opening balance sheet resulted in an increase of pension obligations by €484 million.

**C2 Postretirement obligations other than pensions**

A reduced discount rate as of October 01, 2004 compared to the rate used at the early measurement date June 30 under US GAAP and the allowed recognition of all actuarial gains and losses in equity in the opening balance sheet resulted in an increase of health care obligations other than pensions by €540 million.

**D2 Voluntary early retirement agreements**

Under US GAAP, obligations for voluntary early retirement agreements are only recorded for employees who have actually entered into retirement agreements and are accrued on a pro-rata basis. Under IFRS, obligations for voluntary early retirement benefits are recorded based upon management's best estimate of the number of employees expected to enter into early retirement agreements and are accrued on an actuarial basis. As a result, the provisions increased by €71 million.

**Other provisions – non-current –****E2 Employees' anniversary bonuses**

Based on the early measurement option of US GAAP, the Group's provisions for anniversary bonuses were calculated using the assumptions as of June 30. Under IFRS, the calculation has to be based on the assumptions as of October 01. Because of the reduced discount rate as of October 01, 2004, the provision for anniversary bonuses increased by €2 million.

## F2 Share-based compensation

The IFRS accounting of the Group's cash settled management incentive plans using the fair value method resulted in an increase of the provision of €3 million.

## Deferred tax liabilities

### G2 IFRS adjustments

Deferred taxes are generally recognized due to different accounting under IFRS/US GAAP and the applicable national income tax calculation methods. As described above, the transition from US GAAP to IFRS accounting resulted in significant changes of various balance sheet items, but the national statutory income tax calculation methods remained unchanged. The transition therefore altered the aforementioned relationship with corresponding impacts on the balance sheet recognition of deferred taxes.

Regulations specifying different rules for the recognition of deferred taxes, under US GAAP and IFRS, as well as goodwill impairment and balance sheet reclassifications (e.g. the reclassification of minority interest to shareholders' equity) did not materially affect deferred taxes.

Compared to US GAAP, there are extended possibilities for balancing deferred taxes at single entity level. Because of this deferred tax assets and liabilities respectively are reduced compared to US GAAP. The netted amount of deferred tax assets and liabilities results in a deferred tax asset under IFRS, while there was a net deferred tax liability under US GAAP. This is in general due to the increased accrued pensions and similar obligations and due to the decreased property, plant and equipment under IFRS.

The IFRS adjustments resulted in a decrease of deferred tax liabilities of €757 million.

## Financial liabilities – non-current –

### H2 Leases

As described in G1), certain lease contracts that qualified as an operating lease under US GAAP are treated as a finance lease under IFRS. As a result, financial liabilities increased by €60 million.

## I2 Other liabilities – non-current –

The accounting for the put option at the Dongyang group (ref. B1) resulted in a recognition of a liability of €42 million.

## Other provisions – current –

### J2 Reclassification

In previously published consolidated financial statements the balance sheet classification followed the 4th and 7th directive of the EU with additional disclosures required by US GAAP included in the Notes to the consolidated financial statements. Under this classification, certain liabilities were shown as provisions. Under IFRS, €852 million formerly recorded as other provisions are reclassified into other liabilities as they do not fulfill the definition of a provision under IFRS.

## Financial liabilities – current –

### K2 Sale of receivables

The determination whether receivables sold can be derecognized based on the IFRS risk and reward approach and control (ref. O1) resulted in a corresponding increase of financial liabilities of €238 million.

## Trade accounts payable

### L2 Percentage-of-completion method

Under IFRS, the percentage-of-completion method is applied on all construction contracts (ref. N1). As a result, the Group reclassified €13 million from trade accounts payable into other liabilities.

## Other liabilities

### M2 Reclassification

The adoption of the IFRS definitions regarding the classification of provisions and liabilities (ref. J2) resulted in a reclassification of other provisions of €852 million into other liabilities.

**N2 Embedded derivatives**

Under IFRS, several foreign currency based transactions do not require separate accounting for an embedded derivative component because these transactions are denominated in a currency that is commonly used in such business transactions. As a result, the Group derecognized liabilities of €10 million.

**O2 Percentage-of-completion method**

Under IFRS, the percentage-of-completion method is applied on all construction contracts (ref. N1). As a result, the Group's other liabilities ("Liabilities from orders in progress (PoC)") increased by €43 million due to excess amounts of advances received or progress billings compared to corresponding attributable revenues.

**P2 Sale-and-lease-back transactions**

Under US GAAP, gains resulting from sale-and-lease-back transactions are deferred over the contract period. Under IFRS, these gains are recognized immediately on the date of sale if the sale-and-lease-back transaction results in an operating lease and the transaction was established at fair value. This resulted in a decrease of deferred income of €63 million.

**Liabilities associated with assets held for sale****Q2 IFRS adjustments**

Under IFRS, liabilities associated with assets held for sale increased by €28 million resulting from IFRS adjustments of asset-backed transactions (ref. K2) of €18 million, pension obligations (ref. B2) of €4 million and deferred tax liabilities of (ref. G2) of €6million.

**RECONCILIATION OF EQUITY AS OF OCTOBER 01, 2004**

million €

	Note	
<b>Stockholders' equity under US GAAP as of Sept. 30, 2004</b>		<b>8,327</b>
Intangible assets, net	A1, B1, C1	(417)
Property, plant and equipment, net	D1, E1, F1, G1	(168)
Investment property	H1, I1	(70)
Deferred tax assets	K1	(272)
Inventories	L1, M1	2
Trade accounts receivable	N1, O1	47
Other receivables	P1, Q1	(75)
Assets held for sale	R1, S1	11
Accrued pensions and similar obligations	B2, C2, D2	(1,095)
Other provisions	E2, F2	(8)
Deferred tax liabilities	G2	757
Financial liabilities	H2	(60)
Other liabilities	N2, O2, P2	33
Liabilities associated with assets held for sale	Q2	(10)
Minority interest	A2	50
Other adjustments		(9)
<b>Equity attributable to ThyssenKrupp AG's stockholders under IFRS as of Oct. 01, 2004</b>		<b>7,043</b>
<b>Minority interest under IFRS as of Oct. 01, 2004</b>		<b>360</b>
<b>Total equity under IFRS as of Oct. 01, 2004</b>		<b>7,403</b>

## RECONCILIATION OF THE CONSOLIDATED STATEMENT OF INCOME FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

million €

	Note	US GAAP fiscal year ended Sept. 30, 2005	IFRS 5 adjustments	Other IFRS adjustments	IFRS fiscal year ended Sept. 30, 2005
Net sales	A1, B1	42,064	888	(25)	42,927
Cost of sales	C1, D1, E1, F1	(35,063)	(875)	243	(35,695)
<b>Gross margin</b>		<b>7,001</b>	<b>13</b>	<b>218</b>	<b>7,232</b>
Selling expenses	G1, H1	(2,544)	(97)	(4)	(2,645)
General and administrative expenses	I1, J1	(2,360)	(93)	198	(2,255)
Other operating income	K1	259	9	8	276
Other operating expenses	L1, M1	(391)	(32)	(29)	(452)
Gain/(loss) on the disposal of subsidiaries, net		3	14	(1)	16
<b>Income from operations</b>		<b>1,968</b>	<b>(186)</b>	<b>390</b>	<b>2,172</b>
Income from companies accounted for at equity		37	0	0	37
Other financial income/(expense), net		(169)	(4)	(359)	(532)
<b>Financial income/(expense), net</b>	N1	<b>(132)</b>	<b>(4)</b>	<b>(359)</b>	<b>(495)</b>
<b>Income from continuing operations before income taxes</b>		<b>1,836</b>	<b>(190)</b>	<b>31</b>	<b>1,677</b>
Non-recurring losses related to RAG investment		(474)	0	0	(474)
Provisions for income taxes	O1	(735)	10	(12)	(737)
Minority interest	P1	(46)	0	46	—
<b>Income from continuing operations</b>		<b>581</b>	<b>(180)</b>	<b>65</b>	<b>466</b>
Discontinued operations (net of tax)		442	180	(9)	613
Cumulative effects of changes in accounting principles (net of tax)		(4)	0	4	0
<b>Net income</b>		<b>1,019</b>	<b>0</b>	<b>60</b>	<b>1,079</b>
<b>Thereof:</b>					
ThyssenKrupp AG's stockholders		1,019	0	19	1,038
Minority interest		—	0	41	41
<b>Net income</b>		<b>1,019</b>	<b>0</b>	<b>60</b>	<b>1,079</b>
<b>Basic earnings per share</b>					
Income from continuing operations (attributable to ThyssenKrupp AG's stockholders)		1.17	(0.36)	0.04	0.85
<b>Net income (attributable to ThyssenKrupp AG's stockholders)</b>		<b>2.05</b>	<b>0.00</b>	<b>0.03</b>	<b>2.08</b>

### IFRS 5 adjustments

Based on the differences in the definition of a discontinued operation under US GAAP and IFRS, the following disposals qualified for reporting as discontinued operations under US GAAP but do not under IFRS:

Segment Steel (structure until September 30, 2005)

- Edelstahl Witten-Krefeld GmbH
- Hoesch Contecna Systembau GmbH

Segment Automotive

- Alu Castings
- European truck spring businesses
- ThyssenKrupp Stahl Company

Segment Technologies

- ThyssenKrupp Stahlbau business
- Turbine components operation group

Segment Services

- Hommel group
- Krupp Druckereibetriebe GmbH

In addition, expenses resulting from disposals of discontinued operations incurred in fiscal year 2003/2004 qualified for reporting as discontinued operations under US GAAP but do not under IFRS.

As a result, only the disposals of the MetalCutting business unit and of the Residential Real Estate business qualify for reporting as discontinued operations under US GAAP and under IFRS as well.

The adjustments to present the disposals as part of continuing operations under IFRS are disclosed in column "IFRS 5 adjustments".

### Other IFRS adjustments

These adjustments primarily result from the roll forward of the corresponding adjustments due to the transition from US GAAP to IFRS as of October 01, 2004.

### Net sales

#### A1 Percentage-of-completion method (PoC)

Under IFRS, the percentage-of-completion method is applied to all construction contracts. As a result, the Group's net sales decreased by €8 million mainly due to the fact that part of the result of these contracts has been realized up front in the opening balance sheet as of October 01, 2004 as a result of the extended application of the percentage-of-completion method.

#### B1 Embedded derivatives

Under IFRS, for several transactions denominated in foreign currencies separate accounting for embedded derivatives is not required because they are denominated in a currency that is commonly used in such business transactions. As a result, net sales decreased by €17 million due to the elimination of the foreign currency embedded derivative effects.

### Cost of sales

#### C1 Percentage-of-completion method (PoC)

Under IFRS, the percentage-of-completion method is applied on all construction contracts. As a result, the Group's cost of sales decreased by €4 million mainly due to the fact that less revenue was recognized in the fiscal year 2004/2005 as a result of the extended application of the percentage-of-completion method.

#### D1 Embedded derivatives

Under IFRS, for several transactions denominated in foreign currencies separate accounting for embedded derivatives is not required because they are denominated in a currency that is commonly used in such

business transactions. As a result, cost of sales decreased by €27 million due to the elimination of the foreign currency embedded derivative effects.

#### E1 Personnel expenses

Personnel expenses included in cost of sales decreased by €159 million. This was primarily due to the absence of amortization of actuarial losses stemming from pension and other postretirement benefit plans under IFRS as the result of the application of the fresh start method in the opening balance sheet. Moreover, cost of sales decreased because of the reclassification of pension interest cost to net financial income/(expense). Cost of sales increased by the reclassification of the expected return on plan assets to net financial income/(expense).

#### F1 Amortization and depreciation

Amortization and depreciation included in cost of sales decreased by €55 million primarily resulting from impairment charges recognized for non-current assets in the IFRS opening balance sheet.

### Selling expenses

#### G1 Personnel expenses

Personnel expenses included in selling expenses decreased by €18 million. This was primarily due to the absence of the amortization of pension and pension-related actuarial losses under IFRS as the result of the application of the fresh start method in the opening balance sheet. Moreover, selling expenses decreased due to the reclassification of pension interest cost to net financial income/(expense). Selling expenses increased due to the reclassification of the expected return on plan assets to net financial income/(expense).

#### H1 Other selling expenses

Other selling expenses increased by €9 million. This was due to increased allocations to provisions mainly as a result of the valuation of provisions based on the expected value out of a range of equally probable values.

## General and administrative expenses

### I1 Personnel expenses

Personnel expenses included in general and administrative expenses decreased by €220 million. This was primarily due to the reversal of amortization of pension and pension-related actuarial losses under IFRS as the result of the application of the fresh start method in the opening balance sheet. Moreover, personnel expenses decreased due to the reclassification of pension interest cost to net financial income/(expense). Personnel expenses increased due to the reclassification of the expected return on plan assets to net financial income/(expense).

### J1 Other general and administrative expenses

Other general and administrative expenses increased by €6 million. This is due to increased allocations to provisions mainly as a result of the valuation of provisions based on the expected value out of a range of equally probable values.

## Other operating income

### K1 Gain from disposal of assets

The increase of miscellaneous other operating income was mainly due to increased gains from disposals as a result of recognized impairment charges in the opening balance sheet.

## Other operating expenses

### L1 Development costs

The recognition of certain development costs as intangible assets resulted in a reduction of other operating expenses of €20 million.

### M1 Costs of voluntary settlements

Additional provisions of €66 million for voluntary settlements were recognized in accordance with the expected claim rate.

## Financial income/(expense), net

### N1 Accrued pension and similar obligations

Net financial income/(expense) increased by €(359) million primarily due to the recognition of pension interest cost of €(478) million offset by the recognition of the expected return on plan assets of €117 million.

## Provisions from income taxes

### O1 IFRS adjustments

The increase of provisions from income taxes by €12 million relates to deferred taxes resulting from IFRS adjustments.

## Minority interest

### P1 Reclassification

Under US GAAP, net income is presented after reduction of minority interest. Under IFRS, net income is inclusive of minority interest. This reclassification resulted in an increase of net income of €46 million.

**RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2005****ASSETS** million €

	Note	US GAAP Sept. 30, 2005	IFRS adjustments	IFRS Sept. 30, 2005
Intangible assets, net	A1	4,766	(177)	4,589
Property, plant and equipment, net	B1	9,469	(726)	8,743
Investment property	C1	—	557	557
Investments accounted for using the equity method		329	8	337
Financial assets		190	(9)	181
Deferred tax assets	D1	1,431	(686)	745
<b>Total non-current assets</b>		<b>16,185</b>	<b>(1,033)</b>	<b>15,152</b>
Inventories	E1	7,439	(577)	6,862
Trade accounts receivable, net	F1	5,966	702	6,668
Other receivables		1,172	(39)	1,133
Current income tax assets		270	0	270
Cash and cash equivalents		4,625	0	4,625
<b>Total current assets</b>		<b>19,472</b>	<b>86</b>	<b>19,558</b>
<b>Assets held for sale</b>		<b>582</b>	<b>9</b>	<b>591</b>
<b>Total assets</b>		<b>36,239</b>	<b>(938)</b>	<b>35,301</b>

**EQUITY AND LIABILITIES** million €

	Note	US GAAP Sept. 30, 2005	IFRS adjustments	IFRS Sept. 30, 2005
<b>Equity attributable to ThyssenKrupp AG's stockholders</b>		<b>8,771</b>	<b>(1,282)</b>	<b>7,489</b>
Minority interest		—	389	389
<b>Total equity</b>		<b>8,771</b>	<b>(893)</b>	<b>7,878</b>
<b>Minority interest</b>		<b>481</b>	<b>(481)</b>	<b>—</b>
Accrued pension and similar obligations	A2	7,954	938	8,892
Other provisions		398	19	417
Deferred tax liabilities	B2	1,495	(1,055)	440
Financial liabilities		3,028	57	3,085
Other liabilities	C2	0	207	207
<b>Total non-current liabilities</b>		<b>12,875</b>	<b>166</b>	<b>13,041</b>
Other provisions	D2	2,513	(1,344)	1,169
Current income tax liabilities		459	6	465
Financial liabilities	E2	1,643	130	1,773
Trade accounts payable		3,981	(5)	3,976
Other liabilities	F2	4,931	1,438	6,369
<b>Total current liabilities</b>		<b>13,527</b>	<b>225</b>	<b>13,752</b>
<b>Liabilities associated with assets held for sale</b>		<b>585</b>	<b>45</b>	<b>630</b>
<b>Total liabilities</b>		<b>27,468</b>	<b>(45)</b>	<b>27,423</b>
<b>Total equity and liabilities</b>		<b>36,239</b>	<b>(938)</b>	<b>35,301</b>

**A1 Intangible assets, net**

Primarily due to the following reasons the amount of negative IFRS adjustments as of September 30, 2005 was reduced by €208 million compared to October 01, 2004:

The recognition of a put option in connection with an existing minority interest of the Howaldtswerke-Deutsche Werft (HDW) and a corresponding reconsideration of the purchase price calculation resulted in an increase of goodwill by €100 million and therefore reduced the amount of negative IFRS adjustments by this amount.

Under US GAAP, an impairment charge against goodwill was recognized in fiscal year 2004/2005 which under IFRS already had been accounted for in the opening balance sheet. As a result, the amount of negative adjustments decreased by €45 million.

Capitalized development cost increased by €15 million and reduced the amount of negative adjustments respectively.

**B1 Property, plant and equipment, net**

Primarily due to the following reason the amount of negative IFRS adjustments as of September 30, 2005 was reduced by €1,130 million compared to October 01, 2004:

In the opening balance sheet the Group reclassified property from property, plant and equipment into investment property. As a result of the disposal of the Residential Real Estate business in the 2nd quarter ended March 31, 2005 the amount of negative adjustments decreased by €1,061 million.

**C1 Investment property**

Due to the disposal of the Residential Real Estate business the amount of positive IFRS adjustments as of September 30, 2005 was reduced by €1,061 million compared to October 01, 2004.

**D1 Deferred tax assets**

Primarily due to the following reason the amount of negative IFRS adjustments as of September 30, 2005 increased by €414 million compared to October 01, 2004:

Compared to US GAAP, there are extended possibilities for balancing deferred taxes at single entity level. Because of this deferred tax assets were reduced compared to US GAAP.

**E1 Inventories**

Primarily due to the following reason the amount of negative IFRS adjustments as of September 30, 2005 increased by €209 million compared to October 01, 2004:

The necessary reclassification from inventories into trade accounts receivable in connection with the percentage-of-completion method increased by €207 million.

**F1 Trade accounts receivable, net**

Primarily due to the following reasons the amount of positive IFRS adjustments as of September 30, 2005 increased by €49 million compared to October 01, 2004:

The necessary reclassification from inventories into trade accounts receivable in connection with the percentage-of-completion method increased by €207 million.

Adjustments of asset-backed programs resulted in an increase of derecognized trade accounts receivables of €108 million as of September 30, 2005.

**A2 Accrued pension and similar obligations**

Primarily due to the following reasons the amount of positive IFRS adjustments as of September 30, 2005 decreased by €157 million compared to October 01, 2004:

Regarding accrued pension obligations the necessary amount of adjustments decreased by €325 million, due to a lesser reduction of the discount rate under US GAAP compared to IFRS as of September 30, 2005.

Regarding postretirement obligations other than pensions (healthcare obligations) the necessary amount of adjustments increased by €176 million, due to a reduction of the discount rate and resulting actuarial losses in the fiscal year 2004/2005 which were not immediately recognized under US GAAP. Under IFRS, however, the Group opted to apply the so called "third option" of IAS 19 and therefore all actuarial losses resulting from a reduction of the discount rate were recognized and immediately charged against equity.

**B2 Deferred tax liabilities**

Primarily due to the following reason the amount of negative IFRS adjustments as of September 30, 2005 increased by €298 million compared to October 01, 2004:

Compared to US GAAP, there are extended possibilities for balancing deferred taxes at single entity level. Because of this deferred tax liabilities were reduced compared to US GAAP.

**C2 Other liabilities – non current –**

Primarily due to the following reason the amount of positive IFRS adjustments as of September 30, 2005 increased by €165 million compared to October 01, 2004:

The recognition of the put option in connection with a minority interest of the Howaldtswerke-Deutsche Werft (HDW) resulted in an increase of liabilities by €160 million.

**D2 Other provisions – current –**

Primarily due to the following reasons the amount of negative IFRS adjustments as of September 30, 2005 increased by €492 million compared to October 01, 2004:

Under IFRS, the reclassification from provisions into other liabilities increased by €558 million.

Under IFRS, provisions for voluntary early retirement agreements are recorded for upon an expected number of employees entering into early retirement agreements. As a result, in the fiscal year 2004/2005 additional provisions of €66 million were recognized under IFRS only.

**E2 Financial liabilities – current –**

Adjustments of asset-backed programs resulted in a decrease of current financial liabilities by €108 million as of September 30, 2005.

**F2 Other liabilities – current –**

Primarily due to the following reason the amount of positive IFRS adjustments as of September 30, 2005 increased by €607 million compared to October 01, 2004:

Under IFRS, the reclassification from provisions into other liabilities increased by €558 million.

**RECONCILIATION OF EQUITY AS OF SEPTEMBER 30, 2005**

million €

	Note	
<b>Stockholders' equity under US GAAP as of Sept. 30, 2005</b>		<b>8,771</b>
Intangible assets, net	A1	(347)
Property, plant and equipment, net	B1	(98)
Investment property	C1	(70)
Deferred tax assets	D1	(686)
Trade accounts receivable	F1	(3)
Other receivables		(42)
Assets held for sale		10
Accrued pensions and similar obligations (w/o reimbursement rights)	A2	(938)
Other provisions	D2	(91)
Deferred tax liabilities	B2	1,055
Financial liabilities		(57)
Other liabilities		(22)
Liabilities associated with assets held for sale		(47)
minority interest		92
Other adjustments		(38)
<b>Equity attributable to ThyssenKrupp AG's stockholders under IFRS as of Sept. 30, 2005</b>		<b>7,489</b>
<b>Minority interest under IFRS as of Sept. 30, 2005</b>		<b>389</b>
<b>Total equity under IFRS as of Sept. 30, 2005</b>		<b>7,878</b>

## RECONCILIATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2004/2005

The free cash flow, i.e. the difference between the cash flow from operating activities and the cash flow from investing activities, increased by €126 million. This is due to the recognition of increases

or decreases of liabilities resulting from the disposals of trade accounts receivables which are not derecognized from the balance sheet as cash flows from financing activities. As a consequence, the cash inflow resulting from the disposal of a trade account receivable is only recognized in cash flow from operating activities if and at the time the corresponding customer payments are transferred to the bank.

## RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004

### ASSETS million €

	Note	US GAAP Dec. 31, 2004	IFRS adjustments	IFRS Dec. 31, 2004
Intangible assets, net	A1	3,419	(349)	3,070
Property, plant and equipment, net	B1	9,235	(783)	8,452
Investment property	C1	—	569	569
Investments accounted for using the equity method		295	9	304
Financial assets		662	0	662
Deferred tax assets	D1	665	(322)	343
<b>Total non-current assets</b>		<b>14,276</b>	<b>(876)</b>	<b>13,400</b>
Inventories	E1	6,903	(378)	6,525
Trade accounts receivable, net	F1	5,516	610	6,126
Other receivables		1,352	(80)	1,272
Current income tax assets		347	0	347
Cash and cash equivalents		854	0	854
<b>Total current assets</b>		<b>14,972</b>	<b>152</b>	<b>15,124</b>
<b>Assets held for sale</b>		<b>1,639</b>	<b>3</b>	<b>1,642</b>
<b>Total assets</b>		<b>30,887</b>	<b>(721)</b>	<b>30,166</b>

### EQUITY AND LIABILITIES million €

	Note	US GAAP Dec. 31, 2004	IFRS adjustments	IFRS Dec. 31, 2004
<b>Equity attributable to ThyssenKrupp AG's stockholders</b>		<b>8,431</b>	<b>(1,171)</b>	<b>7,260</b>
Minority interest		—	350	350
<b>Total equity</b>		<b>8,431</b>	<b>(821)</b>	<b>7,610</b>
<b>Minority interest</b>		<b>402</b>	<b>(402)</b>	<b>—</b>
Accrued pension and similar obligations	A2	6,906	1,006	7,912
Other provisions		505	2	507
Deferred tax liabilities		829	(759)	70
Financial liabilities		3,736	59	3,795
Other liabilities		0	42	42
<b>Total non-current liabilities</b>		<b>11,976</b>	<b>350</b>	<b>12,326</b>
Other provisions	B2	1,888	(1,071)	817
Current income tax liabilities		528	(1)	527
Financial liabilities	C2	567	219	786
Trade accounts payable		3,344	(5)	3,339
Other liabilities	D2	3,235	1,003	4,238
<b>Total current liabilities</b>		<b>9,562</b>	<b>145</b>	<b>9,707</b>
<b>Liabilities associated with assets held for sale</b>		<b>516</b>	<b>7</b>	<b>523</b>
<b>Total liabilities</b>		<b>22,456</b>	<b>100</b>	<b>22,556</b>
<b>Total equity and liabilities</b>		<b>30,887</b>	<b>(721)</b>	<b>30,166</b>

**A1 Intangible assets, net**

Primarily due to the following reasons the amount of negative IFRS adjustments as of December 31, 2004, was reduced by €36 million compared to October 01, 2004:

The amount of additional impairment charges against goodwill in the opening balance sheet was reduced mainly due to changes in currency exchange rates. As a result, the amount of negative adjustments decreased by €29 million.

Capitalized development cost increased by €7 million and reduced the amount of negative adjustments respectively.

**B1 Property, plant and equipment, net**

Primarily due to the following reason the amount of negative IFRS adjustments as of December 31, 2004 was reduced by €1,073 million compared to October 01, 2004:

In the opening balance sheet the Group reclassified property from property, plant and equipment into investment property. As a result of the classification of the Residential Real Estate business as discontinued operation in the 1st quarter ended December 31, 2004 the amount of reclassification as of December 31, 2004 was recognized in the balance sheet item "Assets held for sale".

**C1 Investment property**

Due to the reclassification of the Residential Real Estate business into the balance sheet item "Assets held for sale" the amount of positive IFRS adjustments as of December 31, 2004 was reduced by €1,049 million compared to October 01, 2004.

**D1 Deferred tax assets**

Primarily due to the following reason the amount of negative IFRS adjustments as of December 31, 2005 increased by €50 million compared to October 01, 2004:

Compared to US GAAP, there are extended possibilities for balancing deferred taxes at single entity level. Because of this and due to changes in currency exchange rates deferred tax assets were reduced compared to US GAAP.

**E1 Inventories**

Due to the necessary reclassification into trade accounts receivable in connection with the percentage-of-completion method the amount of negative IFRS adjustments as of December 31, 2004 increased by €10 million compared to October 01, 2004.

**F1 Trade accounts receivable, net**

Primarily due to the following reasons the amount of positive IFRS adjustments as of December 31, 2004 decreased by €43 million compared to October 01, 2004:

The necessary reclassification from inventories into trade accounts receivable in connection with the percentage-of-completion method increased by €10 million. At the same time, the adjustments due to the extended application of the percentage-of-completion method decreased by €30 million.

Adjustments of asset-backed programs and changes of exchange rates resulted in an increase of derecognized trade accounts receivables of €19 million as of December 31, 2004.

**A2 Accrued pension and similar obligations**

Primarily due to the following reasons the amount of positive IFRS adjustments as of December 31, 2004 decreased by €89 million compared to October 01, 2004:

Regarding accrued pension obligations the necessary amount of adjustments decreased by €26 million due to the application of the fresh-start method in the opening balance sheet as of October 01, 2004 and as a result of changes in currency exchange rates.

Regarding postretirement obligations other than pensions (healthcare obligations) the necessary amount of adjustments decreased by €53 million due to the application of the fresh-start method in the opening balance sheet as of October 01, 2004 and as a result of changes in currency exchange rates.

**B2 Other provisions – current –**

Primarily due to increased reclassification from provisions into other liabilities the amount of negative IFRS adjustments as of December 31, 2004 increased by €219 million compared to October 01, 2004.

**C2 Financial liabilities – current –**

Adjustments of asset-backed programs and changes in currency exchange rates resulted in a decrease of current financial liabilities by €19 million as of December 31, 2004.

**D2 Other liabilities – current –**

Primarily due to the following reasons the amount of positive IFRS adjustments as of December 31, 2004 increased by €172 million compared to October 01, 2004:

Under IFRS, the reclassification from provisions into other liabilities increased by €219 million.

The amount of negative IFRS adjustments increased by €23 million as a result of the derecognition of embedded derivatives.

## RECONCILIATION OF EQUITY AS OF DECEMBER 31, 2004

million €

	Note	
<b>Stockholders' equity under US GAAP as of Dec. 31, 2004</b>		<b>8,431</b>
Intangible assets, net	A1	(372)
Property, plant and equipment, net	B1	(144)
Investment property	C1	(70)
Deferred tax assets	D1	(322)
Trade accounts receivable	F1	18
Other receivables		(80)
Assets held for sale		3
Accrued pensions and similar obligations	A2	(1,006)
Other provisions	B2	(5)
Deferred tax liabilities		759
Financial liabilities	C2	(59)
Other liabilities	D2	75
Liabilities associated with assets held for sale		(7)
Minority interest		52
Other adjustments		(13)
<b>Equity attributable to ThyssenKrupp AG's stockholders under IFRS as of Dec. 31, 2004</b>		<b>7,260</b>
<b>Minority interest under IFRS as of Dec. 31, 2004</b>		<b>350</b>
<b>Total equity under IFRS as of Dec. 31, 2004</b>		<b>7,610</b>

## RECONCILIATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 1ST QUARTER ENDED DECEMBER 31, 2004

The free cash flow, i.e. the difference between the cash flow from operating activities and the cash flow from investing activities, increased by €37 million. This is due to the recognition of increases or decreases of liabilities resulting from the disposals of trade accounts receivables which are not derecognized from the balance

sheet as cash flows from financing activities. As a consequence, the cash inflow resulting from the disposal of a trade account receivable is only recognized in cash flow from operating activities if and at the time the corresponding customer payments are transferred to the bank.

**RECONCILIATION OF THE CONSOLIDATED STATEMENT OF INCOME FOR THE 1ST QUARTER ENDED DECEMBER 31, 2004**

million €

	Note	US GAAP quarter ended Dec. 31, 2004	IFRS 5 adjustments	Other IFRS adjustments	IFRS quarter ended Dec. 31, 2004
Net sales	A1	9,722	337	29	10,088
Cost of sales	B1, C1	(7,956)	(275)	27	(8,204)
<b>Gross margin</b>		<b>1,766</b>	<b>62</b>	<b>56</b>	<b>1,884</b>
Selling expenses		(631)	(25)	0	(656)
General and administrative expenses	D1	(579)	(35)	62	(552)
Other operating income		58	0	6	64
Other operating expenses	E1	(78)	(4)	8	(74)
Gain/(loss) on the disposal of subsidiaries, net		2	8	0	10
<b>Income from operations</b>		<b>538</b>	<b>6</b>	<b>132</b>	<b>676</b>
Income from companies accounted for at equity		6	0	3	9
Other financial income/(expense), net		(71)	(1)	(83)	(155)
<b>Financial income/(expense), net</b>	F1	<b>(65)</b>	<b>(1)</b>	<b>(80)</b>	<b>(146)</b>
<b>Income from continuing operations before income taxes</b>		<b>473</b>	<b>5</b>	<b>52</b>	<b>530</b>
Non-recurring losses related to RAG investment		0	0	0	0
Provisions for income taxes	G1	(184)	(4)	(20)	(208)
Minority interest	H1	(21)	0	21	—
<b>Income from continuing operations</b>		<b>268</b>	<b>1</b>	<b>53</b>	<b>322</b>
Discontinued operations (net of tax)		7	(1)	3	9
Cumulative effects of changes in accounting principles (net of tax)		0	0	0	0
<b>Net income</b>		<b>275</b>	<b>0</b>	<b>56</b>	<b>331</b>
<b>Thereof:</b>					
ThyssenKrupp AG's stockholders		275	0	34	309
Minority interest		—	0	22	22
<b>Net income</b>		<b>275</b>	<b>0</b>	<b>56</b>	<b>331</b>
<b>Basic earnings per share</b>					
Income from continuing operations (attributable to TK AG's stockholders)		0.54	0.00	0.06	0.60
<b>Net income (attributable to ThyssenKrupp AG's stockholders)</b>		<b>0.55</b>	<b>0.00</b>	<b>0.07</b>	<b>0.62</b>

## US GAAP 1st quarter ended December 31, 2004

The originally published US GAAP 1st quarter ended December 31, 2004 has been adjusted to include all discontinued operations of the year ended September 30, 2005. Compared to the originally published figures in the adjusted US GAAP 1st quarter ended December 31, 2004, net sales decreased by €337 million and income from operations decreased by €6 million. Income from continuing operations before income taxes increased by €5 million.

## IFRS 5 adjustments

Based on the differences in the definition of a discontinued operation under US GAAP and IFRS, the following disposals qualified for reporting as discontinued operations under US GAAP but do not under IFRS:

Segment Steel (structure until Sept. 30, 2005)

- Edeltahl Witten-Krefeld GmbH
- Hoesch Contecna Systembau GmbH

Segment Automotive

- Alu Castings
- European truck spring businesses
- ThyssenKrupp Stahl Company

Segment Technologies

- ThyssenKrupp Stahlbau business
- Turbine components operation group

Segment Services

- Hommel group
- Krupp Druckereibetriebe GmbH

In addition, expenses resulting from disposals of discontinued operations incurred in fiscal year 2003/2004 qualified for reporting as discontinued operations under US GAAP but do not under IFRS.

As a result, only the disposals of the MetalCutting business unit and of the Residential Real Estate business qualify for reporting as discontinued operations under US GAAP and under IFRS as well.

The adjustments to present the disposals as part of continuing operations under IFRS are disclosed in column "IFRS 5 adjustments".

## Other IFRS adjustments

These adjustments primarily result from the roll forward of the corresponding adjustments due to the transition from US GAAP to IFRS as of October 01, 2004.

## Net sales

### A1 Embedded derivatives

Under IFRS, for several transactions denominated in foreign currencies separate accounting for embedded derivatives is not required because they are denominated in a currency that is commonly used in such business transactions. As a result, net sales increased by €30 million due to the elimination of the foreign currency embedded derivative effects.

## Cost of sales

In total, cost of sales was reduced by €27 million due to the following items:

### B1 Embedded derivatives

Under IFRS, for several transactions denominated in foreign currencies separate accounting for embedded derivatives is not required because they are denominated in a currency that is commonly used in such business transactions. As a result, cost of sales increased by €23 million due to the elimination of the foreign currency embedded derivative effects.

**C1 Personnel expenses**

Personnel expenses included in cost of sales decreased by €47 million. This is primarily due to the absence of amortization of actuarial losses stemming from pension and other postretirement benefit plans under IFRS as the result of the application of the fresh start method in the opening balance sheet. Moreover, cost of sales decreased because of the reclassification of pension interest cost to net financial income/(expense). Cost of sales increased by the reclassification of the expected return on plan assets to net financial income/(expense).

**General and administrative expenses****D1 Personnel expenses**

Personnel expenses included in general and administrative expenses decreased by €62 million. This is primarily due to the reversal of amortization of pension and pension-related actuarial losses under IFRS as the result of the application of the fresh start method in the opening balance sheet. Moreover, personnel expenses decreased due to the reclassification of pension interest cost to net financial income/(expense). Personnel expenses increased due to the reclassification of the expected return on plan assets to net financial income/(expense).

**Other operating expenses****E1 Development costs**

The recognition of certain development costs as intangible assets resulted in a reduction of other operating expenses of €7 million.

**Financial income/(expense), net****F1 Accrued pension and similar obligations**

Net financial income/(expense) increased by €(80) million primarily due to the recognition of pension interest cost of €(106) million offset by the recognition of the expected return on plan assets of €21 million.

**Provisions from income taxes****G1 IFRS adjustments**

The increase of provisions from income taxes by €20 million relates to deferred taxes resulting from IFRS adjustments.

**Minority interest****H1 Reclassification**

Under US GAAP, net income is presented after reduction of minority interest. Under IFRS, net income is inclusive of minority interest. This reclassification resulted in an increase of net income of €21 million.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

million €, earnings per share in €

	Note	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Net sales	11	10,088	10,942
Cost of sales		(8,204)	(9,209)
<b>Gross margin</b>		<b>1,884</b>	<b>1,733</b>
Selling expenses		(656)	(641)
General and administrative expenses		(552)	(564)
Other operating income	6	64	151
Other operating expenses		(74)	(146)
Gain/(loss) on the disposal of subsidiaries, net		10	11
<b>Income from operations</b>		<b>676</b>	<b>544</b>
Income from companies accounted for at equity		9	3
Interest income		42	61
Interest expense		(183)	(187)
Sundry financial income/(expense), net		(14)	4
<b>Financial income/(expense), net</b>		<b>(146)</b>	<b>(119)</b>
<b>Income from continuing operations before income taxes</b>		<b>530</b>	<b>425</b>
Provisions for income taxes		(208)	(170)
<b>Income from continuing operations</b>		<b>322</b>	<b>255</b>
Discontinued operations (net of tax)	4	9	0
<b>Net income</b>		<b>331</b>	<b>255</b>
<b>Thereof:</b>			
<b>ThyssenKrupp AG's stockholders</b>		<b>309</b>	<b>250</b>
Minority interest		22	5
<b>Net income</b>		<b>331</b>	<b>255</b>
<b>Basic and diluted earnings per share</b>	12		
Income from continuing operations (attributable to ThyssenKrupp AG's stockholders)		0.60	0.49
<b>Net income (attributable to ThyssenKrupp AG's stockholders)</b>		<b>0.62</b>	<b>0.49</b>

See accompanying notes to the unaudited condensed consolidated financial statements.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

### Assets million €

	Sept. 30, 2005	Dec. 31, 2005
Intangible assets, net	4,589	4,637
Property, plant and equipment, net	8,743	8,804
Investment property	557	553
Investments accounted for using the equity method	337	338
Financial assets	181	218
Deferred tax assets	745	637
<b>Total non-current assets</b>	<b>15,152</b>	<b>15,187</b>
Inventories, net	6,862	6,973
Trade accounts receivable, net	6,668	6,448
Other receivables	1,133	1,277
Current income tax assets	270	401
Cash and cash equivalents	4,625	4,437
<b>Total current assets</b>	<b>19,558</b>	<b>19,536</b>
<b>Assets held for sale</b>	<b>591</b>	<b>90</b>
<b>Total assets</b>	<b>35,301</b>	<b>34,813</b>

### Equity and Liabilities million €

	Note	Sept. 30, 2005	Dec. 31, 2005
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		2,171	2,315
Accumulated other comprehensive income		(315)	(291)
thereof: accumulated other comprehensive income relating to disposal groups (Sept. 30, 2005: (1); Dec. 31, 2005: (1))			
Treasury stock	8	(368)	0
<b>Equity attributable to ThyssenKrupp AG's stockholders</b>		<b>7,489</b>	<b>8,025</b>
Minority interest		389	367
<b>Total equity</b>		<b>7,878</b>	<b>8,392</b>
Accrued pension and similar obligations		8,892	8,806
Other provisions		417	625
Deferred tax liabilities		440	435
Financial liabilities		3,085	3,160
Other liabilities		207	47
<b>Total non-current liabilities</b>		<b>13,041</b>	<b>13,073</b>
Other provisions		1,169	1,451
Current income tax liabilities		465	431
Financial liabilities		1,773	1,612
Trade accounts payable		3,976	3,634
Other liabilities		6,369	6,062
<b>Total current liabilities</b>		<b>13,752</b>	<b>13,190</b>
<b>Liabilities associated with assets held for sale</b>		<b>630</b>	<b>158</b>
<b>Total liabilities</b>		<b>27,423</b>	<b>26,421</b>
<b>Total equity and liabilities</b>		<b>35,301</b>	<b>34,813</b>

See accompanying notes to the unaudited condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

million €

	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
<b>Operating:</b>		
Net income	331	255
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Deferred income taxes (net)	145	102
Depreciation, amortization and impairment of fixed assets	342	347
Earnings from companies valued at equity, net of dividends received	(4)	(3)
(Gain)/loss from disposal of assets	(10)	(13)
(Gain)/loss on disposal of discontinued operations	7	0
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
- inventories	(656)	(44)
- trade accounts receivable	279	183
- accrued pension and similar obligations	(167)	55
- other accrued liabilities	(27)	97
- trade accounts payable	(263)	(347)
- other liabilities not related to investing or financing activities	(424)	(573)
<b>Net cash (used in)/provided by operating activities</b>	<b>(449)</b>	<b>59</b>
<b>Investing:</b>		
Purchase of investments accounted for using the equity method and financial assets	(11)	(95)
Capital expenditures for property, plant and equipment and investment property	(324)	(347)
Capital expenditures for intangible assets	(21)	(37)
Proceeds from disposals of investments accounted for using the equity method and financial assets	35	45
Cash of disposed businesses	0	(24)
Proceeds from disposals of property, plant and equipment and investment property	39	6
Proceeds from disposals of intangible assets	0	7
<b>Net cash used in investing activities</b>	<b>(282)</b>	<b>(445)</b>
<b>Financing:</b>		
Proceeds from issuance of bonds	4	0
Repayment of bonds	(4)	(4)
Proceeds from liabilities to financial institutions	571	285
Repayments of liabilities to financial institutions	(262)	(315)
(Repayments on)/proceeds from notes payable and other loans	14	(8)
Increase/(decrease) in bills of exchange	(19)	2
Decrease of liabilities due to sales of receivables not derecognized from the balance sheet	(37)	(109)
Increase in current securities	(27)	(13)
Proceeds from treasury shares issued	0	268
Profit distributions to entities outside the Group	(18)	(10)
Other financing activities	(2)	10
<b>Net cash provided by financing activities</b>	<b>220</b>	<b>106</b>
Effect of exchange rate changes on cash and cash equivalents	(26)	2
<b>Net decrease in cash and cash equivalents</b>	<b>(537)</b>	<b>(278)</b>
Cash and cash equivalents at beginning of reporting period	1,395	4,715
<b>Cash and cash equivalents at end of reporting period</b>	<b>858</b>	<b>4,437</b>
[thereof cash and cash equivalents within discontinued operations/disposal groups]	[4]	[0]

See accompanying notes to the unaudited condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

(unaudited)

million €

	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Foreign currency translation adjustment	(66)	5
Actuarial gains/(losses) from pensions and similar obligations	—	10
Unrealized gains/(losses) on derivative financial instruments	(62)	22
Tax effect	25	(13)
<b>Other comprehensive income (net of tax)</b>	<b>(103)</b>	<b>24</b>
<b>Net income</b>	<b>331</b>	<b>255</b>
<b>Total recognized income and expense for the period</b>	<b>228</b>	<b>279</b>
<b>Thereof:</b>		
<b>ThyssenKrupp AG's stockholders</b>	<b>217</b>	<b>274</b>
Minority interest	11	5

See accompanying notes to the unaudited condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

million € (except number of shares)

	Number of shares outstanding	Equity attributable to ThyssenKrupp AG's stockholders					Total	Minority interest	Total equity
		Capital stock	Additional paid in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock			
<b>Balance as of Oct. 01, 2004</b>	<b>498,338,299</b>	<b>1,317</b>	<b>4,684</b>	<b>1,439</b>	<b>(10)</b>	<b>(387)</b>	<b>7,043</b>	<b>360</b>	<b>7,403</b>
Net income				309			309	22	331
Other comprehensive income					(117)		(117)	(11)	(128)
Tax effects on other comprehensive income					25		25	0	25
Profit attributable to minority interest							0	(17)	(17)
Other changes							0	(4)	(4)
<b>Balance as of Dec. 31, 2004</b>	<b>498,338,299</b>	<b>1,317</b>	<b>4,684</b>	<b>1,748</b>	<b>(102)</b>	<b>(387)</b>	<b>7,260</b>	<b>350</b>	<b>7,610</b>
<b>Balance as of Sept. 30, 2005</b>	<b>499,149,151</b>	<b>1,317</b>	<b>4,684</b>	<b>2,171</b>	<b>(315)</b>	<b>(368)</b>	<b>7,489</b>	<b>389</b>	<b>7,878</b>
Net income				250			250	5	255
Other comprehensive income					37		37	0	37
Tax effects on other comprehensive income					(13)		(13)	0	(13)
Profit attributable to minority interest							0	(10)	(10)
Treasury stock issued	15,339,893			(100)		368	268	0	268
Other changes				(6)			(6)	(17)	(23)
<b>Balance as of Dec. 31, 2005</b>	<b>514,489,044</b>	<b>1,317</b>	<b>4,684</b>	<b>2,315</b>	<b>(291)</b>	<b>0</b>	<b>8,025</b>	<b>367</b>	<b>8,392</b>

See accompanying notes to the unaudited condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Corporate Information

ThyssenKrupp Aktiengesellschaft ("ThyssenKrupp AG" or "Company") is a publicly traded corporation domiciled in Germany. The interim condensed consolidated financial statements of ThyssenKrupp AG and subsidiaries, collectively the "Group", for the three months ended December 31, 2005, were authorized for issue in accordance with a resolution of the Executive Board on February 06, 2006.

### Basis of presentation

The accompanying unaudited Group's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) for interim financial information. Accordingly, these financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year end reporting purposes.

In the opinion of Management, the accompanying unaudited condensed consolidated financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods. Results of the periods ended December 31, 2005, are not necessarily indicative for future results.

The preparation of interim financial statements in conformity with IAS 34 Interim Financial Reporting requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These condensed consolidated interim financial statements have been prepared on the basis of IFRSs in issue that are effective or available for early adoption at the Group's first annual reporting date, September 30, 2006. Based on these IFRSs, Management has made assumptions about the accounting policies expected to be adopted (accounting policies) when the first IFRS annual financial statements are prepared for the year ended September 30, 2006.

The IFRSs that will be effective or available for voluntary early adoption in the annual financial statements for the period ended September 30, 2006, are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first IFRS financial statements are prepared as of September 30, 2006.

The preparation of the condensed consolidated interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP (= US GAAP). The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet as of October 01, 2004, for the purpose of the transition to IFRSs, as required by IFRS 1. The impact of the transition from previous GAAP to IFRS is explained before.

The following accounting policies have been applied consistently throughout the Group for purposes of these condensed consolidated interim financial statements.

### 1 Summary of significant accounting policies

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments. The consolidated financial statements are presented in Euros since this is the currency in which the majority of the Group's transactions are denominated, with all amounts rounded to the nearest million except when otherwise indicated; this may result in differences compared to the unrounded figures.

### Consolidation

The Group consolidated financial statements include the accounts of ThyssenKrupp AG and all significant entities which are directly or indirectly controlled by ThyssenKrupp AG. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognized.

All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Material investments in associates are accounted for using the equity method of accounting. An associate is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policies. Significant influence

is presumed when the Group holds directly or indirectly 20% or more of the voting rights (“Associated Companies”). Where a Group entity transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group’s interest in the relevant associate.

The Group reports its interests in jointly-controlled entities (Joint Ventures) using the equity method of accounting. Where the Group transacts with its jointly-controlled entities, unrealized profits and losses are eliminated to the extent of the Group’s interest in the joint venture.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is recognized as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of an associate or a jointly-controlled entity is included within the carrying value of the associate or the jointly-controlled entity, respectively. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Foreign currency translation

The functional and reporting currency of ThyssenKrupp AG and its relevant European subsidiaries is the Euro (€). Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

Financial statements of the foreign subsidiaries included in the Group consolidated financial statements where the functional currency is other than the Euro are translated using their functional currency which is generally the respective local currency. The translation is performed using the current rate method, in which balance sheet amounts are translated to the reporting currency using the rates of exchange prevailing on the balance sheet date, while income statement amounts are translated using the periods average exchange rates. Net exchange gains or losses resulting from the translation of foreign

financial statements are accumulated and included in equity. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

Non-u.s. companies that manage their sales, purchases, and financing substantially in US dollar use the US dollar as their functional currency. Using the functional currency in these cases involves translating non-monetary items such as fixed assets, including scheduled depreciation, and equity to US dollar using the average exchange rates of the respective year of addition. All other balance sheet line items are translated using the exchange rate as of the balance sheet date and all other income statement line items are translated using the period’s average exchange rates. The resulting translation differences are included in the consolidated statement of income as “Other operating income or expenses”. Thereafter, the us dollar financial statements are translated into the reporting currency using the current rate method.

### Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably. Revenue from services is recognized when services are rendered. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue is recognized net of applicable provisions for discounts and allowances.

Construction contract revenue and expense are accounted for using the percentage-of-completion method, which recognizes revenue as performance of the contract progresses. The contract progress is determined based on the percentage of costs incurred to date to total estimated cost for each contract after giving effect to the most recent estimates of total cost. Contracts where the Group provides engineering services are also accounted for like construction contracts. Construction contracts under the percentage-of-completion method are measured at construction cost plus profits earned based on the percentage of the contract completed. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the income of a construction contract cannot be estimated reliably, contract revenue that is probable to be recovered is recognized to the extent of contract costs incurred. Contract costs are recognized as expenses in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Revenues from contracts with multiple element arrangements, such as those including both goods and services, are recognized as each element is earned based on objective evidence of the relative fair value of each element.

### Research and development costs

Research costs are expensed as incurred.

Development costs, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically and commercially feasible, there is a market for the output of the intangible asset, the attributable expenditure can be measured reliably, and the Group has sufficient resources to complete development. Other development costs are expensed as incurred. Capitalized development costs are stated at cost less accumulated amortization and are reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year.

### Earnings per share

Basic earnings per share amounts are computed by dividing net income attributable to ThyssenKrupp AG's shareholders by the weighted average number of shares outstanding. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period that they were outstanding. There were no dilutive securities in the periods presented.

### Intangible assets

Intangible assets with finite useful lives are capitalized at cost and amortized on a straight-line basis generally over a period of 3 to 15 years, depending on their estimated useful lives. Useful lives are examined on an annual basis and adjusted when applicable on a prospective basis. Amortization expense of intangible assets is primarily included in the "cost of sales" line item in the consolidated statement of income.

### Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation. Capitalized production costs for self constructed assets include costs of material, direct labor, and allocable material and manufacturing overhead. Borrowing costs directly attributable to the production of assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Administrative costs are capitalized only if such costs are directly related to production. Maintenance and repair costs (day-to-day servicing) are expensed as incurred. The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part and major inspection of such an item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. Where fixtures and equipment comprise of significant parts having different useful lives those parts are accounted for as separate units and depreciated accordingly.

Fixtures and equipment are depreciated using the straight-line method. Upon sale or retirement, the acquisition or production cost and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in the consolidated statement of income.

The following useful lives are used as a basis for calculating depreciation:

Buildings (incl. investment properties)	10 to 50 years
Building and land improvements	15 to 25 years
Technical machinery and equipment	8 to 25 years
Factory and office equipment	3 to 10 years

### Investment property

Investment property consists of investments in land and buildings that are held to earn rental income or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. Investment property is stated at cost less accumulated depreciation.

## Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets other than intangibles with infinite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the greater of the fair value less cost to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit to which the asset belongs.

Goodwill arising on acquisition is allocated to Cash Generating Units. Those groups of Cash Generating Units represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of the Cash Generating Unit is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

In case of impairment losses related to Cash Generating Units the carrying amount of any goodwill allocated to the Cash Generating Unit is reduced first. If the amount of impairment losses exceeds the carrying amount of goodwill, the difference is generally allocated proportionally to the remaining non-current assets of the Cash Generating Unit to reduce their carrying amounts accordingly.

Where an impairment loss subsequently reverses, the carrying amount of the asset (Cash Generating Unit) is increased to the revised estimate of its recoverable amount. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (Cash Generating Unit) in prior years. A reversal of an impairment loss is recognized as income immediately. However, impairment losses relating to goodwill may not be reversed.

## Leases

Leases are classified as either finance or operating. Leasing transactions whereby the Group is the lessee and bears substantially all the risks and rewards incidental to ownership of an asset are accounted for as a finance lease. Accordingly, the Group capitalizes the leased asset at the lower of the fair value or the present value of the minimum lease payments and subsequently depreciates the leased asset over the shorter of the lease term and its useful life. In addition, the Group records a corresponding lease obligation on the balance sheet which is subsequently settled and carried forward using the effective interest method. All other leasing agreements entered into by the Group, as a lessee, are accounted for as operating leases whereby the lease payments are expensed as incurred.

Leasing transactions whereby the Group is the lessor and transfers substantially all of the benefits and risks incident to the ownership of property, are accounted for as a sale and financing of the leased asset. The Group recognizes a receivable at an amount equal to the net investment in the lease and includes interest income in the consolidated income statement. All other lease agreements entered into by the Group, as a lessor, are accounted for as operating leases whereby the leased asset remains on the Group's balance sheet and is depreciated. Scheduled lease payments are recorded as income when earned.

## Inventories

Inventories are stated at the lower of acquisition/manufacturing cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs. In general inventories are valued using the average cost method. Manufacturing cost includes direct material, labor and allocable material and manufacturing overhead based on normal operating capacity.

## Receivables

Receivables are stated at their cost less impairment losses.

Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortized to interest income over the term of the receivable.

The Group sells undivided interests in certain trade accounts and notes receivable both on an ongoing and one-time basis to special purpose entities, which are not required to be consolidated, or to other lending institutions. Financial assets sold under these arrangements are excluded from accounts receivable in the Group's balance sheet at the time of sale if it is assured that the cash flows related to those receivables will be passed through to the acquirer and substantially all risks and rewards have been transferred. If substantially all risks and rewards have neither been transferred nor retained, financial assets are excluded from the books at the time of the sale if it is assured that the cash flows of the receivables will be passed through to the acquirer and the acquirer has gained control over the receivables. If substantially all risks and rewards have been retained financial assets remain in the Group's balance sheet as collateral for borrowings.

### Securities

Investments in securities are recognized on a settlement-date basis and are initially measured at cost.

Investments held by the Group are classified as available-for-sale and are measured at subsequent reporting dates at fair value.

Unrealized gains and losses are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, checks, and bank deposits with an original maturity of three months or less.

### Deferred income taxes

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit as well as for unused tax losses or credits. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible

temporary differences can be utilised. Deferred tax assets and liabilities are also recognized on temporary differences arising from business combinations except to the extent they arise from goodwill.

Deferred taxes are calculated at the enacted or substantially enacted tax rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recognized directly in equity.

### Accumulated other comprehensive income

The equity line item "Accumulated other comprehensive income" includes changes in the equity of the Group that were not recognized in the consolidated statement of income of the period, except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive income includes foreign currency translation adjustments, recognized actuarial gains and losses relating to pensions and other postretirement obligations as well as unrealized holding gains and losses on available-for-sale securities and on derivative financial instruments.

### Accrued pension and similar obligations

The Group's net obligation for defined benefit and other postretirement benefit plans have been calculated for each plan using the projected unit credit method. All actuarial gains and losses as of October 01, 2004, the date of transition to IFRS, were recognized in equity. Actuarial gains and losses that arise subsequent to October 01, 2004, are recognized directly in equity and presented in the Statement of Recognized Income and Expense.

Where the plan calculation results in a benefit to the Group, the recognized prepaid benefit cost is limited to the net total of unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Service cost for pensions and other postretirement obligations are recognized as an expense in income from operations, while interest cost and the expected return on plan assets recognized as components of net periodic pension cost are included in net financial income/(expense) in the Group's consolidated statement of income.

When benefits of a plan are improved, the portion of the increased benefit relating to past service is recognized as an expense in income from operations on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately.

The Group's obligations for contributions to defined contribution plans are recognized as expense in income from operations as incurred.

The Group maintains multi-employer plans. Where the required information is available these plans are accounted for as defined benefit plans, otherwise as defined contribution plans.

### Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event which will result in a probable outflow of economic benefits that can be reasonably estimated. Where the effect of the time value of money is material provisions are discounted using a risk adjusted market rate.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

### Share-based compensation

The Group has management incentive plans which grant stock appreciation rights/stock rights to executive and senior employees. The fair value of these rights is calculated on the date of grant and recognized as expense on a straight-line basis over the vesting period with a corresponding increase in provisions. The provision is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the provision are recognized as part of income from operations.

### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign currency exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are used exclusively to hedge existing or anticipated underlying transactions. Such derivative financial instruments and derivative financial instruments that are embedded within other contractual arrangements and have to be separated are recognized initially and subsequently at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

If derivatives are used to hedge risks, IAS 39 permits, under certain conditions, the application of special regulations in hedge accounting.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction or, regarding currency risks, a firm commitment, the effective part of any gain or loss on the derivative financial instrument is recognized in equity (in the line item "accumulated other comprehensive income"). The reclassification from equity into earnings occurs in the same period as the underlying transaction affects earnings. When measuring the effectiveness between the underlying hedged transaction and the hedging instrument the ineffective part of the hedge and adjustments due to time value changes are recognized immediately in the income statement.

When the hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is

recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealized gain or loss recognized in equity is recognized immediately in the income statement.

For derivatives which serve to hedge the fair value of recognized assets and liabilities or firm commitments (so-called fair value hedges), the hedging instrument is shown at fair value, with changes in its fair value appearing in the income statement. Any changes in the fair value of the hedged asset, liability or firm commitment resulting from the hedged risk are also recognized in the income statement. Given a perfect hedge, the changes in measurement recognized in the income statement for the hedge and the hedged transaction will largely balance one another. If the asset or liability is recognized at amortized cost according to the general regulations, the book value has to be adjusted for the accumulated changes in fair value resulting from the hedged risk. However, if the asset is recognized at fair value (e.g. an available-for-sale security), the changes in fair value resulting from the hedged risk have to be recognized, contrary to the general rule, in the income statement.

In order to hedge its exposure to foreign currency, the variability in interest rates and commodity risks, the Group mostly applies the Cash Flow Hedge Accounting Model.

### Disposal Groups and Discontinued Operations

The Group reports as a disposal group non-current assets, that will be disposed of by sale together with other assets and liabilities in a single transaction, which collectively meet the held for sale criteria as specified in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The Group reports the assets and liabilities of a disposal group separately in the balance sheet line item "assets held for sale" and "liabilities associated with assets held for sale", respectively. Unless a disposal group qualifies for discontinued operations reporting, the revenues and expenses of the disposal group remain within continuing operations until the date of disposal. The Group reports the results of a disposal group that also qualifies as a component of the Group as discontinued operations if it represents a separate major line of business or geographical area of operations. The Group reports the results of

discontinued operations in the period in which they occur separately within the consolidated statement of income as "discontinued operations (net of tax)". All prior period consolidated statements of income are adjusted to report the results of the component within discontinued operations.

On initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss, as are gains and losses on subsequent remeasurement.

### Financial statement classification

Certain line items in the consolidated statement of income and on the consolidated balance sheet have been combined. These items are disclosed separately in the Notes to the consolidated financial statements.

In general the Group classifies assets and liabilities as current when they are expected to be realized or settled within twelve months after the balance sheet date. Group companies that have operating cycles longer than twelve months classify assets and liabilities as current if they are expected to be realized within the company's normal operating cycle.

### Use of estimates

The preparation of the Group consolidated financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 2 Emissions Trading Scheme

On January 01, 2005, the Group began to participate in the European Union Emissions Trading Scheme (ETS). The Group received notification from the national emissions-trading agency that it is entitled to receive allowances to emit 56.0 million tons of CO<sub>2</sub> (one third is allocated to 2005) during the compliance period 2005 – 2007. The majority of the total allowances are allocated to the Steel segment. The rights are capitalized at cost as an intangible asset. If the emissions are expected to exceed the amount covered by the granted allowances, the Group records an obligation for the purchase of additional allowances.

## 3 Acquisitions

On January 05, 2005 the merger of ThyssenKrupp Werften and Howaldtswerke-Deutsche Werft (HDW) was formally consummated. The newly formed group is managed by ThyssenKrupp Marine Systems AG which is headquartered in Hamburg and represents a sales volume of approximately €2.2 billion. The agreement stipulates that in return for the 100% in HDW, the seller (One Equity Partners) received a 25% stake in ThyssenKrupp Marine Systems AG plus a payment of €220 million to be funded from the cash resources of the new shipyard group. The agreement provides a call option to ThyssenKrupp and a put option to the minority holder for the remaining 25% share in ThyssenKrupp Marine Systems AG. Both options are exercisable in the period January 01, 2007 to December 31, 2008. The exercise price is dependent on future events and differs for the two option holders. Because of the existing put option, 100% of HDW have been consolidated. For the minority stake a purchase price liability measured at fair value was recognized. This resulted in a total purchase price of €393 million, including incidental acquisition costs of €13 million.

The reason for the merger with HDW was to retain and enhance naval engineering expertise within Germany and thus securing Germany's role as a shipbuilding location. The competence centers in the core businesses of submarines and naval ships will be strengthened and expanded while in the megayacht sector, the acquisition will serve as a catalyst for increasing market share. The results of the HDW-operations have been included in the consolidated financial statements since January 01, 2005.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

million €

	Jan. 01, 2005
Intangible assets	279
Goodwill	1,064
Property, plant and equipment	251
Financial assets	10
Deferred tax assets	16
Inventories	314
Trade accounts receivable, net	240
Other receivables	109
Cash and cash equivalents	699
Other current assets	27
<b>Total assets acquired</b>	<b>3,009</b>
Accrued pension and similar obligations	181
Other non-current provisions	109
Deferred tax liabilities	35
Other current provisions	91
Current financial liabilities	361
Trade accounts payable	138
Payables from orders in progress (POC)	1,245
Other current liabilities	456
<b>Total liabilities assumed</b>	<b>2,616</b>
<b>Net assets acquired</b>	<b>393</b>

Substantially all of the intangible assets were assigned to technology which is subject to amortization and has a weighted average useful life of approximately 40 years. The final purchase price allocation resulted in goodwill of €1,064 million. No goodwill is deductible for tax purposes.

The following unaudited pro forma information presents the results of operations of ThyssenKrupp as if the transaction with HDW had taken place on October 01, 2004:

million €

	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005*
Net sales	10,340	10,942
Income from continuing operations before income taxes	438	425
Net income	247	255
Basic earnings per share (in €):		
Income from continuing operations (attributable to ThyssenKrupp AG's stockholders)	0.43	0.49
Net income (attributable to ThyssenKrupp AG's stockholders)	0.45	0.49

\* actual

The unaudited pro forma information has been prepared for comparative purposes only and does not necessarily represent results which would have occurred if the transaction had taken place on October 01, 2004 nor is the information indicative of the results of future combined operations. The unaudited pro forma results have been adjusted to reflect the additional amortization related to the purchase price allocation. The unaudited pro forma amounts exclude material nonrecurring charges of approximately €21 million related to a restructuring provision recorded by HDW prior to the acquisition. The unaudited pro forma information gives effect only to the adjustments described above and does not reflect management's estimate of anticipated cost savings or other benefits as a result of the acquisition.

#### 4 Discontinued operations and disposal groups

As part of the portfolio optimization program, in June 2005, the Group has initiated the disposal of its MetalCutting business unit in the Technologies segment which was consummated in October 2005. In accordance with IFRS 5, this transaction has been classified as a discontinued operation and accordingly the ordinary income/(loss) of the discontinued operation has been presented separately in the consolidated statements of income in the line item "discontinued operations (net of tax)". The prior period has been adjusted accordingly.

The MetalCutting business unit of the Technologies segment offers application-driven solutions for metal-cutting machines dedicated to individual user needs. The products offered range from standardized machinery incorporated into production systems to application machinery. The selling price amounted to €11 million resulting in a loss on the disposal in the amount of €212 million (€174 million net of tax) which had already been recognized as a disposal loss in fiscal 2004/2005 in conjunction with the initiated sale.

Also as part of the portfolio optimization in September 2005, in the Automotive segment the disposal of the ThyssenKrupp Stahl Company and in the Services segment the disposal of the Hommel Group have been initiated which are not consummated as of the December 31, 2005.

ThyssenKrupp Stahl Company is one of the largest permanent mold aluminium foundries in the us. Hommel distributes a manufacturer-overlapping range of CNC machine tools, including pre- and after-sales services for new and pre-owned machines.

Both activities do not meet the requirements for discontinued operation reporting in accordance with IFRS 5. Therefore, revenues and expenses will continue to be presented as income from continuing operations until the date of the disposal.

The following table shows the assets and liabilities of the two disposal groups as of December 31, 2005:

million €

	Dec. 31, 2005	
	ThyssenKrupp Stahl Company	Hommel Group
Property, plant and equipment, net	10	0
Financial assets	0	1
Deferred assets	20	2
Inventories	15	9
Trade accounts receivable, net	13	14
Other receivables	1	2
<b>Assets held for sale</b>	<b>59</b>	<b>28</b>
Accrued pension and similar obligations	13	3
Deferred tax liabilities	1	3
Other current provisions	0	4
Current financial liabilities	89	10
Trade accounts payable	4	15
Other liabilities	6	10
<b>Liabilities associated with assets held for sale</b>	<b>113</b>	<b>45</b>

In addition to the assets attributable to the two disposal groups the line item “assets held for sale” also includes a financial asset held for sale in the amount of €3 million.

The above mentioned “income from discontinued operations” as well as the “assets held for sale” and “liabilities associated with assets held for sale” are included in the various tables within the notes to the financial statements.

## 5 Expense for share-based compensation

### Management incentive plans

As of December 31, 2005, the performance hurdles for the fifth installment of the Group’s long-term management incentive plan were met again. As a result, the Group recorded compensation expense from the plan in the amount of €1.5 million (1st quarter ended Dec. 31, 2004: €0.6 million).

At the end of the 1st quarter ended December 31, 2005, the stock rights granted in the first installment of the mid-term incentive plan were settled with a payment of €4.4 million. For the obligations under the mid-term incentive plan, ThyssenKrupp recorded compensation expense of €2.6 million in the 1st quarter ended December 31, 2005 (1st quarter ended Dec. 31, 2004: €1.5 million).

## 6 Other operating income

Other operating income includes €35 million from an insurance settlement in connection with a fire at the Duisburg electrolytic coating line 2 in September 2005.

## 7 Cost for pensions and similar obligations

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

	1st quarter ended Dec. 31, 2004		1st quarter ended Dec. 31, 2005	
	Germany	Outside Germany	Germany	Outside Germany
	Service cost	17	13	10
Interest cost	74	31	63	31
Expected return on plan assets	(1)	(29)	(2)	(33)
Past service cost	0	1	1	1
Settlement and curtailment loss/(gain)	7	(1)	0	0
<b>Net periodic pension cost</b>	<b>97</b>	<b>15</b>	<b>72</b>	<b>14</b>

million €

Due to an additional contribution the expected contribution in fiscal year 2005/2006 related to ThyssenKrupp’s funded plans increased by €11 million.

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

	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
	USA/Canada	USA/Canada
Service cost	5	6
Interest cost	15	15
Expected return on reimbursement rights	(1)	(1)
<b>Net periodic postretirement benefit cost</b>	<b>19</b>	<b>20</b>

million €

## 8 Total Equity

As of November 21, 2005, 15,339,893 treasury shares were sold at the market price of €17.44 to the Alfred Krupp von Bohlen and Halbach Foundation. This disposal has to be classified as a related party transaction. As a result of this transaction and the issuance of employee shares in the 2nd quarter of 2003/2004 and the 3rd quarter of 2004/2005, ThyssenKrupp AG has reissued all the treasury shares purchased from the IFIC Holding AG in May 2003.

## 9 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 Dec. 31, 2005	Provision as of Dec. 31, 2005
Advance payment bonds	32	0
Performance bonds	107	0
Third party credit guarantee	24	0
Residual value guarantees	58	1
Other guarantees	502	1
<b>Total</b>	<b>723</b>	<b>2</b>

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 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 collateralization agreements to fully or partially cover a potential loss from our performance under such guarantee.

### Special purpose entities

ThyssenKrupp has leased a facility used in the production of coke. The application of the rules of this Interpretation sic 12 "Consolidation – Special Purpose Entities" to the company acting as operator of this facility resulted in considering this company to be a special purpose entity under the scope of the Interpretation which has to be consolidated. The consolidation of this company 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 company, that is also considered to be a special purpose entity under the scope of the Interpretation, it was determined that the Group does not control this company and consequently will not include this entity in the consolidated financial statements. The obligations of the Group existing under the leasing and purchasing agreement will continue to be considered future minimum lease payments from operating leases and amount to approximately €64 million in the current fiscal year. The Group's maximum exposure to loss from this facility amounts to approximately €31 million and results from the residual value guarantees which are mainly covered by third parties for the asset at the end of the lease and purchasing agreement.

### Commitments and other contingencies

On October 11, 2005, the European Commission announced the initiation of administrative fine proceedings against companies of the elevator and escalator industry. This has also affected some European companies of the ThyssenKrupp Group. Previous to the initiation of the administrative fine proceedings, the European Commission had conducted pre-investigations in the beginning of 2004. As part of these pre-investigations, several revisions were carried out at the four major elevator manufacturers in the European Union and at the corresponding associations. Subject of the administrative fine proceedings is that the respective companies are accused of having violated the European antitrust law in connection

with the manufacturing and servicing of elevators and escalators as well as the selling of the respective spare parts in certain memberstates of the European Union. ThyssenKrupp is cooperating with the antitrust authorities. The EU-Commission has not yet declared the amount of any possible administrative fine and therefore ThyssenKrupp is not yet able to estimate the financial consequences of the administrative fine proceedings.

Having signed the agreement on December 30, 2005, ThyssenKrupp is obligated to acquire together with EADS the Atlas Elektronik GmbH which is located in Bremen. ThyssenKrupp will hold an interest in Atlas of 60% which equals a purchase price of €88.1 million. The acquisition will be consummated as soon as the relevant supervisory boards and antitrust authorities have given their go-aheads.

### 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.

The companies of the HDW group which are included in the Group's consolidated financial statements since January 01, 2005, are exposed to claims in the normal course of business and in pending litigations with a previous owner. Due to the significant uncertainties surrounding the measurement of outstanding risks resulting from the HDW acquisition, the Group is currently unable to estimate the possible loss or range of loss. Regarding the remaining contingencies, including pending litigations, there have been no significant changes since the previous year end.

### 10 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, 2005	Fair value Sept. 30, 2005	Carrying value Dec. 31, 2005	Fair value Dec. 31, 2005
<b>Derivative financial instruments</b>				
Assets				
Foreign currency derivatives inclusive embedded derivatives	128	128	143	143
Commodity derivatives	21	21	22	22
Liabilities				
Foreign currency derivatives inclusive embedded derivatives	124	124	135	135
Interest rate derivatives	88	88	121	121
Commodity derivatives	8	8	13	13
<b>Total</b>	<b>369</b>	<b>369</b>	<b>434</b>	<b>434</b>

## 11 Segment reporting

As a result of the reorganization of the steel activities of the ThyssenKrupp Group as of October 01, 2005, the Steel and the Stainless segments were created from the former Steel segment. To ensure comparability, Edelstahl Witten-Krefeld GmbH (EWK)

which has been disposed of in the meanwhile is presented within Special Materials in the previous quarter. Prior period presentation has been adjusted accordingly.

Segment information for the 1st quarter ended December 31, 2004 and December 31, 2005 is as follows:

million €

	Steel	Stainless	Special Materials	Automotive	Technologies	Elevator	Services	Corporate	Consolidation	Group
<b>1st quarter ended Dec. 31, 2004</b>										
External sales	1,887	1,152	152	1,854	1,254	876	3,011	67	0	<b>10,253</b>
Internal sales within the Group	405	152	26	10	3	1	187	8	(792)	<b>0</b>
Total sales	2,292	1,304	178	1,864	1,257	877	3,198	75	(792)	<b>10,253</b>
Sales of continuing operations	2,292	1,304	178	1,864	1,133	877	3,198	34	(792)	<b>10,088</b>
Income/(loss) from continuing operations before income taxes	252	125	4	24	47	98	92	(102)	(10)	<b>530</b>
<b>1st quarter ended Dec. 31, 2005</b>										
External sales	2,162	1,231	—	1,968	1,600	1,007	2,943	31	0	<b>10,942</b>
Internal sales within the Group	322	121	—	4	3	1	123	5	(579)	<b>0</b>
Total sales	2,484	1,352	—	1,972	1,603	1,008	3,066	36	(579)	<b>10,942</b>
Sales of continuing operations	2,484	1,352	—	1,972	1,603	1,008	3,066	36	(579)	<b>10,942</b>
Income/(loss) from continuing operations before income taxes	272	7	—	0	92	85	85	(111)	(5)	<b>425</b>

## 12 Earnings per share

Basic earnings per share is computed as follows:

	1st quarter ended Dec. 31, 2004		1st quarter ended Dec. 31, 2005	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
<b>Numerator:</b>				
Income from continuing operations (net of tax)	300	0.60	250	0.49
Ordinary income from discontinued operations (net of tax)	12	0.03	0	0.00
Loss on disposal of discontinued operations (net of tax)	(3)	(0.01)	0	0.00
<b>Net income (attributable to ThyssenKrupp AG's stockholders)</b>	<b>309</b>	<b>0.62</b>	<b>250</b>	<b>0.49</b>
<b>Denominator:</b>				
Weighted average shares	498,358,299		505,796,438	

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

Earnings per share have been computed by dividing income attributable to common stockholders of ThyssenKrupp AG (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 those shares in the 2nd quarter ended March 31, 2004, the 3rd quarter ended June 30, 2005 and the 1st quarter ended December 31, 2005.

There were no dilutive securities in the periods presented.

### 13 Additional information to the consolidated statements of cash flows

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

million €

	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Interest paid	58	63
Income taxes paid, net	35	87

### Non-cash investing activities

In the 1st quarter ended December 31, 2005, the acquisition and first-time consolidation of companies created an increase in intangible assets, property, plant and equipment and investment property of €0 (Dec. 31, 2004: €0 million).

The non-cash addition of assets under finance leases in the 1st quarter ended December 31, 2005 amounts to €2 million (Dec. 31, 2004: €1 million).

### Non-cash financing activities

In the 1st quarter ended December 31, 2005, the acquisition and first-time consolidation of companies resulted in an increase in gross financial payables in the amount of €0 million (Dec. 31, 2004: €2 million).

The following cash flows resulted from discontinued operations:

million €

	1st quarter ended Dec. 31, 2004	1st quarter ended Dec. 31, 2005
Net cash provided by operating activities	18	—
Net cash used in by investing activities	(6)	—
Net cash used in by financing activities	(12)	—

### 14 Subsequent events

On January 27, 2006, the Group received the break fee of C\$215 million (before tax) which had to be paid by Dofasco in accordance with the terms of the Support Agreement.

On the same day the Executive Board of ThyssenKrupp AG has signed an agreement with Mittal Steel Company Ltd. in which ThyssenKrupp has undertaken to acquire up to 100 percent of the shares in Dofasco at a price of C\$68 per share if Mittal Steel is successful in its efforts to takeover Arcelor.

## REPORT BY THE SUPERVISORY BOARD AUDIT COMMITTEE

The interim report on the 1st quarter 2005/2006 and the review report by the Group's financial statement auditors were presented to the Audit Committee of the Supervisory Board in its meeting on February 10, 2006 and commented on by the Executive Board and the auditors. The Audit Committee approved the interim report.

Düsseldorf, February 10, 2006

Chairman of the Audit Committee  
Dr. Martin Kohlhaussen

## DATES

May 12, 2006	Interim report (IFRS) 2nd quarter 2005/2006 (January to March)
May 15, 2006	Analysts' and investors' meeting
August 11, 2006	Interim report (IFRS) 3rd quarter 2005/2006 (April to June) Conference call with analysts and investors
December 01, 2006	Annual Press Conference Analysts' and investors' meeting
January 19, 2007	Annual General Meeting
February 13, 2007	Interim report (IFRS) 1st quarter 2006/2007 (October to December) Conference call with analysts and investors

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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; both versions are also available for downloading and as an interactive online version at <http://www.thyssenkrupp.com>.

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

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