02

Management report on the Group

ONE OF US. A NATURAL WHEN IT COMES TO INTERCULTURAL TEAMWORK. AND MEETING DEADLINES.

Truong Thi Thanh Ha, architect, deadline monitoring and scheduling, ThyssenKrupp in Hanoi

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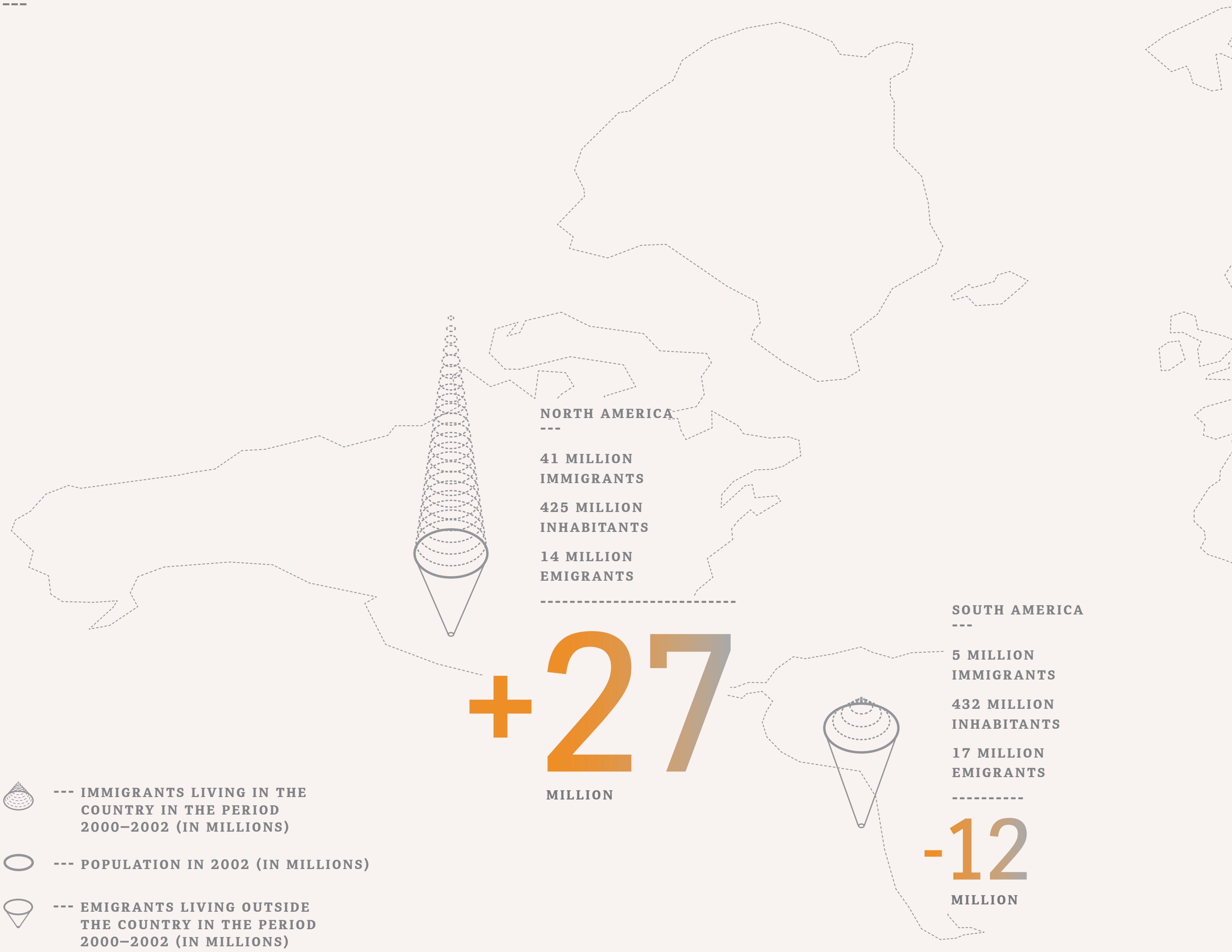
Cultural diversity.
Used as a success factor.

Open cultures are a characteristic of living societies. Exchanges generate opportunities and new possibilities. That's why the ability to communicate and make oneself understood in different cultures is a key competency for future success.



--- IMMIGRANTS LIVING IN THE COUNTRY IN THE PERIOD 2000–2002 (IN MILLIONS)

--- POPULATION IN 2002 (IN MILLIONS)

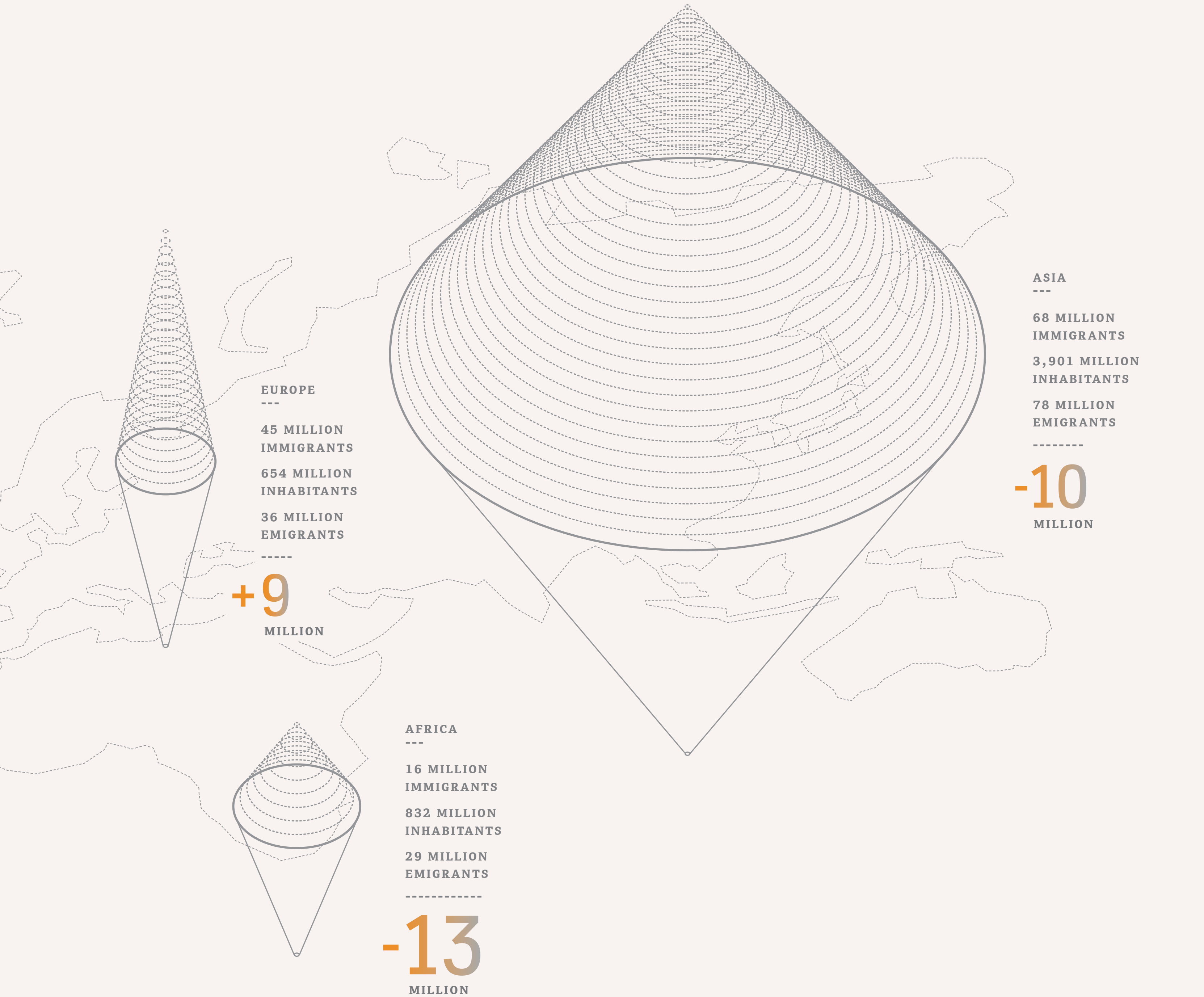
--- EMIGRANTS LIVING OUTSIDE THE COUNTRY IN THE PERIOD 2000–2002 (IN MILLIONS)

–/+ --- DIFFERENCE BETWEEN IMMIGRANTS / EMIGRANTS (IN MILLIONS)

IMMIGRATION AND EMIGRATION AS A CHARACTERISTIC OF OPEN SOCIETIES. ABSOLUTE FIGURES FOR 2000–2002.

As the number of people from other cultures increases, so in many cases does the dynamism of a society, provided people can turn coexistence into community.

Source: World Bank, Worldmapper.org


EUROPE
---
45 MILLION IMMIGRANTS
654 MILLION INHABITANTS
36 MILLION EMIGRANTS

+9
MILLION
ASIA
---
68 MILLION IMMIGRANTS
3,901 MILLION INHABITANTS
78 MILLION EMIGRANTS

-10
MILLION
AFRICA
---
16 MILLION IMMIGRANTS
832 MILLION INHABITANTS
29 MILLION EMIGRANTS

-13
MILLION

02

Management report on the Group

2007/2008 was a good fiscal year for ThyssenKrupp. In a significantly more difficult market environment, we achieved a slight improvement in orders and sales; earnings before taxes reached € 3.1 billion, compared with € 3.3 billion a year earlier. The management report on the Group contains a wealth of information on our performance in the past fiscal year. Subject to the effects of the financial crisis on the real economy, which are not yet sufficiently predictable, we provide an outlook for 2008/2009 and report on our medium and long-term goals.

Business areas and organization

Capabilities, organizational structure and management responsibility are instrumental in the success of ThyssenKrupp. As an international industrial and services group we combine a solid product and business portfolio with short decision-making paths, high innovativeness and cost efficiency. With their ideas and initiatives, our almost 200,000 employees open up new opportunities for demanding customers all over the world. This paid off again in the past fiscal year.

Capabilities

The operations of ThyssenKrupp are focused on an innovative range of capabilities in steel, capital goods and services. Almost 200,000 employees develop and produce products and services that offer our customers throughout the world convincing solutions. The specialists in our plants, offices and branches are highly sought-after partners when it comes to achieving business excellence. With our five business segments we define economic and technical progress for many industries.

Organizational structure

The ThyssenKrupp Group is run on a decentralized basis to allow us to respond faster to market and customer requirements. Operating business is handled by the five segments Steel, Stainless, Technologies, Elevator and Services. They are led by their own holding companies and decide independently on their market and customer operations. The segments are organized into business units based on product groups or markets. Their commercial and technical staff represent the dynamic performance capabilities of ThyssenKrupp in day-to-day business with our customers and partners.

COMPANY STRUCTURE

ThyssenKrupp AG	Steel	Stainless	Technologies	Elevator	Services
Holding company	Segments				

The holding company will move to the new ThyssenKrupp Quarter in Essen in mid-2010.

The most important tasks of ThyssenKrupp AG as Group holding company include corporate strategy, portfolio management, risk management and central financing. This is also where contact is maintained with large parts of the corporate environment, the capital market and above all the stockholders. Numerous services are also performed, including image advertising, innovation support and personnel marketing, which benefit the Group as a whole.

Founded in 1999, ThyssenKrupp AG is a stock corporation under German law. Under its Articles of Association it is dual domiciled in Duisburg and Essen, though most of its head office functions are located in Düsseldorf. In mid-2010 the holding company will move to the ThyssenKrupp Quarter, the new headquarters currently being built in Essen. A progress report on the building work can be found on page 63. We have our own Group representatives and contacts in Berlin, Brussels and over 30 other locations throughout the world. They support our segments and customers close to the markets from Washington to Warsaw, Beijing to Bangkok, and Moscow to Mexico City.

ThyssenKrupp AG owns, directly or indirectly, over 800 companies and equity interests in around 80 countries; around two thirds of the Group's 2,700 production sites, offices and service bases are located outside Germany. The largest of our 1,200 locations worldwide remains Duisburg, with over 18,000 employees. More details on our shareholdings are provided on pages 221–244.

Management responsibility in the Group

The Executive Board of ThyssenKrupp AG, which is responsible for the management of the Group, is made up of the chief executives of the segment holding companies and directors holding responsibility for corporate functions, so that their respective knowledge of sales markets and central corporate functions can feed directly into decision-making. In addition, the Executive Board organizational structure stipulates which members are responsible for specific world regions. The chief executives of the segments which have the strongest involvement in a region take responsibility for that region in addition to their responsibility for segment operations.

One key task of the Group Executive Board as a whole is to develop outstanding young talent for top management positions and give them increasing responsibility. High potentials are regularly assessed and prepared for senior roles. Targeted job rotation plays an important part in this. Young professionals are expected to gain experience in different segments of the Group and in different countries to enable them to see beyond segment boundaries and demonstrate their intercultural competencies. For more information on management development and the role of the Group Executive Board in this, turn to pages 130–132.

Compensation Report

The Compensation Report is contained in the Corporate Governance Report on pages 30–36 and forms part of the management report on the Group.

Disclosure of takeover provisions

The following information is presented in accordance with Art. 315 par. 4 of the German Commercial Code (HGB).

Composition of capital stock

The capital stock of ThyssenKrupp AG remains unchanged at €1,317,091,952.64 and consists of 514,489,044 no-par value bearer shares. Each share carries the same rights and grants one vote at the Annual General Meeting.

Shareholdings exceeding 10% of the voting rights

The Alfried Krupp von Bohlen und Halbach Foundation holds 25.14% of the voting shares in ThyssenKrupp AG.

There is one direct shareholding in the Company which exceeds 10% of the voting rights: The Alfried Krupp von Bohlen und Halbach Foundation, Essen has informed ThyssenKrupp AG that effective September 30, 2008 it holds around 25.14% of the voting rights of ThyssenKrupp AG.

Appointment and dismissal of Executive Board members, amendments to the Articles of Association

The appointment and dismissal of members of the Executive Board of ThyssenKrupp AG is subject to Arts 84, 85 German Stock Corporation Act (AktG) and Art. 31 Codetermination Act (MitbestG) in conjunction with Art. 6 of the Articles of Association. Amendments to the Articles of Association are subject to the approval of the Annual General Meeting with a majority of at least three quarters of the capital stock represented; Arts 179 ff. AktG apply. Under Art. 11 par. 9 of the Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association which relate only to their wording. The Supervisory Board is also authorized to amend Art. 5 of the Articles of Association (Capital Stock and Shares) depending on the use of authorized capital. If the authorized capital has not been used or has been only partly used by January 18, 2012, the Supervisory Board may also amend the wording of Art. 5.

Authorization of the Executive Board to issue shares

Under Art. 5 par. 5 of the Articles of Association, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's capital stock on one or more occasions on or before January 18, 2012 by up to €500 million by issuing up to 195,312,500 new no-par value bearer shares in exchange for cash and/or contributions in kind (authorized capital).

It may exclude stockholders' subscription rights with the approval of the Supervisory Board in the following cases:

- for fractional amounts occurring as a result of the subscription ratio;

- to grant subscription rights for new shares to the holders of conversion and/or option rights or conversion obligations outstanding at the time the authorized capital is utilized in respect of convertible bonds and/or options already issued or to be issued in the future by the Company or its subsidiaries to the extent to which they would be eligible as stockholders after exercising the conversion and/or option rights or after fulfillment of the conversion obligations;

- if the issue price of the new shares is not significantly lower than the stock market price of shares already quoted on the stock market at the time the final issue price is determined and the shares issued do not exceed altogether 10% of the capital stock either at the time this authorization becomes effective or at the time it is exercised;

- in the event of capital increases in exchange for contributions in kind.

The sale of treasury stock shall be counted against the 10% capital limit insofar as it takes place during the term of this authorization to the exclusion of subscription rights pursuant to Art. 186 par. 3 sentence 4 AktG. Shares issued to service bonds with conversion and/or option rights and conversion obligations shall likewise be counted against the 10% capital limit insofar as the bonds are issued during the term of this authorization to the exclusion of subscription rights analogously applying Art. 186 par. 3 sentence 4 AktG. The Executive Board is authorized, with the approval of the Supervisory Board, to determine the further content and the terms and conditions of the share issue.

The company was authorized to repurchase shares by the Annual General Meeting on January 18, 2008.

Authorization of the Executive Board to repurchase stock

By resolution of the Annual General Meeting of January 18, 2008 the Company was authorized until July 17, 2009 to repurchase treasury stock up to a total of 10% of the current capital stock of €1,317,091,952.64. The authorization may be exercised in whole or in installments, once or several times, in pursuit of one or several purposes by the Company or by third parties for the account of the Company. At the discretion of the Executive Board, the buy-back may be effected on the open market or by means of a fixed-price/Dutch auction tender offer. The countervalue per share paid by the Company (excluding incidental costs) may not be more than 5% higher or lower than the price determined on the day of trading by the opening auction in the Xetra trading system (or a comparable successor system).

If the shares are repurchased by means of a tender offer, the tender price or the limits of the price range per share (excluding incidental costs) may not be more than 10% higher or lower than the average closing price in the Xetra trading system (or a comparable successor system) on the three trading days before the date of the public announcement of the offer.

If, after announcement of a tender offer, the relevant price is subject to significant changes, the tender offer may be amended. In this case the price is based on the average price over the three days of trading before the public announcement of an amendment. The tender offer may specify further conditions. If the offer is over-subscribed or, in the case of a Dutch auction, not all of several equal tenders can be accepted, tenders must be accepted on a quota basis. Priority may be given to small lots of up to 100 shares per stockholder.

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The repurchased ThyssenKrupp AG shares can be used by the Executive Board for all legally permissible purposes.

The Executive Board is authorized to use the repurchased stock for all legally permissible purposes. In particular it may cancel the shares, sell them by means other than on the open market or by offer to stockholders or sell them in exchange for a contribution in kind and use them to discharge conversion rights in respect of convertible bonds issued by the Company or the Company's subsidiaries. In the latter three cases, the stockholders' subscription rights are excluded. The Supervisory Board may determine that measures of the Executive Board under this authorization are subject to its approval.

By resolution of the Annual General Meeting of January 23, 2004, the Executive Board was authorized up to January 22, 2009 to carry out the following measures with the approval of the Supervisory Board:

- to issue bearer bonds in the total par value of up to €500 million and to grant the bond holders the right to convert the bonds into bearer shares of ThyssenKrupp AG (convertible bonds);

- to exclude the stockholders' subscription rights to convertible bonds if this is necessary (1) for fractional amounts occurring as a result of the subscription ratio, provided the issue price for the convertible bonds is not significantly lower than their theoretical fair value calculated according to recognized financial calculation methods and (2) to grant holders of conversion rights from previous bond issues subscription rights in the amount to which they would be entitled upon exercising their conversion rights. The conversion price for treasury stock must not be lower than 80% of the average closing price in the Xetra trading system over the three days of trading before the date of the public announcement of the offer or acceptance of a tender. The Executive Board determines the conditions for conversion bonds.

Key agreements subject to conditions

ThyssenKrupp AG is party to the following agreements that are subject to a change of control as a result of a takeover bid:

- The Company has concluded an agreement with a banking consortium on a committed credit facility in the amount of €2.5 billion. This agreement can be terminated with immediate effect and outstanding loans declared due if the Company becomes a subsidiary of another legal entity or natural person and termination is requested by a group of banks representing more than 50% of the credit facility.

- Further, the Company is party to a shareholders' agreement in respect of Atlas Elektronik GmbH (joint venture) under which the co-shareholder EADS Deutschland GmbH has a call option on specific assets and liabilities of the joint venture at fair value in the event that a competitor of the joint venture or of the co-shareholder directly or indirectly acquires a controlling interest in the Company. If the call option is exercised, ThyssenKrupp Technologies AG is entitled to purchase all the co-shareholder's shares in the joint venture at fair value plus 5% premium. If the call option is not exercised, the co-shareholder has a put option in respect of the shares in the joint venture at the specified purchase price conditions.

Business management – goals and strategy

A forward strategy with sustainably high sales and earnings targets keeps ThyssenKrupp on growth course over the long term. Our value-based management approach, which systematically increases the value of our Company, and the more than 7,000 successful projects under our ThyssenKrupp best value enhancement program are paying dividends.

Strategic development

ThyssenKrupp is well equipped for further strategic growth in all areas of activity, though our strategic measures will only take full effect when the deepening economic slowdown has been overcome. Our global presence, innovative products, high service share, motivated employees and good customer relationships are the key factors determining the success of our five segments Steel, Stainless, Technologies, Elevator and Services.

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The Steel product range is characterized by high technological capabilities along the value chain.

Steel: Strong capabilities with intelligent material solutions

Our Steel segment concentrates on the premium flat-rolled carbon steel market segment and is successfully positioned in its core European market. In recent years the portfolio has been systematically focused on high value-added products along the value chain. Our capabilities include intelligent material solutions, custom processing, and comprehensive service through to the finished product. The constant development of new steel grades and products together with our outstanding technological capabilities in production secure our strong position.

In the coming years we aim to strengthen our market position internationally. The key elements of our growth strategy are the building of a new steel production plant in Brazil with an annual capacity of 5 million tons and a processing plant in the USA, and the expansion of the processing and coating capacities in Germany.

Steel mill in Brazil – key role in growth plans

Of central importance to implementing our growth plans is the steel mill now under construction in Rio de Janeiro/Brazil with a favorable cost base and high quality standards. 22,000 people are currently working on erecting the nine plant sections, each of which represents a major investment in itself. Seven of them are proceeding in line with the ambitious schedule: port, coke plant, raw materials handling, sinter plant, power plant, supply networks and infrastructure. Delays that have occurred have been made good with acceleration measures. Commissioning of the port, coke plant and power plant can take place in the 1st quarter of 2009.

However, it will not be possible to complete the core units – blast furnaces and melt shops – on schedule. Despite ongoing initiatives to accelerate the building work, it looks today as if commissioning of these will not take place until late 2009. Until recently the booming worldwide market for capital goods led to supply bottlenecks in some areas. In addition, the extremely adverse weather conditions compared with the long-term average caused considerable delays.

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The investment budget for the new steel mill in Brazil is around €4.5 billion.

The investment budget of €3 billion approved in September 2006 is currently expected to increase to around €4.5 billion. Now included in this figure is the economically justified insourcing of energy supplies and slab logistics. In addition, we optimized the technical design for future capacity expansions. Added to this were cost increases for construction supplies and services, increased interest costs, and exchange-rate differences due to the increasing strength of the real in the reporting year. The profitability of the project in combination with the construction project in Alabama/USA and the expansion program in Europe is not jeopardized by this increase. As planned, we are already recruiting employees for the future project and production phase. At the end of September 2008 we employed around 1,250 people here.

Steel and Stainless: Joint launch in Alabama

Construction of the new joint steelmaking and processing plant for Steel and Stainless near Mobile in Alabama, which began in fall 2007, is on schedule. The grading of the ground for the core units has already been completed. Pile driving, reinforcement and concrete work for the foundations is under way. Startup is planned for early 2010. Due in particular to the tight supply situation in the global plant construction sector, the costs are expected to be higher than planned - by around 10% at Steel and a good 30% at Stainless. The profitability of the projects is not at risk.

For the Steel segment, the Mobile plant will include hot-rolling, cold-rolling and coating facilities and will process slabs from the Brazilian mill into high-quality flat products. It will have a hot rolling capacity of more than 5 million tons per year. For the Stainless segment, the planned capacity of the plant is around 1 million tons per year. In the future, the Mexican stainless steel subsidiary ThyssenKrupp Mexinox will also be supplied with starting material from this location.

In parallel with the construction work, our marketing experts from Steel have drawn up a sales plan for developing the North American market and established contacts with key customers. Target groups are the auto and electrical industries, steel service centers and the pipe industry, specifically for the energy sector.

Stainless also aims to expand its business in North America on a sustainable basis through the new plant. The segment has already achieved a share of around 12% of the US stainless market. Most of the material is currently supplied by ThyssenKrupp Mexinox, supplemented by imports from our plants in Germany, Italy and China. Marketing is handled by our sales company in Chicago.

Optimization in Europe

At the same time the expansion of our plants in Europe continues. Steel aims to strengthen its position in its traditional European market by expanding and modernizing its processing and coating facilities in Germany. Around 40% of the slabs produced in Brazil will be shipped across the Atlantic to be processed into high-quality finished products for demanding customers.

Focus on China continues

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A second hot-dip coating line is being built together with a partner in Dalian, China.

Despite the key strategic projects in the transatlantic region, the growth market of China remains an important focus for Steel. We are investing here in careful steps mainly in the areas of hot-dip coating, tailored blanks, metal forming and steel service centers. Under a current project, we are building a second hot-dip coating line in the northern Chinese city of Dalian in association with our partner Ansteel. Like the first line, which has been in operation since 2003, it will have an annual capacity of 420,000 tons. It is due to go into operation in 2009 and will meet demand for hot-dip coated products in particular from the Chinese auto industry.

Stainless: Global stainless producer

By constantly developing new applications for its materials, the Stainless segment aims to cement and expand its market position. Our growth strategy is based on three main pillars:

- In stainless flat products the emphasis is on securing competitiveness in our core European market.

- Our position as a global stainless producer is to be strengthened by further penetration of the attractive NAFTA market.

- In the area of high-performance alloys, we intend to expand our business in nickel alloys and titanium.

To achieve these growth targets, Stainless is modernizing and expanding capacity at its operating companies, building the new plant in Alabama/USA, and systematically further developing its performance enhancement programs.

Today the segment is active as a supplier of high-quality materials and as a service provider for these materials through its global network of production and sales companies and service centers. The product range extends from stainless steels to nickel alloys and titanium. That means supplying customers with solutions for diverse applications, offering product support services – for example through various forms of processing – and being an effective local partner. By proactively pursuing our sales offensive for stainless steel, we aim to improve our value added and thus increase our sales and earnings potential over the long term. To achieve this, all companies of the segment are expanding their processing capacities, building further service centers and optimizing their operating performance.

Technologies: Growth offensive through megatrends

The growth strategy of Technologies is geared to the megatrends of climate, environment, infrastructure and mobility, areas in which the segment offers key products and solutions, e.g. slewing bearings for wind turbines, EnviNOx facilities which remove pollutant gases, and lightweight vehicle components.

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One in two ThyssenKrupp engineers works in the Technologies segment.

Technological, engineering and innovative strengths are key to the segment's strategic potential. Around half of all the Group's engineers work here. It is thanks to their customized designs, for example, that around 30% of all raw materials produced by surface mining operations worldwide today rely on mining and handling systems from Technologies. In this way we help safeguard supplies, develop new sources and ensure their cost-efficient exploitation. In the area of environment and energy, we deliver solutions for the use of renewable energies and new technologies to lower emissions and reduce consumption. The increasing volume of shipping traffic worldwide and the wish for individual mobility in the emerging markets also place diverse demands on the segment's innovative capabilities.

In addition, Technologies aims to continuously expand it services business.

Elevator: Sustainable expansion of world market position

The Elevator segment plans to permanently strengthen its position as a leading supplier in the global market for passenger transportation systems. One of the main aims of our systematic growth strategy is to further expand our tight-knit network of branches and service operations. In addition to the high quality of our elevators, escalators, moving walks, passenger boarding bridges and stair lifts, setting up locations close to our customers in regional markets is key to our business success. We therefore plan to establish further branches in new markets and acquire additional regional service companies. Together with a sound knowledge of local market conditions, this provides a promising basis for strengthening our global market position in the coming years. The segment's key growth regions are the emerging countries of Asia, in particular China and India, as well as Eastern Europe with the Russian market.

Services: Focused expansion strategy

The Services segment continues to pursue its focused growth strategy so as to secure and expand the positions it has already achieved on the global market. The strategy is centered on the core business with raw and industrial materials which is to be significantly expanded. To finance this growth we intend to sell the Industrial Services business unit. This business unit is highly profitable but it has the smallest synergies with our core business. For most of the activities we therefore see better development opportunities with a best owner outside the Group. However, the steel service operations in Germany and Brazil will be retained and combined with other service providers in the segment to form a full-line service provider for the metal producing industry as part of the Special Products business unit, which can then offer customers a portfolio of services along the entire value chain.

With the help of a strategic partner, who will take a substantial minority interest, the Special Products business is to be driven forward in particular in Asia and Eastern Europe.

Foundation stone ceremony for ThyssenKrupp Quarter in Essen

The concentration of the administrative locations at the Essen and Duisburg locations is continuing to schedule. Following the symbolic groundbreaking, the foundation stone of the new ThyssenKrupp Quarter was laid in early September 2008. The first units will be able to start work there in the 2009/2010 fiscal year. Alongside the Group holding company, further segment holding companies and the ThyssenKrupp Academy will be located in Essen to enhance cooperation within the Group.

Business management through value-based management

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Our goal is to increase the value of the company systematically and continuously – with the aid of a value-based management system.

The Group is managed and controlled using a value-based management system. Our objective is to systematically and continuously increase the value of the enterprise - through profitable growth and a focus on businesses which offer the best development opportunities in terms of competitiveness and performance. Key elements of this management system are an integrated control concept, value-based performance indicators as well as extensive measures to achieve profitable growth, enhance efficiency and optimize capital employed.

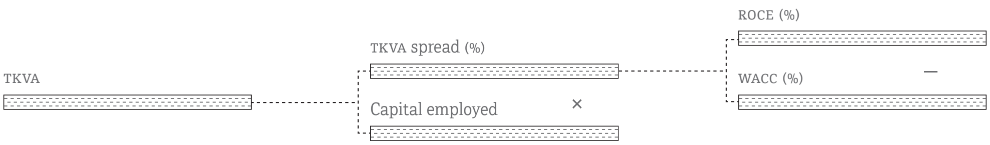
Control concept secures Groupwide transparency

With our integrated control concept we guide and coordinate the activities of all segments. It supports the decentralization of responsibilities, guarantees Groupwide transparency and aims to increase the value of the Group by bridging operational and strategic gaps between the actual and target situation. High-quality systems for the reporting of actual and forecast figures link together strategic and operating elements; these reports are supplemented by regular action-based communications. All management processes are geared to the performance indicators of our value management system which are also used to calculate the variable components of management compensation.

ThyssenKrupp Value Added as central performance indicator

The central performance indicator for our value-based management system is ThyssenKrupp Value Added (TKVA), which measures the value added in a period at all levels of the Group. It is the difference between ROCE (return on capital employed) and WACC (weighted average cost of capital), multiplied by capital employed. Capital employed is defined as invested assets plus net working capital.

CALCULATION OF THYSSENKRUPP VALUE ADDED (TKVA)



In addition to TKVA as a value-based performance indicator, free cash flow is taken into consideration as a cash-based performance indicator to ensure that, especially in growth phases, the Group portfolio comprises a balanced mix of value drivers and cash providers.

An alternative method of calculating TKVA using absolute figures is as follows: earnings before interest and taxes (EBIT) minus cost of capital. Cost of capital represents the expected return on equity and debt. It corresponds to the product of WACC and average capital employed.

The costs of equity and debt and interest for pension accruals determine the Group's cost of capital.

The weighted average cost of capital (WACC) is the minimum return demanded by investors and creditors. It is calculated on a pre-tax basis and comprises the weighted average cost of equity and debt as well as the interest rate for pension obligations:

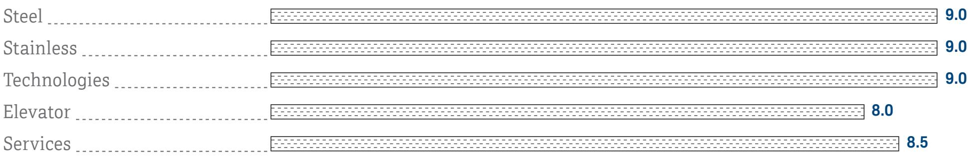
- The cost of equity of our Group is based on the return from a risk-free alternative investment plus a market risk premium and taking into account the specific risk of ThyssenKrupp in relation to the overall market. The weighted average cost of equity calculated on this basis corresponds to a weighted average cost after operating taxes. Since the cost of capital at ThyssenKrupp is calculated on a pre-tax basis, a tax adjustment is carried out.

- The cost of debt (cost of financial debt) is the interest on a risk-free alternative investment plus a company-specific risk premium.

- The interest rate for pension accruals is calculated on the basis of the weighted five-year average discount rate for internally financed pension plans and healthcare obligations.

On the basis of the above factors, the weighted average cost of capital for the Group was 8.5% in fiscal 2007/2008. Specific WACC figures are established for the segments which reflect their respective risk structures. In the reporting year, the segment WACC figures were:

WACC FOR THE SEGMENTS in %



Since the business environment is constantly changing, the weighted average cost of capital is regularly reviewed and adjusted if necessary.

Levers of the value management system: Growth, efficiency capital employed

Three levers can be used to increase TKVA: profitable growth, increases in operating efficiency and optimization of capital employed. A major contribution to profitable growth and thus to increasing the value of the enterprise is made by investment projects which generate returns higher than their cost of capital. A key element in increasing operating efficiency is the ThyssenKrupp best value enhancement program, which is described in more detail on pages 67–68. Capital employed as the third lever to increase TKVA can be optimized by withdrawing from business activities in which, for example, the cost of capital cannot be earned. Alternatively, targeted programs can be implemented to release capital, e.g. programs to optimize net working capital, to reduce capital employed without reducing EBIT.

The following tables show how TKVA and its components developed over the last two fiscal years:

COMPONENTS OF THYSSENKRUPP VALUE ADDED (TKVA)

	2006/2007						
	EBIT (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (% points)	TKVA (million €)	
Group	3,728	18,000	20.7	9.0	11.7	2,108	
Thereof:							
Steel	1,761	6,557	26.9	9.5	17.4	1,138	
Stainless	871	3,827	22.7	9.5	13.2	507	
Technologies	518	2,239	25.0	9.5	15.5	348	
Elevator	(75)	1,776	(4.2)	8.5	(12.7)	(226)	
Services	787	3,330	23.6	9.0	14.6	487	

	2007/2008						
	EBIT (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (% points)	TKVA (million €)	Change TKVA (million €)
Group	3,572	19,478	18.3	8.5	9.8	1,916	(192)
Thereof:							
Steel	1,700	7,697	22.1	9.0	13.1	1,007	(131)
Stainless	214	3,698	5.8	9.0	(3.2)	(119)	(626)
Technologies	678	2,693	27.6	9.0	18.6	502	154
Elevator	450	1,695	26.5	8.0	18.5	314	540
Services	834	3,834	21.7	8.5	13.2	508	21

* Earnings before taxes and interest income/expense

Download the tables at:
www.thyssenkrupp.com/fr/07_08/en/index.html

The ThyssenKrupp Group's earnings before interest and taxes decreased by €156 million to €3,572 million in fiscal 2007/2008. The negative impact this had on ROCE was increased by the rise in capital employed. Average capital employed increased by €1,478 million to €19,478 million. The main reason for this was increased capital spending throughout the Group, especially on the major projects in Brazil and the USA; this was partly offset by a reduction in net working capital in the Steel and Stainless segments. Consequently ROCE fell to 18.3% in 2007/2008 from 20.7% the year before; nevertheless the Group's WACC of 8.5% was again significantly exceeded. As the spread was lower, TKVA decreased by €192 million to €1,916 million.

The Steel segment reported earnings before interest and taxes of €1,700 million in 2007/2008, €61 million down from the year before. As capital employed increased significantly in the same period, ROCE decreased from 26.9% to 22.1%. This means that the WACC of 9% was comfortably exceeded. In connection with a decline in the spread, TKVA decreased by €131 million to €1,007 million.

Earnings before interest and taxes in the Stainless segment decreased by €657 million to €214 million. With capital employed slightly lower, ROCE of 5.8% was achieved, compared with 22.7% a year earlier. With the WACC of 9%, the spread was negative. As a result, TKVA decreased by €626 million to €(119) million.

Technologies achieved earnings before interest and taxes of €678 million, €160 million more than the year before. Despite a rise in capital employed, ROCE increased from 25.0% to 27.6% and thus comfortably exceeded the WACC of 9%. TKVA was €154 million higher at €502 million.

In the Elevator segment earnings before interest and taxes were €450 million, €525 million up from the previous year. It should be taken into account that the prior-year earnings before interest and taxes were impacted by the EU fine of €480 million. Capital employed was unchanged at €1,695 million. The growth in ROCE by 30.7 percentage points to 26.5% led to a rise in TKVA to €314 million, compared with €(226) million the year before.

In the Services segment earnings before interest and taxes increased by €47 million to €834 million. Capital employed showed a disproportionate increase of €504 million to €3,834 million. As a result, ROCE was down to 21.7% from 23.6% a year earlier. At €508 million, TKVA was slightly higher year on year.

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Our portfolio management strategy strengthens existing businesses and opens up new areas of business – essential for sustainable growth.

Portfolio management uses performance indicators

The results of the analysis of the performance indicators feed directly into our portfolio management. This involves structural measures with a primarily strategic character. We decide which businesses are to be expanded to realize our TKVA targets, and which activities we should withdraw from in a timely and profitable way. We also develop new businesses by entering into promising new markets on favorable terms. All these measures create the basic requirements for the ability to pay dividends and for sustainable, profitable growth in our core businesses.

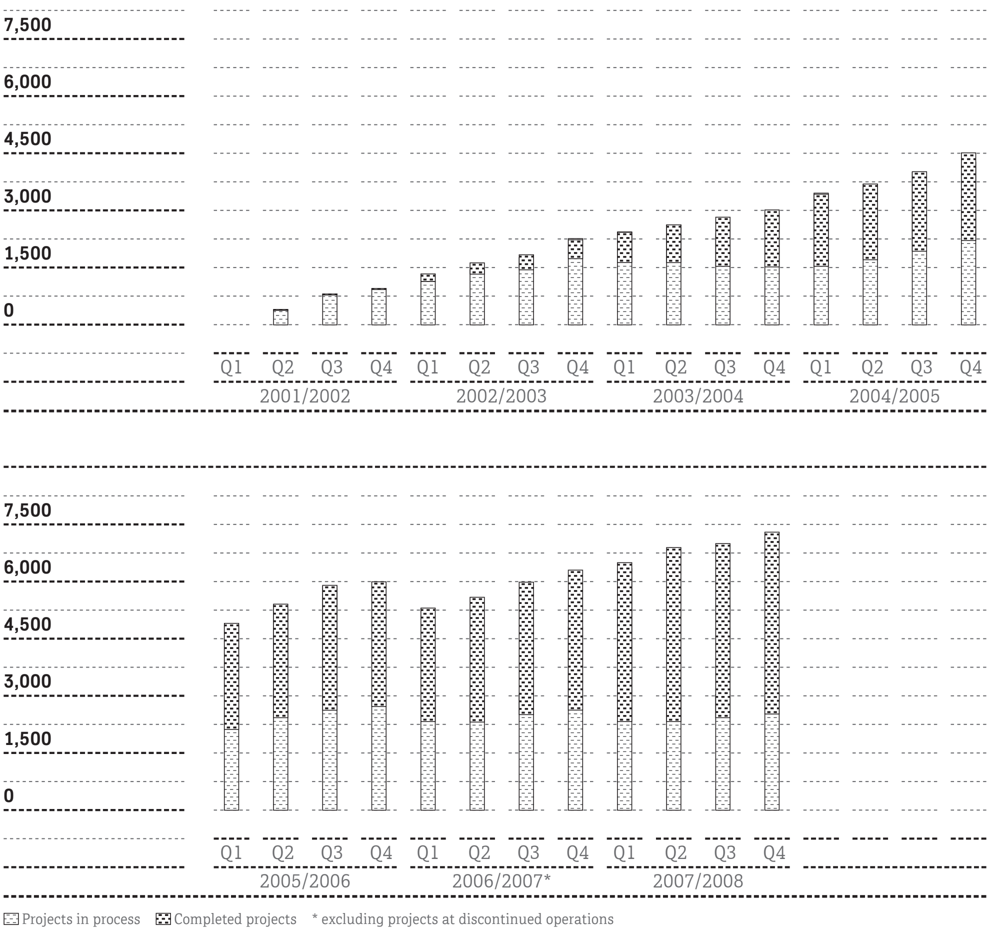
Value management training

A communication and training initiative launched in 2006 helps firmly anchor value management in the Group. To date, over 4,000 decision makers from all segments have attended training seminars. Most of them were held in Europe, but training has also been provided in China, the USA, Mexico, Brazil, Japan and South Korea. Tailoring the seminars to specific segments and target groups ensured a high level of relevance and practical value.

ThyssenKrupp best

Increasing the value of the Company for our stockholders, enhancing our performance for our customers, and eliminating weaknesses in our operating structures – these goals were achieved again in 2007/2008 by ThyssenKrupp best. For seven years now, the program has been supporting the process of continuous improvement in the Group and providing the necessary guidance and tools. The following modules form the basis for the program's success: Organization & Commitment; Screening & Initiatives; Training & Tools; Reporting & Controlling; Communication, Know-how Transfer & Employee Involvement. All employees can get involved, take part in projects and share their new-found knowledge. In the reporting year alone, more than 1,100 new projects were launched.

THYSSENKRUPP BEST PROJECTS WORLDWIDE



* excluding projects at discontinued operations

More than 7,000 projects have been carried out in seven years under the ThyssenKrupp best program.

Worldwide success

Since the program was initiated in 2001, ThyssenKrupp best has significantly increased the value of the Group. At September 30, 2008 the program comprised 7,337 projects. A further 1,620 projects were under way at discontinued operations.

In fiscal 2007/2008 more than 50% of the projects were carried out at Group subsidiaries outside Germany. Companies at more than 400 locations in almost 50 countries have contributed projects to the program. The majority of projects – around 70% – were carried out in Europe, primarily Germany, Spain and the United Kingdom. Over 20% of the projects took place on the American continent – successful project teams have now been formed in the USA, Canada, Mexico, Brazil and Colombia. Value enhancement projects were also launched in China, South Korea and other countries in the Asia/Pacific region, accounting for 7% of all best projects. The increase in projects organized on a cross-country basis is particularly encouraging.

The transfer of knowledge from one Group subsidiary to another is a key success factor of ThyssenKrupp best. Successful project ideas are communicated to different segments and areas, revised, and transferred to other companies. In addition to the program's internet-based platform best plaza, numerous events are held to encourage knowledge sharing among Group companies. We successfully continued the "Best Practice Fair" series in 2007/2008 with events featuring e.Procurement and Six Sigma.

Initiatives focused on key areas

In the ThyssenKrupp best initiatives, we bring together the results and experience gained in projects and provide tools for project work. We communicate training modules and additional in-depth knowledge. Acting as multipliers, numerous experts systematically drive the initiatives forward in the segments by helping the Group companies identify and exploit potential for improvement and promoting knowledge transfer in the Group.

In addition to the purchasing initiative, which has strengthened purchasing throughout the Group on a lasting basis since 2005, in 2007 we launched the Sales & Service initiative, which has already produced initial results. The initiative is aimed at exploiting the potential for sustained improvement in sales and services, focusing on products, customers and services as well as internal processes and organizational structures.

2008 ThyssenKrupp best Award

In 2008 the winning ThyssenKrupp best teams came from the Steel, Technologies and Services segments.

In the reporting year, three project teams from the Steel, Technologies and Services segments won the now traditional ThyssenKrupp best Award. Projects were judged on the basis of methodology, implementation, scope, transferability and overall potential. First prize was awarded to a company from the Services segment for their project aimed at maximizing customer potential in mature markets. Second prize went to a ThyssenKrupp best team from the Technologies segment for a project to optimize global sourcing. Third prize was won by a project team from the Steel segment who achieved significant cost savings by developing alternatives to existing alloying concepts for specific steel grades.

Group review

ThyssenKrupp had a successful year in fiscal 2007/2008. In a more difficult market environment, our performance matched and in part exceeded our expectations. Orders and sales were up from the previous year. At €3.1 billion, earnings before taxes were higher than forecast. ThyssenKrupp once again earned more than its cost of capital and with ROCE of 18.3% generated positive EVA.

General economic conditions

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World GDP will grow by only 3.7% in 2008, also as a result of the international financial crisis.

The economic environment deteriorated perceptibly in the past fiscal year. The international financial crisis that originated in the US mortgage market increasingly impacted the markets for goods and services. Sharp rises in energy and raw material prices and growing inflation rates also had a negative effect. According to current estimates, world GDP increased by 3.7% in 2008 – less than expected a year ago – compared with 5% in 2007.

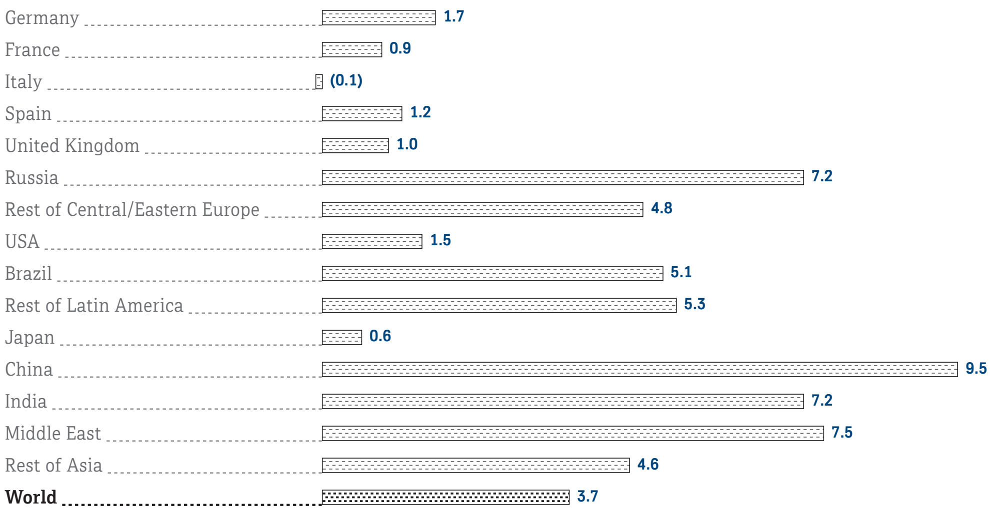
Economic downturn in the industrialized nations

The economic slowdown was particularly noticeable in the industrialized countries, some of which moved close to a recession. In the USA, the continuing crisis on the housing market, a decline in business spending and weak private consumption meant that domestic demand was virtually stagnant. However, exports increased significantly on the back of the weak US dollar.

In the euro zone, the economic situation also clouded. After a strong start to 2008, economic growth slowed in the further course of the year to just 1.2% overall. The German economy performed slightly better. Higher inflation dampened private consumption, while business spending and exports rose modestly.

The emerging markets of Asia, Latin America and Central and Eastern Europe again recorded strong growth in 2008, though the pace of expansion slowed from the prior year. China and India continued to report high growth rates thanks to robust domestic demand. The Brazilian economy also expanded even though conditions for exports were more difficult for exchange-rate reasons. Russia profited in particular from dynamic growth in consumer and capital spending, and most other countries of Central and Eastern Europe remained on growth track.

GROSS DOMESTIC PRODUCT 2008* Real change versus previous year in %



* Estimate

Economic conditions in the sectors

There was a mixed picture in our important customer markets. Demand for carbon steel flat products remained relatively high and prices rose. Demand for stainless steel in the core European markets slowed significantly from the middle of the 2nd calendar quarter, putting increasing pressure on prices. Activity in the automotive and construction sectors varied by region – growth in the emerging markets, stagnation in the industrialized countries. The mechanical engineering sector continued to expand, albeit at a slower place.

Sustained strong demand for flat-rolled carbon steel

Despite the weakening of the world economy, the situation on the international steel markets was characterized by continuing growth. Global demand was particularly strong in the first half of the calendar year, with supply scarce in part due to raw material shortages. Steel prices increased, driven by unusually drastic rises in raw material and energy costs. Demand eased slightly in the further course of the year.

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World steel production increased by 4% to 1.4 billion tons in 2008.

According to provisional estimates, global crude steel output increased by around 4% in 2008 to reach a new record level of 1.4 billion metric tons. China, which expanded its share of world steel production to 37%, made a major contribution to this with production growth of 6%, which was however lower than in prior years. Most other regions also recorded production increases, while output in the EU fell just short of the high year-earlier volume. German steel production was lower at 47.5 million tons.

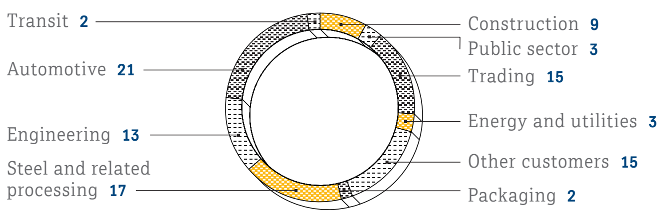
Demand on the European flat-rolled carbon steel market was high in the first half of 2008 for economic and inventory cycle reasons. With third-country imports perceptibly lower than a year earlier, European suppliers were able to expand their EU sales, regain market share and push through the price increases made necessary by rising raw material costs. Orders declined in the summer months due to the increasing clouding of the economic picture, seasonal effects and high inventories at end users and distributors. Although import supply increased again, this has so far had no impact on European steel prices.

The North American steel market was characterized in 2008 by a sharp fall in demand from the auto and construction industries.

On the North American steel market, demand from the automotive and construction sectors fell sharply. Despite this American steel producers reported higher sales volumes and price increases in the first half of 2008, as imports remained low and the previous heavy destocking came to an end. From mid-year, however, prices came under pressure and began to fall.

The emerging Asian countries once again reported above-average growth in demand and supply in 2008. Here too, however, the pace of demand slowed considerably from mid-2008, leading to significant price reductions above all in China. Against this background, Chinese steel producers stepped up their exports again. In the first half of the year, exports had decreased due to strong growth in domestic demand and export controls introduced by the Chinese administration.

SALES BY CUSTOMER GROUP 2007/2008 in %



Stainless steel: Strong demand, prices under pressure

Worldwide demand for stainless steel flat products remained high. According to provisional estimates, global consumption increased by around 4.5% in 2008, driven mainly by China, whereas growth in Western Europe and the NAFTA region was no higher than 1.5% to 2%.

On the European market, demand was initially stable in 2008. After orders and deliveries dropped to a very low level in the prior year due to massive imports from Asia, high inventories at stock-holding distributors and sharp fluctuations in the price of the alloying element nickel, the situation improved perceptibly in the 4th calendar quarter 2007, only to deteriorate again significantly from the middle of the 2nd calendar quarter 2008. This was mainly due to the recovery in demand from distributors, gradually rebuilding the inventories they had run down due to the declining nickel price. European producers succeeded in raising base prices again through to the 2nd calendar quarter 2008. After that, however, the traditionally weak summer months and the clouding of the economic outlook resulted in a renewed sharp decline in base prices, and order intake decreased significantly.

On average, third-country imports were lower than a year earlier, mainly due to a decrease in imports from Asia, particularly China, Taiwan and Korea. However, imports from these countries started to rise again continuously from the beginning of the 2nd quarter 2008, gaining momentum later as a result of the increasing underutilization of Chinese production capacities.

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Sharply fluctuating prices for alloying metals such as nickel and chromium influenced buyer behavior.

Alloy prices again significantly affected customer behavior. Having reached an all-time high in mid-2007, the nickel price declined sharply and by mid-March 2008 had stabilized at a relatively low level of 27,000 – 33,000 US dollars per ton, which initially had a positive impact on demand. A renewed downward trend from early May caused stainless customers to once again adopt a wait-and-see approach. By contrast, chromium prices climbed substantially due to the scarcity of global supply. Whereas for chromium-nickel steels (austenitics) this increase was offset by the lower nickel price, the rising price of both chromium and steel scrap had a noticeable impact on chromium steels (ferritics). The alloy surcharge for these grades increased by more than 100% in the reporting year

In the NAFTA region, the general weakness of the economy subdued demand for stainless steel, leading to a decline in volumes and base prices. In China and other Asian markets, demand for stainless steel products remained high, but high inventories and overcapacities at producers prevented an improvement in prices, which were down from the prior year.

In the market for nickel alloys, the initial rise in alloy prices and the strength of the euro against the US dollar negatively impacted the competitiveness of European producers. In addition, competitors with production facilities in the US dollar zone increasingly forced their way onto the European markets.

Automobile production only higher in emerging markets

The global auto market hardly grew at all in 2008. According to provisional estimates, production rose by less than 1% to just under 74 million cars and trucks. While output in Western Europe and North America was in part significantly lower, the majority of the emerging markets in Central and Eastern Europe and Asia reported strong growth. In these regions, vehicle production increased by an average of 10%, with the highest rates recorded in India, China and Russia.

The North American markets showed the largest declines. Increasing financing problems and at times sharply rising gasoline prices caused sales to slump. High-fuel-consuming light trucks such as sport utility vehicles and pick-up trucks were hit particularly hard. According to initial estimates, output was down by 13% to 13.1 million vehicles. The automobile market in Brazil remained encouragingly positive; production rose by 10% to 3.2 million vehicles in 2008.

In Western Europe, the auto market declined slightly, with output down 3% to 17.3 million units. At 6.1 million vehicles, German manufacturers fell just short of the prior-year level. Domestic demand was stable, while passenger car exports softened slightly. Truck production matched the high prior-year level.

German engineering sector still strong

The clouding of the economic outlook and the decline in capital spending also impacted growth in the global mechanical engineering industry, above all in the USA. In China, the pace of expansion slowed, but growth rates still remained high.

In Western Europe, activity in the mechanical engineering sector cooled. In Germany, orders in 2008 fell short of the high prior-year level, but thanks to strong orders in hand output rose by 6%. The German plant engineering sector once again reported strong demand.

Growth in construction industry in Eastern Europe and Asia

Growth in the global construction sector continued to be driven by the emerging markets of Asia and Central and Eastern Europe. India and China reported double-digit growth rates. In the USA output declined in 2008 as a result of the real estate crisis. In some Western European countries, the construction boom also came to an end.

Output in the German construction industry was only slightly higher in 2008 than a year earlier. The 1% increase in production was mainly due to higher demand from the commercial building segment.

Thyssenkrupp held up well

THYSSENKRUPP IN FIGURES

		2006/2007	2007/2008
Order intake	million €	54,605	55,205
Sales	million €	51,723	53,426
EBITDA	million €	5,254	4,976
Earnings before taxes (EBT)	million €	3,330	3,128
Employees (Sept. 30)		191,350	199,374

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ThyssenKrupp performed successfully in 2007/2008 despite the more difficult market conditions

ThyssenKrupp held up well in a more difficult market environment. Our high-quality, high-tech, custom-tailored products and services formed the basis for an overall successful fiscal year 2007/2008. Earnings before taxes were higher than expected a year ago. The Executive Board and Supervisory Board will propose the payment of a dividend of €1.30 per share to the Annual General Meeting in January 2009.

At €53.4 billion, Group sales increased more strongly than expected.

Orders and sales higher

Although the economic slowdown was more severe than predicted, order intake in 2007/2008 was in line with our expectations and at €55.2 billion was 1% higher than a year earlier. The Steel, Elevator and Services segments recorded higher orders, while there were decreases at Technologies and Stainless.

Group sales rose by 3% to €53.4 billion and were thus higher than expected. Only Stainless recorded lower sales due to declining stainless steel prices. By contrast, Steel achieved better prices and higher sales. At Technologies, the continuing good project situation in plant construction more than offset the negative impact of disposals and exchange rate trends. Elevator also expanded its business, more than compensating for negative exchange rate effects. Services profited above all from the strong materials market in the reporting year.

SALES BY SEGMENT in million €

	2006/2007	2007/2008
Steel	13,209	14,358
Stainless	8,748	7,420
Technologies	11,523	12,412
Elevator	4,712	4,930
Services	16,711	17,336
Corporate	288	124
Segment sales	**55,191**	**56,580**
Inter-segment sales	(3,468)	(3,154)
Group sales	**51,723**	**53,426**

Earnings above expectations

In the year under review, ThyssenKrupp generated earnings before taxes and nonrecurring items, including pre-operating expense for the steel mills in Brazil and the USA, of €3.5 billion, thus exceeding the earnings forecast which we raised most recently in August 2008. As expected, this fell short of the prior-year figure, which was boosted by exceptionally high demand for carbon steel flat products and very high base prices for stainless steel. The impact on earnings of falling prices for certain raw materials, in particular nickel, and declining selling prices for stainless steel products was cushioned in the reporting period by the use of hedging instruments.

Despite returning a lower profit, the Steel segment once again made the biggest contribution to earnings. Shipments were virtually unchanged, but the significant rises in raw material costs could not be passed on in full in our prices to customers. Earnings were also impacted by the pre-operating costs of the new steel plants in Brazil and the USA as well as restructuring charges at Metal Forming. Following record earnings in the prior year, income in the Stainless segment was down sharply. Key factors in this were a decline in orders and shipments in the course of the year as well as significantly lower base prices. Technologies reported record profits, thanks in particular to strong business in plant engineering and components for the construction and automotive industries. Elevator achieved an improvement in its operating earnings. Against the background of a strong materials market, Services exceeded the prior year's record earnings.

Download the tables at:
www.thyssenkrupp.com/fr/07_08/en/index.html

EARNINGS BY SEGMENT in million €

	2006/2007	2007/2008
Steel	1,662	1,540
Stainless	777	126
Technologies	544	741
Elevator	(113)	434
Services	704	750
Corporate	(205)	(417)
Consolidation	(39)	(46)
Earnings before taxes (EBT)	**3,330**	**3,128**

Components of earnings

At €53.4 billion, sales in the reporting period were €1.7 billion or 3% higher than a year earlier. By comparison, the cost of sales rose disproportionately by €1.9 billion or 4% to €44.2 billion. The greater part of this increase (€1.5 billion) was due to higher materials expenditure as a result of rising raw material and energy costs; in addition, the personnel expense included in the cost of sales was up €172 million or roughly 3%. Overall, gross margin decreased from 18% to 17%.

Despite our business expansion, selling expenses in 2007/2008 were level with the prior year. The €245 million increase in general administrative expenses was largely attributable to project expense for the construction of the steel plants in Brazil and the USA. The €295 million decrease in other operating income was mainly due to lower insurance recoveries (€154 million) and lower proceeds from disposals of property, plant and equipment and investment property (€115 million). The €351 million decrease in other operating expense was due to the fact that the prior-year figure contained the €480 million EU antitrust fine on ThyssenKrupp Elevator and €60 million in goodwill impairment charges. Running counter to this was a €94 million increase in provisions for restructurings, mainly relating to Metal Forming in the Steel segment, as well as higher research and development costs (€23 million) and increased losses from the disposal of property, plant and equipment (€19 million). The €64 million rise in proceeds from disposals of consolidated companies was largely attributable to the sale of the precision forging operations and Nobiskrug in the Technologies segment during the reporting period.

Financial income improved by €101 million, due mainly (in the amount of €80 million) to the increased capitalization of interest cost during the construction of the new steel mill in Brazil. In addition, the €49 million improvement in income from investments accounted for by the equity method as a result of the positive business performance was set against a €46 million decline in interest income, particularly as a result of the increase in net financial debt.

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The tax rate decreased from 34% to 27% in the reporting year

Income taxes were €288 million lower, in connection with a reduction of the tax rate from 34% to 27%. The decrease in the tax rate was attributable to the reduction in German tax rates and an improvement in the tax situation outside Germany. After deducting tax expenses, net income was €86 million higher at €2,276 million. Deducting the minority interest in net income of €81 million, earnings per share rose by around 7% from €4.30 to €4.59, the highest level since the merger of Thyssen and Krupp in 1999.

Download the tables at:
www.thyssenkrupp.com/fr/07_08/en/index.html

Income of ThyssenKrupp AG

The net income of ThyssenKrupp AG in the reporting year according to HGB (German GAAP) amounted to €1,175 million, compared with €309 million the year before.

Income from investments increased by €1,196 million to €1,862 million. Income from profit transfer agreements was higher than a year earlier. The Steel, Technologies and Services segments returned significant profits, with Steel once again delivering the biggest earnings contribution. Loss transfers were lower in 2007/2008 as the prior-year figure included the antitrust fine imposed by the EU Commission on ThyssenKrupp Elevator. Income from investments was €412 million, compared with €173 million in the prior year.

The €143 million reduction in other operating income was mainly the result of the €196 million decrease in intercompany tax allocations in connection with the transfer of income from subsidiaries, a €60 million reduction in the disposal of property, plant and equipment, and €46 million less from the reversal of the special item with reserve elements. Running counter to this was a €134 million increase in the carrying value of an investment and the charging on of license fees in the amount of €14 million.

The treasury shares included in operating assets on September 30, 2008 were valued at the stock market price on the balance-sheet date. As a result, a €505 million writedown was recognized in the item “Writedowns on financial assets and securities classed as operating assets”.

Administrative costs changed only slightly compared with the prior year. Lower personnel expense was offset by increased expenditure for services and promotional measures.

The interest expense of €381 million reported in the year under review reflects payments into the additional paid-in capital of affiliated companies and interest rate changes on the money and capital markets.

After the aforementioned effects, income from ordinary activities was €1,364 million, compared with €695 million a year earlier.

The decrease in tax expense compared with the prior year was mainly due to the necessary writedown of the purchase costs for treasury stock to the market value on the balance-sheet date, which is also valid for tax purposes.

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With net income of €1,175 million, the unappropriated profit of ThyssenKrupp AG was €669 million.

After income tax, net income amounted to €1,175 million. Taking into account transfers to reserves for treasury shares of €532 million, transfers to retained earnings of €8 million and the income carried forward from the previous year of €34 million, unappropriated net income was €669 million. Subject to the approval of the Annual General Meeting, this amount is to be used to distribute a dividend of €603 million. The balance of €66 million is to be carried forward.

€1.30 dividend per share

The legal basis for the dividend payment is the HGB unappropriated net income of ThyssenKrupp AG in the amount of €669 million (prior year also €669 million). It comprises the HGB net income of ThyssenKrupp AG in the amount of €1,175 million (prior year €309 million) less transfers to retained earnings of €8 million (prior year transfer from retained earnings of €334 million) and to reserves for treasury stock of €532 million plus the income carried forward from the prior year of €34 million.

The Executive Board and Supervisory Board will propose to the Annual General Meeting the payment of a dividend in the amount of €1.30 (prior year €1.30) per share and the carryforward of the balance of €66 million. Should the number of shares eligible for dividend distribution change before the date of the Annual General Meeting, the proposed dividend distribution will be adjusted accordingly. Therefore, of the €669 million unappropriated net income, a total of €603 million will be used to pay a dividend on the 463,473,492 shares eligible for dividend payments at September 30, 2008.

The financial statements of ThyssenKrupp AG are presented in abbreviated form in the following table:

BALANCE SHEET OF THYSSENKRUPP AG (HGB) in million €

	Sept. 30, 2007	Sept. 30, 2008
Intangible assets	50	47
Property, plant and equipment	103	123
Financial assets	16,453	16,037
Fixed assets	**16,606**	**16,207**
Receivables from non-consolidated subsidiaries	9,625	8,842
Other receivables and other assets	312	321
Securities	698	1,073
Cash and cash equivalents	2,481	1,202
Operating assets	**13,116**	**11,438**
Assets	**29,722**	**27,645**
Stockholders' equity	**6,175**	**6,715**
Special items with reserve elements	**91**	**157**
Accrued liabilities	**526**	**560**
Bonds	1,500	1,500
Liabilities to financial institutes	298	948
Liabilities to non-consolidated subsidiaries	20,853	17,513
Other liabilities	279	252
Liabilities	**22,930**	**20,213**
Stockholders' equity and liabilities	**29,722**	**27,645**

STATEMENTS OF INCOME OF THYSSENKRUPP AG (HGB) in million €

	2006/2007	2007/2008
Income from investments	666	1,862
Other operating income	1,006	863
Other expenses and income	(608)	(980)
Net interest income/expense	(369)	(381)
Income from ordinary activities	**695**	**1,364**
Income taxes	(386)	(189)
Net income	**309**	**1,175**
Transfer from retained earnings	334	0
Allocation to reserves for treasury shares	0	(532)
Allocation to retained earnings	0	(8)
Carryforward	26	34
Unappropriated net income	**669**	**669**

Portfolio further streamlined

Following on from previous years, ThyssenKrupp continued its active portfolio management strategy in the reporting period. In North America, the Steel segment acquired a majority interest in the tailored blanks operations. Technologies further reduced its automotive activities, including in particular the sale of the precision forging group to an industrial investor. Marine Systems disposed of the Nobiskrug shipyard, which specializes in the construction of medium-size mega yachts. Elevator made numerous minor acquisitions to further strengthen its global market positions in the areas of elevators and accessibility products. The Services segment acquired Apollo Metals and thus significantly expanded its operations in metal distribution and supply chain management for aerospace customers. Several minor acquisitions were also made to strengthen the segment's competitive position.

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

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

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New jobs were created above all in the service business, pushing the number of employees to 199,374.

Strong rise in employee numbers

The size of the workforce grew significantly. At September 30, 2008 ThyssenKrupp had 199,374 employees worldwide, 8,024 or 4% more than at the end of the prior fiscal year.

The headcount increased in particular at the service-oriented segments Elevator and Services. Steel created additional jobs above all through the construction of new plants in Brazil and – jointly with Stainless – in the USA. Employee numbers were slightly lower at Technologies and unchanged at Stainless.

At 85,097, the headcount in Germany was largely unchanged from the previous year. In the rest of the world, the workforce grew by 7% to 114,277. At the end of September 2008, 12% of employees worked in the USA, 7% in Brazil and 5% in France.

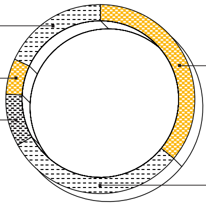
Sales markets and marketing

The EU region was once again the main market for ThyssenKrupp in fiscal 2007/2008: 67% of our products and services were sold to customers in the EU, more than half in Germany. 18% of our sales were generated with customers in America, from Alaska to Tierra del Fuego. The Asia/Pacific region grew in importance for our business, but still accounted for a low sales share of 9%. Thanks to our stable customer structures, the percentage breakdown remained relatively unchanged, although customers outside Germany have become increasingly important in the past five years. As the following table shows, their share of Group sales grew in this period by 38% to €34,265 million.

SALES BY REGION in million €

	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Germany	12,458	14,166	15,837	18,545	19,161
Other EU	10,731	12,106	13,293	16,198	16,677
Americas	8,621	10,002	11,609	10,218	9,706
Asia/Pacific	3,545	4,164	4,123	4,146	4,852
Other countries	1,948	2,489	2,263	2,616	3,030
Total	**37,303**	**42,927**	**47,125**	**51,723**	**53,426**

SALES BY REGION 2007/2008 in %



ThyssenKrupp companies and their products hold leading positions on numerous international markets. Outstanding technology, cost-efficiency and reliable service have proved convincing arguments for many customers. In many areas we enjoy longstanding customer-supplier relationships. Our technicians also develop specialized solutions for specific customer requirements. In the auto industry, for example, our segments develop numerous new lightweight materials and components to support the objective of reducing vehicle weight.

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Technical magazines, participation in trade shows and intensive customer support are among the established marketing tools.

Combination of effective marketing measures

As a producer and service provider for materials and capital goods, we mainly sell to corporate customers. Only in exceptional cases do private customers buy from us directly, for example elevators or stair lifts for residential buildings. That makes our target groups manageable in terms of numbers but also very demanding in terms of communications. We maintain contacts with them through technical magazines, published several times a year and reporting on successful innovations and new trends in the Group. In addition, product documentation provides all the data required for customers to make an informed decision on using our products. We also attach importance to modern, attractive product designs and apply our corporate design guidelines to all business stationery and advertising. Further sales tools include international trade shows and presentations, country- and customer-related product design, efficient marketing efforts and individual customer advice.

Responsibility for marketing measures lies with the individual Group companies, who operate on the market and are able to respond quickly to changing trends. Given the breadth of our product range, this approach has proved more successful than centralized marketing.

An important target group for our communications measures is the general public.

Communications strengthen market presence

Our intensive communications work presents the Group and its brand to all important target groups and strengthens its market presence. Our customers are a key target group, because transparent information and a strong brand have a positive effect on customer loyalty. In the human resources market, our communications work helps attract the best young talents to the Group. Investors are informed about our growth and value-enhancement prospects. At the same time, our employees are given a picture of the Group as a whole, beyond the boundaries of the individual subsidiaries. We also ensure that the ThyssenKrupp is perceived by the general public as a forward-looking industrial and technology group.

The content and design of our communications media are constantly tested and the findings used to optimize the “next generation”. The overall impact of our communications work is regularly reviewed by independent market research institutes and has to date been rated highly efficient.

Many of our measures are aimed at a broader audience and address social themes which are of interest to the Group and the general public. Under our initiative “Discovering future technology” we carry out projects with children and young people to give them a better understanding of technology and thus prepare the ground for an interest in technical and scientific professions. At the Ideas Park in Stuttgart in May 2008, more than 280,000 youngsters and adults discovered the fascination of technology and found out about the importance of technical progress. This was a continuation of the concept aimed at different age groups which had already proved successful at previous events in Gelsenkirchen and Hanover. For more information on the Ideas Park, turn to pages 110–111.

Capital expenditures

In fiscal year 2007/2008 ThyssenKrupp invested €4,282 million, 43% more than a year earlier. €4,018 million was spent on property, plant and equipment and intangible assets, while the remaining €264 million was used for acquisitions. Capital expenditure was €2,900 million higher than depreciation, which amounted to €1,382 million.

INVESTMENT BY SEGMENT in million €

	2006/2007	2007/2008
Steel	1,659	2,596
Stainless	328	387
Technologies	581	763
Elevator	122	136
Services	282	369
Corporate	131	66
Consolidation	(102)	(35)
Group	**3,001**	**4,282**

ThyssenKrupp used the investments to strengthen its position in promising growth areas. The biggest single project is the construction of a new steel mill in Brazil. In addition to our German sites, America was one of our main regions for investment.

Further information can be found in the notes to the consolidated statement of cash flows in the section “Financial position” on pages 106–107.

Download the tables at:
www.thyssenkrupp.com/fr/07_08/en/index.html

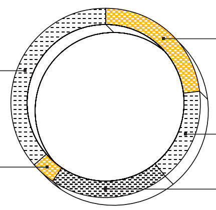
Procurement: Further increase in volumes

At €34.5 billion, materials expense amounted to 65% of sales in the reporting period. Compared with the prior year, we spent 4% more on raw materials, other products and services. The increase is mainly attributable to rising raw material prices until just before the end of the fiscal year and outsourced products. In isolated cases, supply bottlenecks caused extensions to planned delivery times; in general, material supplies were secured.

MATERIALS EXPENSE BY SEGMENT in million €

	2006/2007	2007/2008
Steel	7,650	8,514
Stainless	6,783	6,096
Technologies	7,024	7,626
Elevator	1,577	1,657
Services	13,223	13,645
Corporate	186	51
Materials expense of segments	**36,443**	**37,589**
Consolidation	(3,447)	(3,131)
Group	**32,996**	**34,458**

MATERIALS EXPENSE 2007/2008 in %



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Iron ore from Brazil increased in price by around 66% in 2008.

High price increases for iron ore

As growth in steel output remained high, demand for iron ore from overseas suppliers increased by a further 48 million metric tons in 2008 to 840 million tons. Expansions to iron ore production were not sufficient to avoid bottlenecks. In this situation, the Brazilian mining company Vale was able to push through price increases of around 66% for fine ores in 2008. On the back of strong demand, the price of pellets rose by as much as 87%. Average ocean shipping rates for ore shipments remained very high in 2008 and fluctuated sharply.

In the reporting period, the Steel segment purchased 17.1 million tons of iron ore, of which almost 10 million tons in Brazil, followed by Canada (3.3 million tons) and Africa (2.4 million tons). Smaller volumes were purchased in Australia and Sweden.

On the very tight market for coking coal, production losses in Australia caused by bad weather at the beginning of 2008 led to a further significant reduction in supply. As a result, coking coal prices tripled for deliveries in contract year 2008/2009 (April – March). There were similar surcharges for PCI coal. High ocean shipping rates further impacted coal shipments.

The price of internationally traded blast furnace coke has risen continuously since the end of 2006. At the end of the reporting period, the price of blast furnace coke from China was around 670 US dollars per ton fob port of loading in China, an increase of 130% in the space of a year. The extreme price rises for supplies from China were partly attributable to strong demand and partly to the raising of local export taxes on coke and other fuels.

Mixed trends for alloying metals

As in previous years, trends on the procurement markets for alloys and metals were extremely mixed. While the price of ferromolybdenum, which had fluctuated sharply in prior years, stabilized at a high level of 80 US dollars per kilogram in 2007/2008, the price of ferrosilicon rose steeply in two stages. A 17% price increase in February was followed by a further climb of 32% in June to €1,630 per ton. These jumps were mainly attributable to anti-dumping measures introduced for Chinese ferrosilicon, which resulted in a shortage on the world market.

The price of zinc, which is traded on the London Metal Exchange (LME), slipped continuously over the course of the fiscal year and in mid-2008 was 40% lower than at the start of the fiscal year. After trading higher earlier, copper and aluminum were slightly above the level at the start of the fiscal year but were trending downward toward the end of the fiscal year.

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Alloying metals are important for the manufacture of stainless steels: whereas the price of chromium increased, nickel was almost 50% cheaper.

The LME price of nickel, which is important for the Stainless segment, started the fiscal year at just under 30,000 US dollars per ton, rose to over 33,600 US dollars in mid-November, fell to below 26,000 US dollars at year end, then climbed back to 33,300 US dollars by the beginning of March 2008. Prices then slumped to just under 17,500 US dollars in early August, recovered slightly to 21,100 US dollars and then decreased further to 15,755 US dollars on September 30, 2008. Overall, the price of nickel almost halved in the course of the reporting period.

By contrast, there were massive price increases for chromium, another key alloying metal for stainless producers. Starting from an all-time high at the end of the last fiscal year, there were increases of 21% in the 1st calendar quarter 2008, 59% in the 2nd calendar quarter and a further 7% in the 3rd calendar quarter. Production cutbacks due to energy shortages in South Africa, an important supplier country, and increased demand from China played a major part in this trend.

The strong worldwide steel market resulted in new record prices for steel scrap. In the course of the reporting year, the price of grade 2 scrap in Germany rose by 71% to as high as €426 per ton in June. Steel scrap prices then decreased continuously through to September, falling to €301 per ton. The availability of alloyed scrap was generally good. This is attributable on the one hand to the historically still high nickel price and the high prices of chromium and iron, and on the other hand to subdued demand from stainless producers.

These rising prices for raw materials in the course of the fiscal year also led to higher prices for the products made from them, for example steel sheet, flat-rolled products, tubes and bar steel for forging. There were also supply bottlenecks and delivery delays for some starting products. By contrast, declining raw material prices, e.g. for nickel, resulted in lower starting material prices. Alongside raw material prices, higher energy and labor costs led to higher prices for supplies, spare parts, services and capital goods. Only through early planning were we able to avoid delivery bottlenecks and prevent production losses.

Although competition increased in individual areas (e.g. chemical processing plant and large-scale compressors) due to underutilization of capacities, suppliers still have very good workloads. There were long delivery times in particular for castings and forgings. In part the markets were also very tight for heavy machinery and businesses supplying power plant construction companies. These included manufacturers of electrical equipment, turbines, pumps, boilers and high-pressure equipment. The same was true of air and gas separation systems. In some cases excessive delivery times resulted in the postponement of planned start-ups.

In the services sector, our cross-segment product group management, standardized contract conditions and a focus on preferred suppliers enabled us to reduce prices and simplify the procurement processes.

Purchasing initiative – important value generator in the Group

As part of our value-enhancement program ThyssenKrupp best, the purchasing initiative once again delivered a significant contribution. Part of this came from the projects of the now more than 700 employees in Europe, North America, Brazil and Asia who have been trained in the use of our central methods and tools.

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Group subsidiaries can now order around 3.8 million items online – made possible by “Catalog Ordering”.

In 2007/2008 our Group companies used the catalog ordering module to handle purchases worth over €100 million, a more than 12% increase over the prior fiscal year. The number of participating companies worldwide increased substantially. They can now purchase around 3.8 million articles online; the lower process costs for online purchasing deliver significant benefits to both us and our suppliers.

In the past fiscal year our global supplier management tool was used to assess over 500 important suppliers. Cumulative purchases of over €1.5 billion have been processed since the tool was introduced. 90 Group companies from Europe, the NAFTA region and Asia use these strategic supplier assessments, made on the basis of standardized methods and criteria. Cross-functional teams assess the suppliers and jointly define development measures. All suppliers and their assessments are saved in a database which can be accessed online by our Group companies.

Surcharges push up freight costs

In parallel with rising material prices, freight costs also increased. The freight price index rose by 4.6% from the 1st calendar quarter 2007 to the 1st quarter 2008. Fuel surcharges, new regulations on driver working hours and a shortage of qualified personnel increased the costs of truck haulage. We kept cost increases for general cargo within limits by consolidating requirements under framework agreements. In the area of rail freight, prices were kept largely stable thanks to long-term agreements, although special cars for steel transportation were in short supply. In some cases – also to counter bottlenecks in road freight – we used a combination of rail and truck transportation.

Ocean freight costs varied depending on the port of destination. Whereas container freights from Asia to Europe were up to 12% more expensive in some cases, costs for container freights to the USA remained unchanged. Prices for some freights from Europe, specifically to the Far East and North America, actually decreased. Bulk carriers such as those used to transport iron ore represent a special market, and prices here increased. There were massive increases for all ship types due to bunker surcharges, but also due to higher costs for customs clearance. Air freight rates were kept constant by consolidating orders under framework agreements. However, prices nonetheless rose due to kerosene surcharges.

Our fleet management system achieved further synergies by integrating suppliers more closely, pooling orders, coordinating processes more efficiently and expanding the international roll-out of the system in the Group. We also automated processes to a greater degree. Interfaces for electronic data transfer and integration of our suppliers into the fleet management system were important elements here. All these optimizations helped counter rising fuel costs.

Energy: Prices at an all-time high

Energy was more expensive than ever in the year under review. Despite this, we succeeded in securing energy supplies to ThyssenKrupp's international plants while keeping cost increases within limits. The synergies available in a major group played an important part in this.

Worldwide the price of oil rose more sharply than in preceding years, in particular from April 2008. On July 15, 2008, a barrel of Brent crude cost a record 145.55 US dollars. At the same time, heavy oil prices in Germany climbed to over €530 per ton. As natural gas prices are generally linked to the oil price, they also increased. After reaching their peak, oil prices stabilized at a high level toward the end of the reporting period. The situation with gas was exacerbated by the fact that there is still a lack of competition on the German market. Although European market liberalization has now opened up the municipal distribution grids in Germany, there are still not enough suppliers offering low-cost alternatives for large industrial users such as our Company.

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The oil price reached an all-time high of 145.55 US dollars per barrel on July 15, 2008.

Gas supply to US plant secured

One reason the Steel and Stainless segments selected Mobile in the US state of Alabama as the site for their new steel mill and processing complex was its proximity to gas supply lines. The site is in the direct vicinity of the intersection of three major pipelines and an important gas storage facility. This unique location secures the long-term uninterrupted supply of gas – even in the event of severe weather such as hurricanes on the Gulf coast. This central location also enabled us to agree favorable gas transportation costs.

Soaring electricity prices

In the course of the past fiscal year, the rise in the price of electricity from wholesalers and on electricity exchanges gathered pace, driven by the sharp increases for crude oil, natural gas and power plant coal. In the case of coal, higher producer prices and transportation costs combined to make electricity more expensive.

The surcharges to subsidize renewable energies increased further in the reporting period and caused high additional costs. In addition, the electricity tax and the subsidization of combined heat and power plants made electricity more expensive. Although the German Federal Network Agency significantly reduced some network charges in the reporting year which lowered network costs substantially, these charges account for only around 10% of ThyssenKrupp's electricity procurement costs, so the effect was limited.

Outside Germany, too, we were able to secure electricity purchases at relatively low cost. Our subsidiaries in the UK and Spain generally concluded pooling agreements which provided synergies for procurement and allowed them to pursue a longer-term strategy to secure prices. In France, our larger companies used the new tariffs introduced by the government with more favorable terms than the wholesale market.

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Our steelmaking and processing plant in Alabama will benefit from a long-term supply of low-cost electricity.

The Steel and Stainless segments have concluded a long-term contract with the local electricity utility for their plant complex in Mobile which guarantees low-cost, reliable supplies. The contract takes into account the power-intensive operation of the electric furnace melt shop. It also contains flexible clauses for long-term cost optimization. This low-cost electricity is essential to allow the profitable production of industrial gases such as oxygen, nitrogen and argon in an air separation plant.

Higher energy costs due to emissions trading

Given the high level of steel production, the CO_2 emission allowances allocated to us by the German government for the second EU emissions trading period (2008 - 2012) now underway are inadequate: As a result we will have to purchase emission allowances or comparable certificates. Through Groupwide energy savings, participation in CO_2 funds and an efficient procurement strategy, we have been able to limit expense to date. Our expenditure for energy is also increased by the fact that the costs for CO_2 emission allowances are fully included in electricity prices. As prices for emission allowances rise in the second trading period, the costs of electricity procurement will increase accordingly.

Summarized assessment by the Executive Board of business performance and target achievement

ThyssenKrupp can look back on a record of success since the merger: In the first year of its existence – 1998/1999 – our Group had 185,000 employees and generated sales of €32 billion and earnings before taxes of €0.6 billion; in 2007/2008 we had almost 200,000 employees, sales of over €53 billion and earnings before taxes of €3.1 billion.

2007/2008 was a good year for the Group. In many areas our performance was better than expected, even though the market environment was increasingly difficult. Earnings before taxes and major nonrecurring items amounted to €3.5 billion, exceeding our raised forecast of August 2008 of over €3.2 billion.

ThyssenKrupp better than expected in 2007/2008

- **Order intake:** increased as expected to €55.2 billion
- **Sales:** higher than forecast at €53.4 billion
- **Earnings before taxes:** better than expected at €3.1 billion
- **Workforce:** higher than planned at 199,000
- **EVA:** €304 million higher than budgeted

The long-term business success of ThyssenKrupp will not be affected by the impact of the current financial crisis.

Planning reviewed

In the uncertain environment of the financial crisis, ThyssenKrupp has reviewed its plans for fiscal year 2008/2009 and its targets. As a result of the economic downturn, we face a significant decline in business in 2008/2009, the extent of which cannot yet be reliably predicted. However, if – as currently forecast – the global economy emerges from the recession and gathers momentum again in 2010, ThyssenKrupp will also return to its long-term growth path.

We are firmly convinced that the growth strategy we initiated in 2005 is right. Adverse effects, such as those caused by the current financial crisis, may create delays, but the long-term success of the Company will remain unaffected. We are pursuing a successful, long-term portfolio optimization program, developing innovative products and processes and positioning ourselves strongly on the world's strategic growth markets. This will secure the future success of the Company.

Segment review

Our five Group segments – Steel, Stainless, Technologies, Elevator and Services – take global challenges and turn them into opportunities. Our high-tech materials, plants, components and systems offer answers to many economic and technical questions of the future.

Steel

STEEL IN FIGURES

		2006/2007	2007/2008
Order intake	million €	12,718	14,199
Sales	million €	13,209	14,358
Corporate	million €	60	58
Steelmaking	million €	1,354	1,531
Industry	million €	6,390	6,976
Auto	million €	4,800	5,106
Processing	million €	2,695	2,906
Consolidation	million €	(2,090)	(2,219)
Earnings before taxes (EBT)	million €	1,662	1,540
Employees (Sept. 30)		39,559	41,311

Cost increases not fully offset

The Steel segment is focused on premium carbon steel flat products and holds an outstanding position in its core market of Europe. Its capabilities include intelligent material solutions, custom processing and comprehensive services right through to finished parts.

The Steel segment performed successfully in a more difficult economic environment. Demand for premium carbon steel flat products increased further and could not be met in full. Order intake in the reporting year rose by 12% to €14.2 billion, and sales by 9% to €14.4 billion. These increases were primarily due to rising prices, although shipments were also higher than a year earlier. In the final quarter of the reporting year sales volumes were slightly more subdued.

At ThyssenKrupp Steel AG, average net prices were around 8% up year-on-year, but could not compensate in full for the substantial cost increases for raw materials and energy. Due to the high share of annual contracts, most of which were previously based on the calendar year, there will be a lag before the positive effect of higher steel prices is reflected in average revenues. In negotiations with our customers in the final quarter of the reporting year we were able to adapt most of the annual contracts to the increased raw material costs by means of higher prices. The periods of these contracts have also been matched to those of our contracts with raw material suppliers, which will allow us to respond quickly to changes in raw material prices in the future.

At €1,540 million, earnings before taxes were €122 million lower than a year earlier but higher than our expectations thanks to the positive performance of high-value special products. Efficiency gains and additional cost reduction programs in all business units only partially offset the cost increases for raw materials and energy. In addition, the pre-operating costs of the new plants in Brazil and the USA, and the restructuring charges at Metal Forming weighed significantly on earnings.

Corporate

The administrative functions of ThyssenKrupp Steel AG and the strategic investment projects in Brazil and the USA were combined in the new business unit Corporate at the beginning of fiscal 2007/2008. They previously belonged to the Steelmaking business unit. Due to the increase in pre-operating costs, particularly for the new steel mill in Brazil, the loss was higher than the comparable prior-year amount.

The new blast furnace 8 in the Duisburg iron and steel mill began operation after a construction period of only 28 months.

Steelmaking

The Steelmaking business unit comprises the metallurgical operations in Duisburg and all logistics activities. It primarily supplies the market-facing business units with high-quality starting material. Including the share of production of investee company Hüttenwerke Krupp Mannesmann, crude steel production reached 14.2 million metric tons, 2% down from the prior year. This decrease was mainly due to the slight delay in relining blast furnace Schwelgern 1 in Duisburg. In response to high demand, slabs were again bought-in externally in the reporting year. In December 2007 the new blast furnace 8 went into operation after a construction period of only 28 months. It has a capacity of 5,600 tons per day and replaces blast furnace 4, which now serves as a standby unit.

Compared with the prior year, sales of the business unit increased strongly as sharp rises in raw material costs were charged on to customers. Price-driven sales increases were also achieved in the marketing of byproducts. Most of the logistics companies also recorded higher sales, partly due to volumes and partly due to increased freight rates. Profits at Steelmaking were significantly higher than the comparable prior-year figure.

Industry

The Industry business unit serves all steel-using industries with the exception of the auto sector. Order intake from these customer groups increased from the prior year. Sales were 9% higher at €7.0 billion. Shipments also increased as our customers continued to enjoy good activity levels. The business unit's profits were lower than the high prior-year level.

The Industry/Distribution/Services profit center achieved sales growth especially with hot-rolled coil and sheet. Higher prices were realized in the quarterly and half-yearly deals, and most annual contracts were switched prematurely to new terms from July 01, 2008 in response to the extreme rise in raw material costs. However, earnings were lower than in the prior year as it was not possible to fully offset the cost increase.

The Heavy Plate profit center profited from continuing strong demand for premium-quality material, which we were unable to meet in full in the second fiscal half. Shipments were virtually unchanged. Cost increases were offset at least partially by higher prices in some product areas. Profits declined slightly.

At the beginning of fiscal 2007/2008 our organic coated sheet and construction elements operations were combined in the new competence center Color/Construction. Although demand for coil-coated products from the appliance industry was weaker, shipments were higher than a year earlier. However it was difficult to pass on increased costs in the very competitive market for color-coated products. Thanks mainly to higher volumes, the Construction Group increased its sales in Germany and the whole of Western Europe but business in the Central and Eastern European markets was more difficult. Profits at Color/Construction were down from the prior year.

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The new company in Poland pushed up sales in our European steel service business.

The European steel service business also achieved higher sales and shipments, largely due to the successful ramp-up of a new company in Poland. After a difficult 1st fiscal quarter the business was able to pass on significantly increased starting material prices to customers in the further course of the year. Despite this, earnings were unable to reach the high level of the prior year.

Auto

The Auto business unit is a partner and supplier to global auto manufacturers. Sales increased by 6% to €5.1 billion; with shipments down, this was due to higher prices in contract business. Against the background of rising raw material costs, contracts with most of the Auto division's customers were renewed early from July 01, 2008 with modified contract periods and higher prices. We took additional measures to increase efficiency to counter the substantial cost increases. This had a positive effect on the business unit's profits.

Tailored Blanks again increased its sales and earnings. A major factor in this was the full inclusion of the TWB group in the USA from March 01, 2008. Sales in the rest of the business also increased as a result of higher prices.

The steel service operations in North America recorded a large drop in sales due to lower volumes and exchange rate effects. Drastic production cutbacks in the North American auto industry resulted in a sharp fall in orders and hence sales. Positive price effects were unable to compensate for this. Profits were nevertheless up from the prior year, when earnings were impacted by asset impairment charges.

At Metal Forming, sales and shipments increased significantly. Operating earnings were positive. However the unit again posted a large loss due to restructuring costs of €134 million in the reporting period.

Processing

The Processing business unit combines our tinplate, narrow strip and grain-oriented electrical steel activities. These operations were also impacted by significant price increases for starting materials. Altogether, sales rose by 8% to €2.9 billion. We improved on our already strong prior-year profits thanks to the positive trend in grain-oriented electrical steel. Tinplate also recorded higher earnings, while narrow strip generated a slightly lower profit.

Tinplate equaled its record shipments of the prior year. Deliveries outside the EU were reduced in favor of higher shipments to the European market, where supply was tight. Measures to increase efficiency and reduce costs were implemented successfully.

Strong demand for narrow strip again resulted in higher production and shipment volumes, and sales also increased. From the 4th fiscal quarter the unit was able to bring forward price increases in half-yearly and yearly contracts. However the substantial cost increases for starting material could not be passed on to customers to the extent necessary.

The grain-oriented electrical steel business continued to benefit from rising demand for electricity generation and transmission equipment. Shipments and revenues were up from the prior year.

Significant events

The integration of the Metal Forming business offers high potential for expanding our technological capabilities along the process chain from material to finished part. However as the earnings situation has so far been unsatisfactory an extensive restructuring program was introduced. In France it is planned to reduce the number of sites of ThyssenKrupp Sofedit from nine to five. In addition, the head office and the development center are to be relocated to the largest production site in Le Theil. Sales negotiations are being conducted with investors for two plants. A framework agreement on personnel adjustments has been concluded with the employee representatives. A restructuring plan has also been drawn up for the German sites and for the UK company ThyssenKrupp Tallent. In parallel with this, Metal Forming will strengthen its European plants through investments and expand its activities in the BRIC states. The construction of a second plant in Turkey was approved in September 2008.

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The worldwide tailored blanks network was further strengthened in the reporting year.

Effective March 01, 2008 the Steel segment transferred its tailored blanks operations in Mexico to the US-based TWB Company, thereby increasing its shareholding in this company to 55%. With the takeover of control we will integrate TWB into the worldwide Tailored Blanks network and meet the demands of the auto industry for a global supplier. ThyssenKrupp Tailored Blanks successfully ramped up production in Turkey in the reporting period. A new plant in the Czech Republic began trial operation in June 2008.

The shareholding in Bertrandt AG was sold to a subsidiary of Landesbank Baden-Württemberg at the beginning of September 2008 as it no longer fitted in strategically with our automotive capabilities.

Capital expenditures

The capital expenditures of the Steel segment reached €2,596 million in the reporting year, with depreciation at €639 million.

The expenditures were dominated by the two major strategic projects in Brazil and the USA. The construction of the new steel mill in the Brazilian state of Rio de Janeiro accounted for asset additions of €1.7 billion. Around €210 million was spent on the construction of the processing plant near Mobile in Alabama. More details on the progress of the projects can be found in the section “Business management – goals and strategy” on pages 59–61.

In Germany, investment continued to focus on the modernization of the ironmaking facilities in Duisburg. The new blast furnace 8 was blown-in in December 2007 and the large blast furnace in Schwelgern resumed operation in April 2008 after a 70-day shutdown for relining. A large part of the investment funds went into the expansion of the hot-rolled lines, mainly at the Bochum site, where a new walking-beam furnace began operation in March 2008. In the heavy plate area, funds were invested in the further expansion of water quenching capacity for high-strength wear-resistant steels.

Major spending was also carried out in the electrical steel, narrow strip and European steel service operations. In electrical steel, we further expanded capacity for higher-value grades at the plants in Gelsenkirchen and Isbergues, France. The aim for narrow strip is to increase capacity to 1.1 million tons per year. Steel Service Europe is currently building a new service center in Krefeld to concentrate the production of smaller sites in North Rhine-Westphalia. This will significantly improve productivity and capacity and thus create competitive advantages.

Stainless

STAINLESS IN FIGURES

		2006/2007	2007/2008
Order intake	million €	7,684	7,460
Sales	million €	8,748	7,420
ThyssenKrupp Nirosta	million €	3,839	3,234
ThyssenKrupp Acciai Speciali Terni	million €	3,244	2,688
ThyssenKrupp Mexinox	million €	707	591
Shanghai Krupp Stainless	million €	454	284
ThyssenKrupp Stainless International	million €	1,570	1,187
ThyssenKrupp VDM	million €	1,463	1,177
Corporate/Consolidation	million €	(2,529)	(1,741)
Earnings before taxes (EBT)	million €	777	126
Employees (Sept. 30)		12,182	12,212

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The Stainless segment is one of the world's leading manufacturers of stainless steel, nickel alloys and titanium.

Large profit drop

The Stainless segment is focused on stainless steel flat products and the high-performance materials nickel alloys and titanium. We hold leading positions in both areas.

The volume of orders received by the Stainless segment improved significantly, increasing by 28% to 2.3 million tons. The prior-year period was marked by a pronounced reluctance to buy on the part of distributors and users. This was caused by extremely high imports from Asia, high inventory levels at distributors and service centers, and drastic fluctuations in the nickel price. The value of orders received decreased by 3% to €7.5 billion due to low base and nickel prices. The value of new orders for nickel alloys also fell as a result of the low nickel price. The value of orders for titanium mill products likewise decreased.

At 2.3 million tons, total Stainless deliveries in the reporting year were 3% up from the prior year. Shipments of nickel alloys were down slightly, while deliveries of titanium increased. Sales decreased by 15% to €7.4 billion, mainly as a result of lower selling prices.

Following the record earnings of the prior year, the Stainless segment saw its profits slump by €651 million to €126 million. The main reasons for this were significantly lower average base prices and partial underutilization of capacity in the 1st and 4th fiscal quarters. Thanks to the slight market recovery at the end of 2007 earnings improved initially but this improvement came to a halt at the end of the 3rd fiscal quarter, mainly as a result of weaker demand from distributors. This led to falling base prices and corresponding production cutbacks through to the end of the fiscal year.

Due to the dramatic price falls for nickel and alloyed scrap and the above-mentioned price developments on the selling markets, earnings were down significantly from the previous year. The drop in earnings was mitigated by successful inventory management and income from the fair value measurement of derivatives used to hedge against commodity price risks from outstanding purchasing transactions and inventories. In addition, the continuing strength of the euro weakened the competitiveness of our exports to the US dollar region. Higher electricity costs, particularly in Italy and Germany, also weighed on earnings.

ThyssenKrupp Nirosta

The ThyssenKrupp Nirosta business unit benefited in Europe from improved demand from distributors and still relatively stable sales to end customers. This generally positive trend was reflected in a strong increase in the volume of orders received. However, at €3.2 billion the sales of the business unit were down from the prior year due to lower prices. The significant decline in earnings was mainly caused by a much weaker price level.

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Falling demand for stainless steel products led to a decline in sales and shipments at ThyssenKrupp Acciai Speciali Terni.

ThyssenKrupp Acciai Speciali Terni

At ThyssenKrupp Acciai Speciali Terni, too, the weakening of demand for stainless steel products over the year, above all from service centers and distributors, was reflected in order intake. This demand weakness was caused among other things by high volumes of imports coming into Europe, which impacted the Italian stainless market in particular. The sales of the Italian business unit slipped to €2.7 billion due to lower shipments and decreased transaction prices. In addition there were production losses at the Turin plant after the accident in December 2007.

ThyssenKrupp Acciai Speciali Terni posted a loss for 2007/2008. The drastic decline in earnings was mainly due to a weaker Italian stainless steel market. Earnings were additionally impacted by the extra costs associated with the decision by the EU Commission not to extend energy compensation payments. In addition, costs were incurred by the commenced relocation of production from Turin to Terni and by the fire in Turin in December 2007. The forging operations exceeded their prior-year earnings thanks to a stable market environment.

At ThyssenKrupp Titanium the volume of new orders increased strongly. Shipments were also higher, while sales fell slightly.

ThyssenKrupp Mexinox

ThyssenKrupp Mexinox held its own in a difficult market environment in the NAFTA region. Orders were up slightly from the prior year in terms of volume but decreased in value terms due to lower prices. Sales fell to €591 million.

The substantial drop in profits was due to the weak state of the US market. However the stable situation on the Mexican market weakened these negative effects.

Shanghai Krupp Stainless

At Shanghai Krupp Stainless order volumes were down from the prior year.

Sales were lower at €284 million, and profits also fell significantly. The deterioration was due to a continuing weak and difficult market environment in China – caused by increasing overcapacities – and the loss of contract work.

ThyssenKrupp Stainless International

The ThyssenKrupp Stainless International business unit recorded a fall in the volume and value of new orders due to the difficult market environment and low transaction prices. Sales decreased to €1.2 billion.

Following a profit in the prior year the business unit made a loss. The significant drop in earnings resulted from the generally weak state of the international stainless steel markets, which led to a decrease in margins and shipments.

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ThyssenKrupp VDM expanded its range of products for the aerospace industry with a new forge for nickel alloys.

ThyssenKrupp VDM

In the nickel alloy business of ThyssenKrupp VDM order intake and sales were lower than a year earlier. Wire production was successfully relocated from Bärenstein to Werdohl. With the construction of the new forge, which began operation in May 2008, ThyssenKrupp VDM widened its range of products in particular for the aerospace industry.

The business unit was unable to maintain its prior-year profit level. On the European markets, increased exports by US suppliers – favored by the weak US dollar – resulted in high price pressure. In addition, the strong euro meant that prices for exports to the US dollar region were no longer competitive.

Significant events

In December 2007 a fire occurred in the Turin plant.

The plant in Turin was closed early as part of the strategic realignment of the Terni site.

The plant in Terni/Italy is being expanded into the one of the most modern and efficient stainless steel production sites in the world.

Capital expenditures

Stainless invested a total of €387 million in property, plant and equipment and intangible assets in the reporting year, with depreciation amounting to €157 million.

In the stainless flat products area the investment program centered on securing and expanding our existing market position in Europe and North America. This includes the construction of the new steelmaking and processing plant near Mobile in Alabama/USA, on which around €103 million was spent in the reporting year. The work is on schedule: Piling work and the construction of the foundations for the cold rolling mill have been completed. Erection of the first buildings began in late August 2008. Most of the orders for production equipment have been placed. A more detailed progress report is provided in the section “Business management – goals and strategy” on pages 60–61.

Capital expenditure at ThyssenKrupp Nirosta focused on expansion of the EBOR service center operations to increase end-customer business, the construction of an acid regeneration plant at the Krefeld site, and measures to maintain existing operations and modernize individual units. With the expansion of EBOR we continued the path of enhancing our processing capacities and thus increasing value-added in the area of high-quality stainless steel finishes. The new plant in Krefeld to regenerate spent acid is designed to further reduce the nitrate content of the wastewater. In the Krefeld and Bochum steelmaking shops the extensive modernization of the AOD furnaces will be continued in the coming years.

ThyssenKrupp Acciai Speciali Terni with its investments aims to gradually expand the Terni plant into one of the most modern and efficient production sites in the world. Some of the individual projects began in 2006/2007 but will not be completed until fiscal 2008/2009. After the closure of the plant in Turin a start has been made on moving individual units to Terni. An additional investment program will increase hot- and cold-rolled capacities while widening the product portfolio. This will improve the balance between steelmaking and hot/cold rolling capacities and make it possible to meet long-term rising European demand. The investment program mainly involves replacing the thin-slab caster with a conventional continuous caster to enhance hot-rolled quality and better utilize existing steelmaking capacity. In addition, the installation of two inline roll stands in the recently built hot strip anneal and pickle line will create the conditions for higher cold-rolled capacity. The investment package also includes the creation of further capacity in the anneal/pickle area and the expansion of the finishing and shipping departments. To allow the production of ferritic grades with high chromium and low carbon contents and to optimize operating procedures, a VOD furnace was installed in the melt shop of ThyssenKrupp Acciai Speciali Terni which began regular operation in spring 2008. This VOD furnace will also help improve the quality of the cast forging ingots and create the necessary conditions for increasing ingot weights to 500 t.

A key factor in the expansion of Società delle Fucine was the investment in a manipulator to facilitate faster forging with reduced manpower and energy requirements. This will increase the efficiency of the forge while shifting the product mix towards higher-quality products and larger unit weights, above all for the energy sector.

An existing Sendzimir mill in the plant of ThyssenKrupp Mexinox is being modernized step by step. The project will continue over the next two fiscal years.

In China, Shanghai Krupp Stainless has expanded its processing capacities with a circle cutting machine enabling it to offer its customers circular stampings for further processing.

ThyssenKrupp Stainless International expanded its international distribution and service center network with further service centers. In the growing Turkish market a new service center is being built in the greater Istanbul area which will combine our existing operations there. The new service center will begin operation in the 1st quarter 2009. As at Shanghai Krupp Stainless, a circle stamping machine is being built in the service center in Poland which will meet the rising requirements of customers in the white goods industry.

To allow us to share in market growth, particularly in the high-end segments, we optimized existing production structures and further expanded our capacities for high-performance materials. The biggest single project at ThyssenKrupp VDM is the construction of a complete open-die forge at the Unna plant. In addition, service capabilities have been significantly expanded. In response to fast-growing demand for titanium products, ingot capacity at the Essen plant has been more than doubled in two steps. The key investment here was a modern electron beam furnace which has the advantage of being able to process both titanium sponge and titanium scrap.

Technologies

TECHNOLOGIES IN FIGURES

		2006/2007	2007/2008
Order intake	million €	14,844	13,490
Sales	million €	11,523	12,412
Plant Technology	million €	2,624	3,217
Marine Systems	million €	2,021	2,007
Mechanical Components	million €	3,793	3,924
Automotive Solutions	million €	3,182	3,247
Transrapid	million €	49	41
Corporate/Consolidation	million €	(146)	(24)
Earnings before taxes (EBT)	million €	544	741
Employees (Sept. 30)		54,762	54,043

Most successful fiscal year

The Technologies segment is a high-tech engineering contractor and component manufacturer which also provides tailored services. With its innovative system and engineering capabilities, Technologies holds outstanding world market positions.

The segment's extremely positive performance continued unabated in the reporting year. Order intake was again pleasingly high at €13.5 billion, though below the exceptionally high level of the prior year, which was boosted by the frigate project for the German Navy. The project situation in the plant technology sector remained very good, with numerous infrastructure and exploration projects. Orders in hand increased again to around €16 billion at September 30, 2008, securing more than a year's sales. Based on the good order situation, sales in the reporting year also improved, rising by 8% to €12.4 billion despite negative US dollar exchange rate effects and disposals.

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Numerous infrastructure and exploration projects in the raw materials area resulted in a large number of orders for the Technologies segment.

At Technologies, the highest earnings were again achieved by the Mechanical Components and Plant Technology business units.

Fiscal 2007/2008 was the most profitable year in the history of the segment. Profits improved from the prior year by €197 million to €741 million. The segment's active portfolio management with a focus on profitable business areas is having an increasing effect and confirming the sustainability of the Technologies strategy. The segment also benefited from the good order situation at Plant Technology, higher profits at Mechanical Components and lower costs and higher investment income at the segment holding company. All business units in the segment are now returning good - and in some cases excellent - profits, with the greatest earnings contributions again coming from the Mechanical Components and Plant Technology business units.

Plant Technology

The very good order and project situation at Plant Technology was driven by high raw material and energy prices and by high global demand for cement, which pushed order intake from its high prior-year level to a new record of €5.1 billion. Among other things, customers ordered propylene and polypropylene plants, fertilizer complexes, coal gasification plants, coke oven plants, bulk handling systems, oil sands mining equipment and cement plants. In the chemical plant sector we won a major contract for a mega fertilizer plant in Algeria.

At €3.2 billion, sales were up strongly from the prior year thanks to the good order situation in all sectors. Plant Technology achieved outstanding earnings in 2007/2008. The large increase was due to higher sales on high-margin orders, a good workload and significantly improved order results.

Marine Systems

At Marine Systems, order intake was well down from the prior year, which was boosted by major orders in connection with the German Navy frigate program. While demand in the repair and service business remained high, the surface vessel unit in particular fell short of the prior year's figures.

At €2 billion, sales were almost level with the prior year. The business unit's profit was lower than a year earlier. Worthy of particular mention is the very good performance of the repair and service business. Negative earnings impacts arose from complex mega yacht orders.

Mechanical Components

Demand from machinery manufacturers for the high-tech products of the Mechanical Components business unit was generally positive in fiscal 2007/2008. Despite the disposal of the precision forging operation, order intake was unchanged from the high prior-year level.

Sales increased year-on-year to €3.9 billion. Gains in slewing bearings and rings, particularly due to unabated growth in the wind turbine sector, more than offset the fall in demand on the US markets and a strongly negative US dollar/euro exchange rate effect. Mechanical Components achieved a high three-digit million euro profit. Positive factors in this were the strong performance in slewing bearings and rings, and the income from a business disposal. Negative factors were declining demand in the USA, increased starting material prices at the North American foundries and, for exports, the continued depreciation of the US dollar against the euro.

Automotive Solutions

Order intake at Automotive Solutions increased year-on-year. All operating groups played a part in this, with particular contributions coming from the body shop equipment and assembly systems group and the axle module assembly business.

At €3.2 billion, sales were slightly higher than a year earlier. Earnings also improved, with the business unit achieving a two-digit million euro profit. The restructuring programs carried out are therefore starting to bear fruit.

Transrapid

Transrapid achieved sales of €41 million, mainly due to billings under the Chinese license agreement; the earnings contribution was positive.

Significant events

The Technologies segment rigorously continued its portfolio optimization in 2007/2008. The main events were the disposals of ThyssenKrupp Präzisionsschmiede to the Indian Sona Group, the ThyssenKrupp Drauz Nothelfer plant in Ravensburg to EBZ Systec, and the Nobiskrug shipyard in Rendsburg to Eagle River Capital.

Plant Technology strengthened its market position in the engineering and construction sector by purchasing the remaining 50% of Uhde Shedden with sites in Australia and Thailand. The company is active in the engineering sector, particularly in the oil, gas, chemical and petrochemical industries, and serves the Australian and Southeast Asian regions.

Marine Systems has repositioned itself. The restructuring will strengthen and expand the Hamburg site for civil shipbuilding and repairs. The same applies to the Emden site in the naval shipbuilding sector. In the USA the operations of Gray EOT were purchased. Gray produces and markets oil production equipment.

Mechanical Components has established its own plant for slewing bearings in the fast growing Indian market, the first manufacturer to do so. The operations of the Italian company Forteq were acquired effective October 01, 2007. This acquisition strengthens the business unit's market position in undercarriages and undercarriage components for earthmoving machinery. In mid-2008 Berco Undercarriage Trading began operations in Shanghai.

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We concentrated our engineering and project capabilities for tooling and equipment in the auto sector.

By combining the engineering specialists ThyssenKrupp Krause and ThyssenKrupp Drauz Nothelfer we improved our engineering and project capabilities for tooling and systems in the auto manufacturing sector. The minority shareholding in Bertrandt AG, an auto industry engineering service provider which is no longer part of our core business, was sold.

Following the ending of the Transrapid project in Munich, ThyssenKrupp and Siemens restructured their Transrapid operations. Due to the reduction in marketing and planning activities the Berlin office of the Transrapid International joint venture was closed as of October 01, 2008. The core capabilities of the Transrapid technology will be retained. Both companies continue to stand by the Transrapid system and are carrying on negotiations with potential customers for example in the USA and China.

Capital expenditures

Capital expenditures in the Technologies segment reached €763 million in the reporting year, with depreciation totaling €347 million.

More than half the funds were used to expand manufacturing capacities for existing and new products. Other major uses included measures to maintain existing operations and strengthen efficiency. Most of the investment was carried out in Germany, North and South America, China and India.

Plant Technology expanded its worldwide engineering network at sites offering cost advantages. One strategic focus was to intensify the service business. In the future, service centers located close to customers will repair and manufacture core components for plants supplied by us.

Capital spending at Mechanical Components focused on expanding production capacities and increasing efficiency. Investment was made into making final assembly of assembled camshafts more flexible. In the crankshaft area, the efficiency of forging particularly for low-cost car crankshafts was significantly increased.

Demand for slewing bearings and seamless rings continues to grow strongly worldwide.

In response to continuing strong demand for slewing bearings and seamless rings we launched a special investment program to significantly expand worldwide manufacturing capacities in these highly profitable businesses. The investment strategy is focused on the expansion of existing plants in America, Europe and above all Asia.

The investment projects carried out at Automotive Solutions served the purpose of strategic optimization. New assembly lines for the production of mechanically adjustable steering columns were purchased and existing lines were modernized. The assembly of DampTronic shock absorbers was optimized. Investments in new automated lines will increase both production capacity and process reliability.

Elevator

ELEVATOR IN FIGURES

		2006/2007	2007/2008
Order intake	million €	5,281	5,535
Sales	million €	4,712	4,930
Central/Eastern/Northern Europe	million €	1,389	1,482
Southern Europe/Africa/Middle East	million €	774	827
Americas	million €	1,821	1,892
Asia/Pacific	million €	505	495
Escalators/Passenger Boarding Bridges	million €	347	332
Accessibility	million €	190	215
Corporate/Consolidation	million €	(314)	(313)
Earnings before taxes (EBT)	million €	(113)	434
Employees (Sept. 30)		39,501	42,992

Expansion continued

The Elevator segment is one of the world’s leading manufacturers and service providers in the area of elevators, escalators, moving walks, passenger boarding bridges, stair and platform lifts. The segment guarantees the high quality of its specialist services throughout the world through its tight-knit network of branches and service operations.

The Elevator segment increased its orders, sales and pre-tax earnings significantly in part.

Elevator continued its expansion in 2007/2008. Despite very negative exchange rate effects, in particular the performance of the US dollar against the euro, and continuing price and margin pressure, the business volume was again expanded. Order intake increased by 5% to €5.5 billion and sales by 5% to €4.9 billion.

The segment returned a profit of €434 million in the reporting year. Excluding the EU antitrust fine of €480 million in the previous year, this represents a year-on-year increase of 18%. Operating improvements outweighed the negative exchange-rate effects and costs from the plant closures in Austria and Spain.

Central/Eastern/Northern Europe

In the Central/Eastern/Northern Europe business unit, order intake showed a slight improvement and sales rose to €1.5 billion. The activities in Eastern Europe in particular contributed to the strong performance, reporting significantly higher order intake and sales in the new installations business. In Germany orders and sales showed a further slight increase from an already high level. The high level of orders received in France was not quite maintained, though sales grew significantly as a result of strong modernization business.

Excluding the EU antitrust fine from the previous year, the business unit's profits remained stable. Operating improvements offset costs from the resolved plant closure in Gratkorn, Austria.

Southern Europe/Africa/Middle East

The Southern Europe/Africa/Middle East business unit exceeded its prior-year order intake and sales levels. In Spain, orders for new installations and services were significantly higher. However, sales on the Spanish market were down slightly from the high year-earlier level. A decline in business with new installations was virtually offset by growth in services. The volume of business in Italy expanded appreciably compared with the previous year thanks to further acquisitions. The operations in Turkey and the Gulf region also reported very pleasing growth.

The business unit achieved a substantial year-on-year increase in profits, with the Spanish operations in particular playing a major part in this. However, earnings were impacted by the closure of a production plant in Spain.

Americas

Due to very negative exchange rate effects, order intake in the Americas business unit was slightly down from the high level of the previous year. However, at €1.9 billion, sales were even higher than the year before. Excluding exchange rate effects, the North American operations achieved a marked improvement on their high prior-year order intake and sales levels in both new installations and services. Business in South America, especially Brazil, was generally very encouraging.

Despite the negative US dollar/euro exchange rate trend, the business unit's profits once again showed a significant year-on-year increase. This was attributable to further efficiency gains, most of all in North America, and a higher volume of business in South America, especially Brazil.

Asia/Pacific

The Asia/Pacific business unit reported increased orders and steady sales despite negative exchange rate effects. Strong growth in China, India and Australia offset the decline in South Korea. Order intake in Southeast Asia increased but sales were down slightly from the previous year.

As in the previous year, the business unit reported a loss due to the restructuring of the Korean operations. Earnings at all the Asia/Pacific business unit's other operations were level with or slightly higher than the previous year.

Escalators/Passenger Boarding Bridges

Orders and sales at the Escalators/Passenger Boarding Bridges business unit were slightly lower year on year. While the escalator business achieved a strong improvement in orders and a slight increase in sales, passenger boarding bridges could not maintain the previous year's high level of business.

The business unit made a loss. The pleasing earnings achieved in the escalator business could not offset the loss in passenger boarding bridges.

Accessibility

The Accessibility business unit continued its steady growth and reported a substantial increase in orders and sales. The activities in both Europe and North America contributed to this. The decline in the US housing market was reflected in the business volume, but this was offset by the acquisition of the operations of National-Wheel-O-Vator.

The business unit achieved further growth in profits year on year. The operations in both Europe and North America reported higher earnings, in the case of the latter this was due to acquisitions.

Elevator further expanded its sales and service business internationally with numerous regional acquisitions.

Significant events

The Elevator segment pressed ahead with the continuous expansion of its sales and services business in the past fiscal year and acquired numerous small regional companies. In Italy, several minor acquisitions strengthened growth above all in the services area. In established markets – such as the USA, Germany, Spain and Portugal – local companies were acquired to bolster the existing customer services activities. Elevator also expanded in Denmark with a small but strategically important acquisition.

The expansion strategy in the Accessibility business with products such as stair and platform lifts and home elevators was continued.

Capital expenditures

Capital expenditures in the Elevator segment in the reporting year amounted to €136 million, with depreciation at €57 million. The investment again served the segment's sustainable growth strategy and the strengthening of market positions in 2007/2008.

The capital spending related mainly to replacement investment. Financial investment focused on the acquisition of selected small servicing enterprises, particularly with a view to further developing the Italian market. An additional key investment objective was to strengthen the Accessibility unit. In the USA, the acquisition of the operations of National-Wheel-O-Vator consolidated our position in the market for home elevators and vertical platform lifts. With a further acquisition in the United Kingdom, the business unit strengthened its capabilities in the area of stair lifts for straight staircases to reinforce its position in this key European market.

Services

SERVICES IN FIGURES

		2006/2007	2007/2008
Order intake	million €	16,823	17,453
Sales	million €	16,711	17,336
Materials Services International	million €	7,926	8,539
Materials Services North America	million €	2,340	1,833
Industrial Services	million €	1,899	2,086
Special Products	million €	4,600	4,929
Discontinued operations/Consolidation	million €	(54)	(51)
Earnings before taxes (EBT)	million €	704	750
Employees (Sept. 30)		43,012	46,486

Another record year for sales and earnings

The Services segment is focused on material and industrial services and on the supply of raw materials to the production and manufacturing sectors. The segment's main markets are Europe and the NAFTA region. Services sees particularly good growth opportunities in Eastern Europe and Asia.

Fiscal 2007/2008 was the third record year in succession for Services. Both sales and earnings hit new highs. Sales climbed 4% to €17.3 billion and earnings 7% to €750 million. In addition to the strength of the materials markets, these outstanding figures were the result of efficient portfolio optimization and performance enhancement programs. Added to this were growth initiatives in all business units.

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The Services segment increased its pre-tax earnings by 7% to €750 million.

Materials Services International

Benefiting from the positive situation on the materials markets, the Materials Services International business unit reported sales of €8.5 billion – a further improvement on the very good prior-year level. Despite price increases, demand for rolled steel and tubes was high. The sales growth was also partly attributable to the newly acquired companies – including Ferostav and the Apollo Metals Group – which were included in the reporting for the first time.

In Germany the upward business trend continued. Demand for rolled steel increased. The service center operations reported a pleasing workload. By contrast, prices for stainless steel were unsatisfactory. The picture was different for nonferrous metals, where strong global demand kept prices stable at a high level. It was only towards the end of the fiscal year that business began to slacken noticeably. Sales of plastics in Germany decreased on account of the weakness of the private construction sector.

Sales outside Germany increased mainly due to new activities in the Netherlands, Italy and Denmark. Demand and prices in the Eastern European market improved in the course of the fiscal year. Russia, Bulgaria, the Czech Republic and Poland reported stronger growth. The business unit systematically continued its concentration on the mechanical engineering, construction and aerospace sectors.

Materials Services International again exceeded its outstanding prior-year profits and remained the segment's highest earner.

Materials Services North America

At €1.8 billion, sales in the Materials Services North America business unit fell short of the year-earlier level due to strongly negative exchange-rate effects and the weakness of the North American materials market. Increasing inflation rates, driven in particular by high energy costs, and the continued financial crisis dampened private demand. In particular the US automobile industry and the private housing sector suffered as a result. By contrast, demand for materials from the aerospace and energy sectors remained satisfactory.

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Competition and margin pressure increased on all major markets for Materials Services North America.

Generally all the relevant markets registered increased competitive and margin pressure. Demand for flat-rolled steel products and stainless steel was weak and business with nonferrous metals also slackened. The signing of a new ten-year contract with Boeing Commercial Airplane in June 2008 provided an additional boost to the aerospace service business. The contract for integrated supply chain management covers global purchasing coordination, deadline tracking, inventory management, the processing of all aluminum and titanium products, the optimization of in-plant material flows and the coordination of 700 production plants and subcontractors.

Overall the business unit reinforced its outstanding position in the North American materials market and maintained its market share despite shrinking demand, though it was unable to match the previous year's profit level.

Industrial Services

The Industrial Services business unit increased its sales to €2.1 billion. There were several reasons for this pleasing growth: the good situation in Germany – especially in the engineering and energy sectors – disproportionate growth in Brazil, and an encouraging performance in the USA, where sales increased despite the euro/US dollar exchange rate.

The trend among customers towards outsourcing non-core processes in the production chain continued. A key issue on the German market was the increasing margin pressure caused by minimum wages. However, labor cost advantages alone were not the main reason for outsourcing among our customers. Quality and expertise advantages played a more important role. Industrial Services responded to this trend by offering customers integrated system solutions and innovative operator models. As a result, business continued to grow evenly across all services, regions and sectors. In the reporting year the business unit continued to focus on its target industries, the auto, chemicals/ petrochemicals, energy, construction and metal-producing sectors.

Overall the business unit further improved its operating performance in all areas and comfortably exceeded the record earnings of the year before.

Special Products

At €4.9 billion, sales of the Special Products business unit showed a further improvement on the high prior-year level. In the international rolled steel business, Chinese export tariffs and at times extremely high freight rates meant that procurement prices ex China were not always competitive in Europe. However, this development was almost offset by increased business within Asia. In the tube/ pipe business, some major projects were deferred until the new fiscal year. Demand and prices for metallurgical raw materials, coke and minerals remained high.

Energy trading, trading with industrial minerals and the industrial gases activities again gave a very encouraging performance. The ferroalloys business also significantly improved on its prior-year sales level and prices for the most part remained at a very high level. However, the metals business could not quite match the exceptionally good figures of the year before. Sales of technical systems increased further, profiting from increasing demand for infrastructure projects in numerous European and non-European regions. In particular there was a strong increase in public-sector orders in Germany and other countries.

Thanks in particular to the performance of the raw materials business and technical systems, the business unit surpassed its record prior-year earnings.

Significant events

Services continued its growth strategy in strategically attractive regions and markets. At the beginning of the reporting year, the segment acquired an 80% shareholding in Ferostav, the third largest steel distributor in Slovakia. As a result we further strengthened our already very good market position in Eastern Europe.

At the beginning of 2008 the segment also acquired a 100% stake in the UK-based Apollo Metals Group. Apollo supplies high-quality products such as aluminum, stainless steel and nonferrous metals in conjunction with value-adding processing services - mainly for the aerospace industry. In the course of the fiscal year Apollo was combined with Services' other aerospace activities to form ThyssenKrupp Aerospace. With 30 locations in 13 countries, the new unit is the largest supplier of supply chain management solutions in this specialist sector worldwide.

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The aerospace activities of Services were combined in ThyssenKrupp Aerospace – with 30 sites in 13 countries.

Services reinforced its position in the plastics services market with targeted acquisitions in Scandinavia, the Benelux countries and Italy. In Spain the segment acquired a majority shareholding in the materials service provider Lamincer. The acquisition further strengthened the segment's service activities in hot-rolled, narrow and cold-rolled strip. In Australia the segment acquired 100% of Steelcom, a regional market leader in the sale and hire of sheet piling and accessories plus the related equipment.

Services invested €369 million in the reporting year and expanded its operations significantly.

Capital expenditures

Capital expenditures in the Services segment amounted to €369 million, with depreciation at €154 million. The main investment went into business expansion. In Germany, the materials services activities at various locations were expanded. In North America the focus was on harmonizing the IT infrastructure and further expanding the supply chain management business. Various properties were acquired in Central and Eastern Europe, for example in Poland, Bulgaria and Serbia. The remaining investment served to maintain existing operations, develop new distribution channels and optimize processing capacities.

Corporate

Corporate comprises the Group's head office including corporate services as well as non-operating companies not assignable to individual segments. Also included here is non-operating real estate, which is managed and utilized centrally. The retained assets and liabilities of ThyssenKrupp Budd were also assigned to Corporate. As this company's operations have now been sold, Corporate sales decreased from €288 million to €124 million.

Expenditure at Corporate amounted to €417 million, €212 million more than the year before. While income in the prior year was boosted by sales of real estate in the amount of €115 million, in the year under review expenses were incurred for litigation and guarantees in connection with business disposals. Net interest deteriorated mainly as a result of increased capital requirements.

Financial position

Our financial position improved again in the reporting year. ThyssenKrupp's total equity increased, and our business success is reflected in our cash flow and balance sheet. This good performance was also due to the central financing system we use to optimize capital procurement and investment.

Central financing and maintenance of liquidity

The aim of our financing policy is to ensure that we have sufficient liquidity reserves at all times to meet the Group's payment commitments.

The financing of the Group is managed centrally by ThyssenKrupp AG, which maintains the liquidity of the Group subsidiaries mainly by making available funds within the Group financing system, negotiating and guaranteeing loans or providing financing support in the form of letters of comfort. Liquidity is maintained on the basis of a multi-year financial planning system and a liquidity planning system on a rolling monthly basis, each with a planning period of five months. All consolidated Group subsidiaries are included in this planning.

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The cash management system uses the surplus cash of individual subsidiaries to meet the capital requirements of others.

The operating activities of our Group subsidiaries and the resultant cash inflows are the Group's main source of liquidity. Our cash management systems take advantage of the surplus funds of individual Group subsidiaries to cover the financial requirements of others. By settling intercompany sales via intercompany financial accounts, we can reduce cost-incurring bank account transactions and external financing requirements. This also has a positive effect on our net interest.

Any external financing required is covered by committed credit facilities. These funds can be obtained in various currencies and over various terms. In addition, money and equity market instruments are used as well as other selected off-balance financing instruments such as factoring programs and operating leases. Information on the available credit facilities is provided in Note 25 on page 198.

Our centralized financing system strengthens the Group's negotiating position vis-à-vis banks and other market participants and enables us to procure and invest capital on optimum terms.

Issuer ratings since 2001

Issuer ratings facilitate access to international capital markets. ThyssenKrupp has been rated by Moody's and Standard & Poor's (S&P) since 2001 and by Fitch since 2003. ThyssenKrupp is currently rated by the agencies as follows:

	Long-term rating	Short-term rating	Outlook
Standard & Poor's	BBB	A2	stable
Moody's	Baa2	Prime–2	positive
Fitch	BBB+	F2	stable

Ratings upgrades would lead to lower refinancing costs. Conversely, downgrades would have a negative effect on the Group's capital costs.

Analysis of statements of cash flows

The amounts taken into consideration in the statements of cash flows correspond to the balance sheet item "Cash and cash equivalents".

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Operating cash flow improved significantly by €1,459 million in 2007/2008.

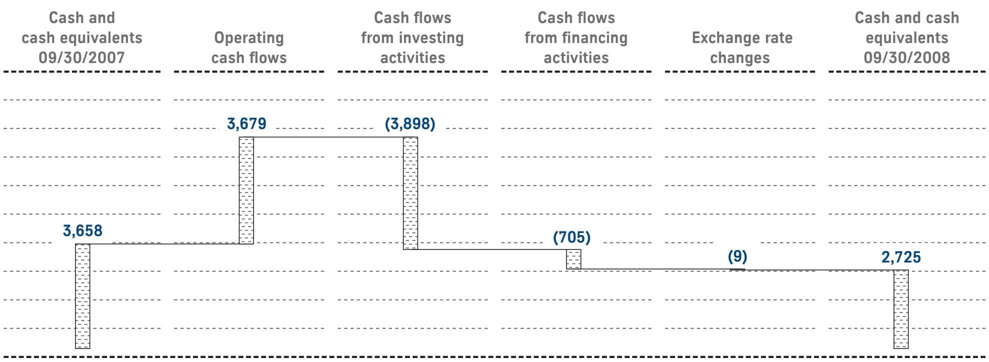
Operating activities provided €3,679 million in the reporting year compared with €2,220 million in the previous year. The significant improvement in operating cash flows by €1,459 million mainly resulted from the greatly reduced increase in working capital and here in particular the strong improvement in net working capital in the Stainless segment due to a reduction in inventories in fiscal year 2007/2008 compared with a considerable increase the year before.

Cash flows from investing activities increased by €1,547 million to €3,898 million. This was mainly the result of cash outflows for the purchase of property, plant and equipment, which increased by €1,074 million to €3,774 million, mostly in connection with the construction of the steelmaking and processing plants in Brazil and the USA, and the €122 million increase in cash outflows for the purchase of consolidated companies. At the same time cash inflows from the sale of property, plant and equipment and intangible assets decreased by altogether €298 million. This was mainly due to the sale in the previous year of real estate in connection with the concentration of ThyssenKrupp's administrative locations in Germany.

As in the previous year, the free cash flow, i.e. the sum of operating cash flows and cash flows from investing activities, was negative. Compared with the year before it decreased by €115 million to €(219) million. The significant rise in operating cash flows was therefore not enough to offset the cash outflows from investing activities, which were likewise considerably higher.

At €705 million, cash flows from financing activities were €35 million up from the year before. Compared with the previous year, higher cash inflows from net borrowings in the amount of €987 million were set against a €1,049 million rise in cash outflows for the purchase of treasury stock and for dividends.

CHANGE IN CASH AND CASH EQUIVALENTS in million €



Analysis of balance sheet structure

Compared with September 30, 2007, the balance sheet total increased by €3,568 million to €41,642 million. Included in this increase is an exchange-rate-related reduction in the amount of €225 million.

Non-current assets increased by €2,923 million to €18,308 million. Currency translation-related reductions of €54 million were set against significant additions in particular to property, plant and equipment mainly in the Steel and Stainless segments as a result of progress made in the construction of the steelmaking and processing facilities in Brazil and the USA.

Taking into account an exchange-rate-related reduction of €41 million, inventories increased by a total of €630 million to €9,494 million. In the Stainless segment inventories were €477 million lower, mainly due to a price- and volume-related decline in nickel. As a result of the positive business performance, inventories increased in the Steel (€380 million), Technologies (€240 million), Elevator (€53 million) and Services (€450 million) segments. The rise in inventories in the Services segment also reflects the first-time consolidation of the Apollo group.

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Trade accounts receivable increased slightly in the reporting year.

At €7,885 million after an exchange-rate-related reduction of €77 million, trade accounts receivable were €308 million up from September 30, 2007. Increases resulting from the business expansion mainly in the Steel (€109 million), Elevator (€145 million) and Services (€270 million) segments were set against a €177 million rise in payments from customers in the Technologies segments in connection with production orders for plant construction and shipbuilding. Trade accounts payable increased by €771 million. The Services segment reported an increase of €396 million, mainly relating to the Materials Services International (€251 million) and Special Products (€132 million) business units as a result of the above-mentioned business expansion. In addition, trade accounts payable were affected by changed maturity structures. Of the rise in other current non-financial assets by €434 million to €1,953 million, €293 million related to increased advance payments, mainly for the procurement of starting materials.

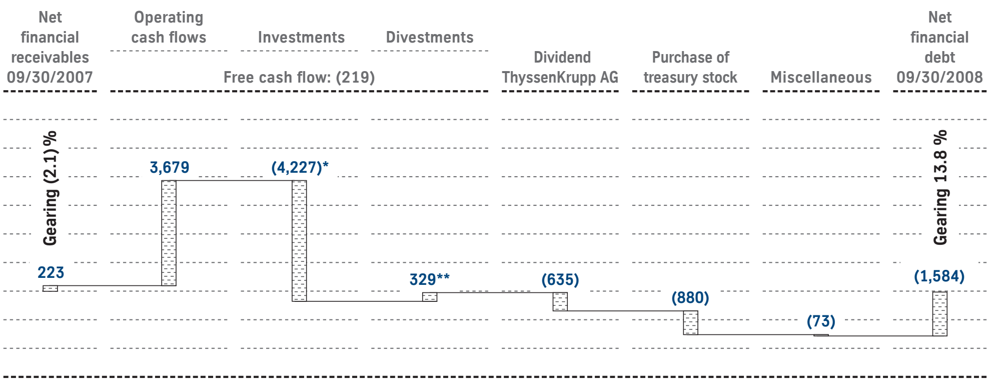
Cash and cash equivalents decreased by a total of €933 million to €2,725 million. This reduction reflects the cash outflows for dividends (€690 million), the purchase of treasury stock (€880 million), and a negative free cash flow due to high cash outflows for investing activities (€219 million). These outflows were set against inflows from net borrowings of €837 million.

Equity increased by €1,042 million to €11,489 million at September 30, 2008.

At the end of the fiscal year, total equity was €1,042 million up from a year earlier at €11,489 million. An increase in the amount of the net income achieved during the fiscal year of €2,276 million plus actuarial gains associated with the valuation of pensions recognized directly in equity of €394 million was set against dividend payments of €690 million, cash outflows for the purchase of treasury stock of €880 million and pre-tax expenditures recognized directly in equity in connection with currency translation (€80 million). Further changes in total equity related to the direct recognition of unrealized losses from derivative financial instruments, tax effects, and changes in minority interests.

The €589 million reduction in accrued pension and similar obligations resulted in the amount of €804 million from the increase in the discount rate and other changed assumptions. Running counter to this was a downward adjustment in the value of the pension plan assets. The €196 million rise in other non-current financial liabilities related to agreements under company law at a Brazilian subsidiary. Current and non-current financial debt increased by a total of €778 million in connection with the financing of the negative free cash flow, the dividend payments in the reporting year and the purchase of treasury stock. Other current financial liabilities were €698 million higher, mainly due to a €315 million rise in liabilities under existing payment terms in connection with the purchase of property, plant and equipment, in particular for the construction of the steel mill in Brazil, and a €212 million increase in liabilities in connection with the recognition of derivatives owing to a higher level of negative fair values. The rise in other current non-financial liabilities by €397 million to €7,501 million was mainly attributable to increased customer advance payments (€239 million) and higher liabilities in connection with manufacturing orders (€144 million).

NET FINANCIAL RECEIVABLES/NET FINANCIAL DEBT in million €



* incl. cash and cash equivalents acquired in the amount of €55 million
** incl. cash and cash equivalents disposed of in the amount of €68 million

Assets not recognized and off-balance financing instruments

Various major assets of the Group are not recognized in the balance sheet. These mainly concern specific leased or rented assets (operating leases). More details on this are presented under Note 29 on page 201.

The main off-balance financing instruments we use are factoring programs. More details can be found under Note 18 on page 185.

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The ThyssenKrupp brand is one of the Group's important intangible assets.

A major intangible asset is the ThyssenKrupp brand. It was continually further developed in the reporting year. Our new corporate film, TV commercials, press advertisements, publications and outdoor advertising, for example at Düsseldorf Airport, strengthened our brand and its recognition value. This advertising presence supports the business activities of our subsidiaries and their position in the markets.

Our long and well-established relations with suppliers and customers are also of significant value. They bring stability to our business activities and make us less sensitive to sudden market fluctuations. Our trusting cooperation with partners – often over periods of many years – provides us with a concrete advantage over competitors. These intensive collaborations facilitate numerous joint research and development projects which benefit from the expertise and development capacities of the companies involved. Together with our customers and suppliers we can develop future-oriented products and services which set new standards in economic and technical efficiency.

One example of our cross-segment network of capabilities is our cooperation with the automotive industry. Our engineers work together with the vehicle designers to develop new materials, high-performance tailored blanks, and optimized components.

In plant construction we develop industrial solutions throughout the world to meet our customers' need for cost-efficiency and at the same time protect the environment. With numerous reference facilities we have earned a reputation for outstanding projects. Here, too, the focus is on cooperation with customers, many of whom have been our partners for many years.

Long-term customer relations also lie behind the strength of our elevator business. When it comes to servicing our systems, reliability, delivery performance and technical competence are the key to success. For many of our partners, this was their reason for choosing products and services from ThyssenKrupp.

Commitment, sustainability and environmental protection

At ThyssenKrupp, we regard taking responsibility for society, the environment and the climate as the natural duty of a successful business enterprise. We sponsor art and culture, promote a better understanding of technology among the general public and offer our customers innovative products and our employees attractive jobs. Our eco-friendly achievements on the world market contribute to sustainable climate protection. All of this also supports the concrete business of our Group.

Commitment to society

ThyssenKrupp is involved in a wide range of projects – be it in culture, education and sport or in social, charitable and humanitarian activities. In this, we are guided by criteria based on the Group's understanding of value and responsibility. We sponsor humanitarian projects, support the philharmonic orchestras in Essen and Duisburg and are involved in selected sporting competitions such as the annual Rhine-Ruhr Marathon.

Innovation for the future

Alongside wide-ranging cooperation with research institutes and universities in Germany and abroad, we collaborate intensively with seven partner universities in Germany. At several universities – including Tongji University in Shanghai – we finance individual chairs. All contacts and collaborations promote the dialogue between education, research and industry, to the benefit of both the scientific community and the Group's applications-oriented development projects.

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Spending on research and development totaled €841 million in 2007/2008.

In the past fiscal year, ThyssenKrupp spent €841 million on research and development. We had more than 3,500 scientists and technicians at 85 development centers and departments working on new and improved products and processes. More information on our projects is provided on pages 116–124.

Ideas Park attracts 280,000 visitors

In 2007/2008, our initiative "Discovering future technology" continued to promote dialogue on technology across all areas of society and all age groups. Young people – the engineers of the future – are a key target group of the initiative, and our Ideas Park technology experience, staged in May 2008 in Stuttgart, was aimed particularly at them. With free admission, more than 280,000 people took the opportunity to find out about fascinating technology, put questions to experts or even carry out their own small projects. Some 500 engineers, researchers and students presented their ideas. The aim of these activities is to increase acceptance of technology among young people, on whom our society and we as a technology group are so dependent.

Employees are the key to success

The talent, creativity and commitment of our employees and executives are key to ThyssenKrupp's business success. That's why we provide a wide range of apprenticeship training opportunities and look to attract promising young talent from universities and colleges. We also provide numerous training and education programs for our skilled staff and executives. Further information on our workforce is provided in the "Employees" section on pages 125–132.

On September 30, 2008, around 57% of our employees were working outside Germany. For a global group like ThyssenKrupp, internationally oriented training measures and employee contacts are therefore of particular importance. These measures are tailored to specific job-related and personal circumstances and are therefore mainly carried out in our operating segments.

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In training centers in Europe and Asia, the Elevator segment prepares new employees for their future work.

One outstanding example is the global "SEED Campus" in the Elevator segment, comprising training centers in Europe and Asia to prepare experienced employees and new recruits from all areas of the company for their future duties. From February 2008, the first eleven participants from various countries of Asia took part in the fast-track program of the newly established SEED Campus Asia Pacific. The entry-level programs offered by the SEED Campus Europe in the past fiscal year were attended by 44 participants from 21 countries, including Spain, Italy, Germany, Kazakhstan, India, China, Brazil and the USA.

The Technologies segment also promotes international exchanges. In Russia, for example, a strategic cooperation agreement has been concluded with the technical state university of Nizhny Novgorod. Technologies also has an international trainee program aimed at young management staff from eight countries and providing 80 possibilities for rotation across companies. This approach is systematically followed up in the international Development Center, which prepares them for the move to the upper management levels.

Gaining a global insight into operations at other companies in the segment is an important part of the employee development process at Stainless. National and international job rotation strengthens intercultural skills and is also available to young participants as part of their trainee program, tailored to their individual stage of development.

The Steel segment also aims to sensitize employees to the increasing internationality of its operations at an early stage and offers young high-potentials interesting and attractive trainee placements at foreign companies.

Social standards in labor relations

ThyssenKrupp accepts social responsibility for its employees around the world. We comply with all national labor law standards and are committed to the principle of equal opportunity and the diversity of people and cultures all over the world. A preventive health policy, safety at the workplace and good working conditions are key elements of our management responsibility. These aspects are set out as guidelines in Group works framework agreements.

The Executive Board of ThyssenKrupp AG has concluded a global agreement with the Group Works Council and the European Works Council in which discrimination against members of the workforce is strictly rejected. The guidelines communicated in this Code of Conduct are one of the reasons why cooperation among employees at our locations around the world is shaped by tolerance and mutual respect.

Sustainable environmental protection

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Ongoing environmental protection expenditures totaled around €511 million in 2007/2008; on top of this came environmental investment of €71 million.

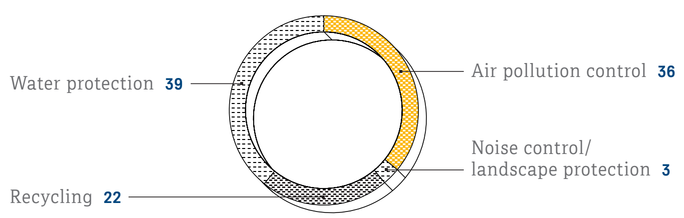
Greater resource and energy efficiency

Conserving natural resources and making the most efficient use of energy helps protect the environment and at the same time makes our Group more cost-efficient. Sustainability and climate protection are therefore in the long-term interests of ThyssenKrupp. In the reporting period we once again made significant progress in the areas of air pollution control, water protection, noise control and landscape protection. At €511 million, our expenditure for the operation of pollution control equipment was almost exactly the same as in the prior year. Investment in environmental protection was up 15% at €71 million. This increase mainly relates to the new blast furnace 8 in Duisburg, which is equipped with state-of-the-art pollution control equipment.

ONGOING EXPENDITURE FOR ENVIRONMENTAL PROTECTION in million €

	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Air pollution control	124	141	141	183	182
Water protection	177	165	168	204	201
Noise control/landscape protection	12	15	16	24	16
Recycling	64	81	87	109	112
Total	**377**	**402**	**412**	**520**	**511**

ONGOING EXPENDITURE ON ENVIRONMENTAL PROTECTION 2007/2008 in %



During the construction of the new blast furnace in Duisburg, the Steel segment spent around €80 million on environmental protection equipment, almost a third of the overall investment. All emissions are below the thresholds set out in the relevant environmental guidelines. Dust emissions are more than 20% lower than previous levels. A unique dust collection system was installed to capture emissions during unloading of our raw materials from rail cars. In developing this system, our environmental engineers advanced the state of the art. Measurements carried out together with the responsible environmental agency have proven that the new blast furnace produces virtually no uncontrolled dust emissions. Noise emissions have also been drastically reduced.

The new steel mill and processing plant being built by Steel and Stainless in Alabama will have an advanced acid regeneration unit which will greatly reduce nitrate levels in waste water. Acids from the annealing and pickling lines will be processed extremely effectively. This is the best technology currently available in terms of both economy and ecology.

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Particular emphasis is being placed on eco-friendly energy utilization in the construction of the new steel mill in Brazil.

As part of the construction of our new steel mill in Brazil, we have launched three projects under the UN's "Clean Development Mechanism". They will be used to generate electricity in a highly efficient combined cycle power plant using blast furnace gas and heat recovered from the coke plant. Utilizing efficient gas and steam turbine technology, the power plant combines the principles of a gas turbine power plant with those of a steam power plant and achieves a very high level of efficiency. It will be the first power plant of its kind on the entire American continent.

The projects are currently undergoing the prescribed processes for UN recognition and are expected to reduce CO_2 emissions by 4.7 million tons during the ten-year operating period. Tradable emission credits can be issued for these reductions.

Our Steel segment used the new "Direct Flame Impingement (DFI) Oxyfuel" furnace technology for the first time on a hot-dip coating line and on a coil galvanizing and aluminizing line. The process delivered outstanding results from the outset: It boosted performance, product quality and energy efficiency and reduced direct CO_2 emissions by 5%.

The Stainless segment started operation of a new waste air purification plant at its cold strip mill in Krefeld to reduce nitrogen oxide emissions. We also started construction of an acid regeneration plant to recover the acids used in production and reduce the levels of hazardous substances in waste water.

Since 2007 ThyssenKrupp Waupaca has been using a new iron melting furnace with heat recovery, which has lowered emissions and reduced the overall operating costs of the foundry. With this new system, Waupaca is regarded by the US foundry industry as a technology leader in waste gas purification and heat recovery.

In Dortmund, the 37 hectare surface of a former landfill site is currently being sealed for subsequent recultivation. We are investing €11 million in this project, which began in 2006 and is scheduled for completion by mid-2010.

Attractive solutions and innovations to protect the environment

Our commitment to environmental protection and sustainability is also reflected in products and processes that allow our customers to be more eco-friendly. Steel and high-performance alloys in particular make cost-effective climate protection possible in many areas.

- Improving efficiency and reducing CO_2 emissions are the challenges facing the coal-fired power plants of the future. One way of achieving this is to use extremely high steam temperatures which offer greater efficiency but necessitate new boiler and turbine materials. In collaboration with power plant operators and manufacturers of power plant boilers, the Stainless segment has developed an alloy variant which has already demonstrated its suitability in a pilot 700 degree power plant.

- A research project being conducted jointly by ThyssenKrupp, RWE Power and the Fraunhofer Society is aimed at further reducing development times for new materials. Laboratory experiments on high-grade materials allow their behavior under load to be predicted by simulations. The advantage: Researchers can identify possibly weaknesses in advance and develop alternative solutions; in this way, for example, more environmentally friendly power plants can also be built more quickly.

- Our innovative high-performance titanium alloys reduce weight and fuel costs in aircraft construction.

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High-quality electrical steel reduces energy losses by up to 19% in transformers, for example.

- We use our innovative casting and rolling technologies to produce high-quality electrical steel which reduces energy losses (e.g. in transformers and generators) by up to 19%.

- Nickel W14 is a new material for high-temperature superconductors used in generators for wind turbines. These superconductors allow wind turbines to operate in the 10 MW to 12 MW range and thus make the electricity they generate more economical.

- The world's first industrial-scale plant to produce propylene oxide using the innovative HPPO process has gone into operation in Korea. The plant has an annual capacity of 100,000 metric tons. Propylene oxide is used for example in the production of coolants and disinfectants. The new process – developed and licensed by Evonik Industries and our subsidiary Uhde – is extremely eco-friendly: It offers a high yield, and the only by-product is water. By contrast, conventional production plants severely pollute the waste water. With environmental regulations being tightened all the time, this innovative, by-product-free process has a very bright future.

- Uhde, a plant engineering company from the Technologies segment, is building three diesel and gasoline desulfurization plants which will allow the customers to switch to low-sulfur fuel production. In the past seven years, Uhde has now designed and built plants of this kind with a total capacity of 33 million tons.

Climate protection as a corporate responsibility

Climate protection is an important challenge, including for ThyssenKrupp. We respond to this challenge by using environmentally friendly production processes and by producing materials, components and plants which avoid greenhouse gas emissions or render them harmless.

ULCOS: Research to minimize CO_2 emissions

Because iron production by the blast furnace route requires among other things large amounts of coke as a reducing agent, producing one ton of steel currently generates 1.5 tons of CO_2. Since we have almost reached the theoretical minimum for the use of reducing agents of 414 kg carbon per ton of pig iron, the scope for reducing CO_2 emissions is also largely exhausted.

Our Steel segment has therefore joined forces with 47 other companies and institutions from 15 European countries in the research project ULCOS (Ultra Low CO_2 Steelmaking), which aims to develop new steel production technologies that will reduce CO_2 emissions by half. The program is financed by the participating companies and from European Union funds. In a first project phase, the consortium identified suitable concepts. Demonstration lines are now to be built in a second phase to test the extent to which the technologies can be developed for industrial-scale use. This will take time: It could be another 15 to 20 years before the technology can be applied on a commercial scale.

Conversion to gas power

Initial test vehicles in our car fleets can switch between gasoline and natural gas.

In response to dwindling oil reserves and high CO_2 emissions, we have launched initial tests on converting our vehicle fleets to dual-fuel systems. The engines of these vehicles can be switched simply to run on gasoline or natural gas.

Laughing gas as a climate killer

Eleven EnviNOX® plants developed by our Technologies segment are currently under construction or in operation to convert laughing gas, which is damaging to the climate, into nitrogen, oxygen and water. In the future they will reduce greenhouse gas emissions by the equivalent of 8.5 million tons of CO_2 per year. For example, the production of one ton of nitric acid generates around 7 kg of laughing gas, which to date has been emitted into the atmosphere with the tail gases from the plant. If all the more than 300 nitric acid plants installed around the world were fitted with the EnviNOX® system, this would reduce greenhouse gas emissions equivalent to 120 million tons of CO_2.

Although the concentration of laughing gas in the atmosphere to date is around a thousand times lower than carbon dioxide, it is roughly 300 times more harmful to the environment. It rises constantly into the atmosphere – mainly as a decomposition product of nitrogen fertilizers, from the combustion of biomass and as emissions from nitric acid production plants – where it is enriched. To make matters worse, the laughing gas is then split by the sun's rays into molecules which attack the ozone layer. That makes the protection provided by our EnviNOX® process all the more important.

For more information on products and processes which help protect the environment and the climate, turn to the Innovations section on pages 116–124.

Innovations

Our scientists and engineers are always a few steps ahead of the market on the road to the future. With their innovations, they constantly improve our products and processes, developing new solutions to the problems of our customers. Never being satisfied with past accomplishments is part of their job. Behind every idea lies a clever mind helping make the new possible and the existing even better.

Major innovation efforts

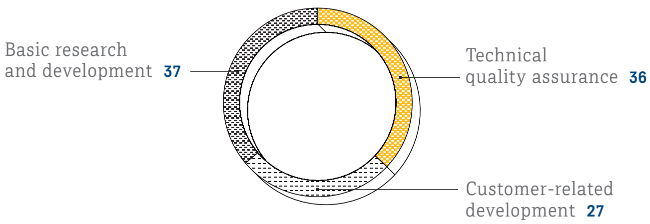
The enormous efforts which ThyssenKrupp undertakes to continually innovate its products and processes resulted in an increase in expenditure for research and development. In the fiscal year 2007/2008, total innovation spending came to €841 million, an increase of 3% compared with the prior year. Of this, we spent €316 million on basic research and development including capitalized development costs. The costs of customer-related development work amounted to €224 million, and €301 million was spent on technical quality assurance.

INNOVATION SPENDING in million €

	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Basic research and development	191	186	241	257	316
Customer-related development *	182	266	230	294	224
Technical quality assurance	275	281	272	264	301
Total	**648**	**733**	**743**	**815**	**841**

* including outside R&D funds and public funding

INNOVATION SPENDING 2007/2008 in %



Employees, customers and cooperation partners – Basis for successful innovations

Highly trained employees form the basis for our strong innovation capabilities. This is why we recruited numerous new and highly trained experts, particularly from the area of science and engineering, in the past fiscal year. Our innovation projects are now being driven forward by 3,500 employees in 85 development centers and departments; the figure in the prior year was around 3,300. The capabilities of the Group's different research and development areas are complementary: Synergies between the individual segments are identified and exploited in a targeted way. ThyssenKrupp AG made a large R&D budget available for such cross-segment research and development projects in 2007/2008, creating an additional incentive to exploit synergistic opportunities and promote strategic new developments. We initiated numerous new development projects in this way in the past fiscal year.

To develop our product spectrum in line with market and customer requirements, our development teams work closely with our customers. A broad network, based in part on longstanding partnerships with university institutes and non-university research establishments, also incorporates the latest scientific findings. ThyssenKrupp cooperates with numerous renowned universities, colleges and academic institutions in Germany and abroad. In 2008, for example, we launched a strategic partnership with the Massachusetts Institute of Technology (MIT) in the USA, which is highly regarded for its high-level research. Increasingly, we are focusing on long-term strategic partnerships in our links with the academic world.

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ICAMS, the development center for high-tech materials at Ruhr University Bochum, is researching new materials through computer simulation.

Engaged in advanced materials research

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

The "Advanced Materials Simulation" used in Bochum is a new key technology in materials development. The aim of ICAMS is to model new materials primarily on the computer and predict their properties through simulation. All the dimensions relevant for materials – from atomic structure to microstructure to macroscopic properties – are included in the mulitscale simulation. In conjunction with the ICAMS researchers we will be able to bring even better materials to the market even faster in the future and meet customer requirements even more precisely.

Innovative work in the segments

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

The InCar project offers auto manufacturers complete solutions for body, powertrain and chassis products.

InCar: Solutions pool for the auto industry

The InCar project, linking the automotive capabilities of the Steel and Technologies segments, represents a new stage in our research and development activities for innovations in auto manufacturing. Under this project, customer workshops were held in the reporting year with vehicle developers and engineers from the auto industry in order to coordinate technical developments. Another focus was on the design and validation of modular solutions such as an innovative twist beam axle and a roof module made from lightweight sheet.

The project is conceived as a solution and ideas pool for the body, powertrain and chassis areas. Newly developed solutions are assessed and validated in terms of structural mechanics and manufacturability. One of the tools used in this is a manufacturer-independent benchmark structure representing the latest state of the art. All innovations are manufactured and tested as prototypes under realistic production conditions.

Steel: Improvements to materials for the auto industry

In response to growing demand from auto manufacturers for high-strength and ultrahigh-strength steels, the Steel segment developed the new dual-phase steel DP-K 60/98. This material displays a strength of 980 megapascals, twice as high as the steels used to date. Following the successful completion of laboratory development, the material is now being tested in operating trials.

Because low weight and greater safety are becoming more and more important, auto manufacturers are increasingly turning to the technology of hot stamping. Hot-stamped parts made from alloyed steel sheet can achieve significantly higher strength levels then cold-stamped components made from high-strength materials. Following the successful introduction of the first hot-stamped tailored blanks, ThyssenKrupp Steel is currently working to develop the materials as well as the process technology further. To improve the ratio of strength to formability in hot-stamped parts, new dies are necessary in which the material cools at different rates in different places. This makes it possible to produce tailored parts which display specified strength and elongation properties in precisely defined areas.

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A new production process for hot-dip galvanized multiphase steels opens up new opportunities for weight reduction in the auto industry.

Further quality improvements in hot-dip galvanized multiphase steels

An innovative process for the hot-dip galvanizing of multiphase steels was developed in close cooperation between developers and production experts at our DOC® surface engineering center. The DOC® is one of the world's most advanced development centers for steel surfaces. The so-called oxidation/reduction technology creates the conditions for applying high-quality coatings to the surfaces of high-strength multiphase steels in a continuous coil coating process. Other steel materials can also be coated with zinc using this technology.

The multiphase steels coated by the new process have major market potential in lowering automobile weight and reducing CO_2 emissions. The newly developed process won third prize in this year's ThyssenKrupp Innovation Contest.

Materials know-how and forming expertise

A newly developed front underride guard for trucks is over 40% lighter and at the same time safer than systems commonly used so far. The core components of the Front Underride Protection System are a bumper made from a boron-alloyed heat-treatable steel and two crash boxes mounted behind the bumper. The high-strength heat-treatable steel has a yield strength of 1,600 megapascals, while the dual-phase steel for the crash boxes displays high residual elongation allowing impact energy to be absorbed in a controlled way.

Low-noise electrical steel for quieter transformers

A new material designed to reduce the typical humming noise generated by transformers has come through initial operating tests successfully. The cores of transformers consist of a series of laminations made from grain-oriented electrical steel, whose special electromagnetic properties allow efficiencies of around 99%. When alternating current is applied, these laminations start to vibrate and cause noise. Transformers made with our low-noise material operate much more quietly.

Successful combination of carbon and stainless steel

Crash safety and weight reduction are at the center of a cross-segment project by Steel and Stainless. Our developers have succeeded in combining stainless steel and carbon steel and exploiting the benefits of both in one tailored strip. Austenitic stainless steels can be hardened to strength levels of over 1,400 megapascals by cold rolling and therefore offer major potential for weight reduction. To make them more cost-efficient, they are now being combined with a less-expensive high-strength dual-phase steel. Products like these are laser-welded together from steels of different grade, thickness and coating to produce tailored strips, blanks or tubes whose structure exactly matches the stresses prevailing in the finished part.

Stainless: Cost-effective material alternatives with reduced nickel contents

Increasing raw material costs, higher customer requirements and extended applications are among the challenges facing the Stainless segment. Various material innovations in the areas of stainless steel, nickel and titanium alloys are providing successful solutions and strengthening our position in the global marketplace. Stainless is exploring new paths to increase the performance potential of the materials and at the same time optimize their use. The increasing importance of this was reflected at ThyssenKrupp Nirosta by the establishment of a new executive board directorate for strategic product development which coordinates these activities across the segment.

To make us less dependent on the nickel price and allow us to offer a broader range of low-cost materials, we have developed various materials which are either nickel-free or have a much smaller nickel content.

In times of high nickel prices, Nirosta 1.4640 is a low-cost alternative to the standard material 1.4301 offering equally good properties in terms of corrosion resistance, formability, weldability and aesthetics. Thanks to a new combination of copper, nitrogen and manganese as alloying additions, the developers were able to reduce the nickel content of the stainless steel without impairing material properties. The similarity of properties to material 1.4301 means that customers – applications lie in the domestic appliance, kitchen equipment and capital goods industries – can continue using the same processing technologies when they change to the new material. The team responsible for this development won second prize in the 2008 Innovation Contest.

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Drinking water pipes can now be made from a nickel-free stainless steel which is readily formable, does not corrode and costs less.

That existing materials can find new applications through modification was proved by ThyssenKrupp Nirosta with the nickel-free stainless steel 1.4521. Up to now, expensive nickel-containing steels have been used for drinking water pipes. Working closely with customers, our specialists improved this steel such that it can be readily formed and does not corrode even under unfavorable conditions. The material is already being successfully used for drinking water pipes in Switzerland and has now also been approved for use in Germany. At the same time we have optimized the manufacturing technology in order to handle the increasing volume of orders.

Another new material with reduced nickel content is the austenitic stainless steel Nirosta 1.4618, whose properties make it particularly suitable for domestic appliances, commercial kitchens, sinks and interior architecture. Nirosta 1.4607, a material designed especially for auto exhaust systems, is completely nickel- and molybdenum-free. It is very resistant to high temperatures and is therefore suitable for new generations of engines in which it minimizes NO_x emissions.

New high-performance nickel and titanium alloys contribute to climate protection

Innovations in materials increasingly hold the key to efficient climate protection and resource conservation. New generations of fossil-fired steam power plants are being introduced which can achieve higher efficiencies as a result of higher temperatures and pressures of the steam. Together with power plant operators and manufacturers of power plant boilers we have developed a material – Nicrofer 5520 Co B – which meets the increased thermal and corrosive requirements of these power plants; suitability for operating temperatures of 700°C has already being successfully demonstrated. Our engineers are now working on using this alloy for the manufacture of longitudinal-welded thick-wall pipes and large forgings.

The use of new nickel alloys is also paying dividends in wind turbines. Turbines with so-called high-temperature superconductors operate with much higher efficiency than conventional systems. Together with a development partner, ThyssenKrupp VDM has developed a production route for nickel W14, which can be used in superconductors, e.g. in generators, and provides mechanical stability and long service life. The findings gained in the laboratory were successfully transferred to large-scale production; a patent has already been filed. This development opens up a new opportunity to participate in the growth of the wind power market.

Our scientists and technicians have made further progress in developing an existing material for use in fuel cells. The new material Crofer 22 H – developed jointly with the Jülich Research Center – was produced for the first time on a commercial scale. Crofer 22 H is a material with much greater elevated-temperature strength than the existing material. This is achieved by additions of niobium, tungsten and silicon. This new material can be used in the next generation of high-temperature fuel cells.

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We developed a new titanium alloy for auto exhaust systems which can withstand temperatures of up to 1,000°C.

The titanium alloy Ti-X containing the relatively inexpensive main constituents of iron and silicon was developed especially for use in auto exhaust systems. In contrast to pure titanium, which cannot be used at high temperatures, the new material is a high-temperature alloy which is oxidation-resistant and can be used at temperatures up to 750°C. In order to enable the material to be used at even higher temperatures up to 1,000°C, we developed a special protective coating in the form of a thin aluminum cladding applied to the alloy. The advantage of volume use of this in-development material in auto manufacturing lies in its significantly lower weight which reduces CO_2 emissions in vehicle operation.

Efficient and cost-effective products for the aerospace industry

Aluminum seat rails in aircraft are exposed to particularly heavy wear. In addition, the mechanically stressed rails are subject to corrosion damage. The solution: a low-weight composite material consisting of titanium and aluminum developed by our engineers in a cross-segment project. The DAVEX roll-joining technology developed by ThyssenKrupp allows the manufacture of material combinations which cannot be produced conventionally or only at very high cost. In the new seat rails made in this way, only those parts which are directly exposed to corrosion are made from the extremely resistant titanium.

Technologies: Eco-friendly plant construction

Efficiency and environmental friendliness are key criteria in new and improved products in the various areas of our plant construction activities, part of our Technologies segment.

In view of the current world market situation, the supply situation for fossil fuels and the efforts to reduce carbon dioxide emissions in energy generation, more and more customers are expressing an interest in plants which gasify coal, produce petroleum coke from refinery residues or utilize biomass. We have many years of experience in gasification and coal chemistry and can offer numerous technologies for this such as the industrially proven PRENFLO™ process. This process has now been further improved with the newly developed "Direct Quench" technology: The raw gas is saturated for the subsequent conversion of the carbon monoxide by the injection of water (quenching). This offers significant advantages in process control in many applications; in addition the capital costs are lower.

We designed a large-scale production plant for the biodegradable plastic polylactic acid.

Polylactic acid (PLA) is a biodegradable plastic whose properties are comparable with those of polyethylene terephthalate (PET) and polystyrene (PS). It is mainly used for packaging, bottles and fibers. The starting material is lactic acid which is recovered from the starch of renewable raw materials. Compared with plastics made from petrochemical feedstocks, the production of each kilogram of this biodegradable plastic saves more than 20 megajoules of energy; at the same time it eliminates over 1 kilogram of carbon dioxide equivalent greenhouse gases. This plastic is therefore a sustainable alternative to other plastics made from petrochemicals.

Our process engineers have developed a new low-cost plant technology for polylactic acid production. Based on the findings from the operation of a company-owned pilot plant they have already designed a cost-efficient large-scale plant. A first large-scale commercial plant is to be built and operated on this basis for a customer in Guben, Germany.

In the past fiscal year we succeeded in implementing various new developments for the lime industry. With the aim of making existing lime burning systems more cost-efficient and environmentally compatible, our engineering specialists added a new modular shaft heat exchanger to a rotary kiln. Compared with the original kiln, the heat exchanger significantly reduces energy requirements and hence also fuel-related CO_2 emissions.

Innovative equipment for oil sands mining

The development and construction of a fully mobile crusher plant has been completed. The new crusher plant travels on crawlers; the material it produces is then carried away on conveyor belts, eliminating the huge trucks previously used to transport material in large open-pit mines. A first plant of this type capable of handling 3,500 tons per hour has been proving its capabilities under extreme production conditions in a Chinese coal mine since 2007. The elimination of truck haulage reduces operating costs by around a third. At the same time, CO_2 emissions are substantially lowered, contributing to climate protection. Market potential for this fully mobile crusher plant exists in open-pit mines throughout the world wherever large masses have to be crushed and transported, e.g. in oil sands mining in Canada. The development of a fully mobile crusher was honored with first prize in this year's ThyssenKrupp Innovation Contest. Our developers are currently working on more powerful plants capable of handling the entire process chain in oil sands mining.

Innovative propulsion technologies at Marine Systems

Shipbuilding engineers and technicians at our shipyards are working to improve fuel cell technology and the various systems for producing the hydrogen required on board underwater vehicles. They are looking into ways to produce it from both methanol and diesel fuel. As this technology is also important for other areas of the Group, our researchers are working together across segment boundaries. We have also made further progress in battery technology for submarine use. Successful tests using lithium polymer batteries show them to be promising for underwater travel. Compared with fuel cells, which allow long underwater operations at relatively low speeds, lithium polymer batteries can provide higher power for short periods, making this battery technology the ideal complement to fuel cell technology.

Innovations for fuel-saving automobiles

Increasing calls by car buyers for reduced fuel consumption and lower CO_2 emissions have significantly increased the pressure on the auto industry. Systematic weight reduction is required, as are improvements in the engine and powertrain areas. Our development engineers have therefore set themselves the goal of providing a tailored range of weight-reduction solutions for all chassis components. They include the TTS® spring, which has been significantly improved in terms of strength and toughness by thermomechanical forming, a new tubular stabilizer, the weight-optimized lightweight McPherson strut and various add-on parts. In this way functions have been improved and weight significantly reduced. Taking into account all the savings made possible by intelligent weight reduction using high-strength steels for chassis components, the chassis of a midsize car could weigh up to 25% less in the future.

The environment also benefits from our newly developed bushing-less connecting rod, which permits further progress in truck engines. The high peak pressures occurring in modern engines place great demands on engine components. Innovative piston pins, a special coating and laser texturing of the steel surface of the connecting rod bore form the basis for the new bushing-less connecting rod which meets these mechanical requirements. The surface of the connecting rod bore is laser machined for optimum friction, which reduces the fuel consumption of the engine, causes fewer CO_2 emissions and reduces wear.

Elevator: New era in elevator technology

Our Elevator segment launched a new era in elevator technology with the TWIN elevator. More and more building owners and architects are turning to the innovative concept for passenger transportation in tall buildings in which two cabs travel independently of one another in the same shaft. This permits optimum capacity utilization: In existing buildings, transportation capacity is significantly increased with the same number of shafts. In the new installations area, one third of shafts can be eliminated and useful space increased compared with conventional elevators – an increasingly important argument against the background of high rents. A single installation can provide a noticeable gain in efficiency and convenience in tall buildings.

i The UK's first TWIN elevator system went into operation in London in 2007/2008.

Thanks to this innovative technology, which is offered exclusively by Elevator, we have won several new contracts in both established and new markets. For example, in the past fiscal year the first TWIN installation in the UK began operation in the building of the Financial Services Authority in London. Further major orders were received from the Netherlands, Russia, South Korea and the Middle East.

Energy-saving lighting concept

The need to use energy efficiently also affects elevators, escalators and moving walks. We have developed various measures to reduce the energy used in standby mode – which accounts on average for 60% of total elevator energy requirements. For example, modern LED lamps reduce energy consumption by up to 40% compared with conventional lighting. These energy-saving systems can be installed in new installations or retrofitted in existing installations to meet increasing demands for energy efficiency.

Services: Innovative service for the steel industry

Innovation projects in the Services segment last year again focused on developing new and tailored service offerings for our customers.

One important area was the steel industry, where we successfully implemented various innovative ideas. In a cross-segment project, a team of engineers developed an innovative mobile sludge dewatering system for a coke plant. With this new concept, residual wastes which previously had to be disposed of can now be recycled at low cost. Following successful trials and commencement of regular operation, the system can now also be used in other areas of industry.

Under another cross-segment project we developed a new load lifting system using electro-permanent magnets for slab handling. A pilot system was tested in the port of Walsum in Duisburg. The new system is also to be used soon to move steel slabs weighing up to 36 tons at the Steel segment's new mill in Brazil.

New roads for rail traffic

The NFF New Slab Track System from Services is an innovative alternative for building new rail tracks on difficult ground. Unlike conventional slab tracks where the concrete or asphalt slabs lie flat on the sub-base, the New Slab Track rests on a bridge-like substructure in which pairs of concrete piles are driven into the ground and connected by cross members. The concrete slabs are laid on this, and on them the rails. The loads from train operation are transferred directly into deep and stable ground layers. The innovative profiles for the slabs are made by the DAVEX roll joining process.

Improved equipment for offshore construction services

Our engineers have developed new and improved vibratory pile driving equipment for port expansion projects, e.g. container terminal construction, and in the offshore area for anchoring drilling rigs or offshore wind parks. New bearings for the rotating masses increase the performance and extend the lifetime of the vibratory hammers.

Innovation contest 2008 highlights successful projects

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61 projects from all segments of the Group were entered in the 2008 Innovation Contest.

Our Groupwide innovation contest is instrumental in further improving the investment climate by helping turn good ideas into marketable products and services. 61 projects of consistently high quality from all segments were entered in the 2008 contest. The criteria on which judging was based were customer value, customer retention, cost savings in in-house production, degree of innovation and market potential. Three project teams including a total of 18 employees were honored for their outstanding innovations.

The contest has been held each year since 2000, underlining the importance of continuous innovation efforts. In the contests held to date, 414 projects have been entered and 36 of them have won awards. Around a quarter of all projects stem from outside Germany. The innovation contest is being staged again in 2009, the tenth year in succession.

Employees

Our 199,374 employees contributed to ThyssenKrupp's success with their ideas, expertise and passion for their work. Challenging training and education programs, performance-related pay, employee shares and above-average commitment are the basis of this performance strength. The wide range of cultures at Group locations worldwide fosters the intercultural capabilities of our skilled and executive staff.

EMPLOYEES BY REGION

	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2007	Sept. 30, 2008
Germany	94,009	87,141	84,052	84,999	85,097
Other EU	37,655	40,009	39,688	41,522	42,503
Americas	42,050	44,346	46,240	44,228	47,561
Asia/Pacific	8,628	10,369	11,956	14,890	17,881
Other countries	4,694	4,067	5,650	5,711	6,332
World	**187,036**	**185,932**	**187,586**	**191,350**	**199,374**

Workforce development: significant rise in employee numbers

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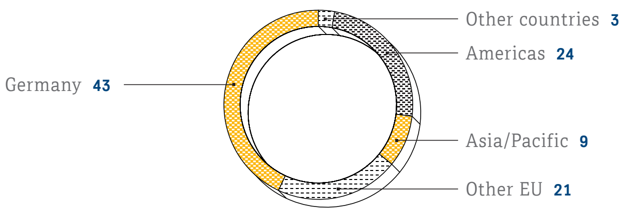
The Group's workforce grew by 4% to 199,374 employees worldwide in the reporting year.

The number of employees rose significantly in fiscal year 2007/2008. On September 30, 2008, ThyssenKrupp had 199,374 employees worldwide, an increase of 4% from the end of the previous fiscal year. The biggest growth was in the service-related segments Elevator and Services. Steel created new jobs above all with the construction of new plants in Brazil and the USA. Employee numbers in the Technologies segment showed a slight decline, while the headcount at Stainless remained virtually unchanged.

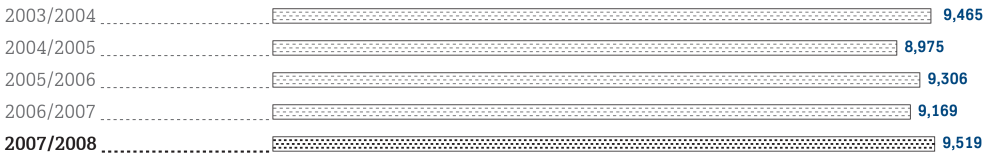
In Germany the number of employees remained unchanged at 85,097. Outside Germany, the employee roll increased by 7% to 114,277, as a result of which the foreign share of the workforce rose to 57%. At the end of September 2008, 43% of employees were based in Germany, 12% in the USA, 7% in Brazil, and 5% in France.

EMPLOYEES BY REGION on September 30, 2008 in %



Personnel expense increased by 4% to €9.5 billion in the reporting period. The following graphic shows the development of personnel expense over the past five years.

PERSONNEL EXPENSE in million €



Shaping the future with ideas

Ideas management has a long and successful tradition at ThyssenKrupp. It is aimed at encouraging all employees to contribute their knowledge and experience in areas outside their own immediate duties by making suggestions for improvements.

In the past fiscal year employees in Germany submitted just under 38,000 suggestions. The participation rate was therefore 496 suggestions per 1,000 employees, 6% higher than in 2006/2007. The economic benefits are also pleasing: The new ideas will allow annual savings of €30 million, 14% more than the year before.

The most valuable suggestion in the Company's recent history was submitted by an employee of ThyssenKrupp Steel AG. His idea for enhancing continuous furnaces on the casting-rolling line in Duisburg will save annual maintenance and energy costs amounting to millions.

Many Group subsidiaries outside Germany also have active ideas management programs. Outstanding examples are ThyssenKrupp Metalúrgica Campo Limpo in Brazil, ThyssenKrupp Acciai Speciali Terni in Italy and ThyssenKrupp Sofedit in France.

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In 2007/2008 our employees submitted just under 38,000 improvement suggestions resulting in annual cost savings of €30 million.

75 winners in the ThyssenKrupp best Ideas Competition

A particular highlight in 2007/2008 was the Ideas Competition run in association with our value enhancement program ThyssenKrupp best. All the Group's employees worldwide were invited to enter suggestions with the chance of winning attractive prizes. Over 25,000 entries were submitted by individual employees and 12,000 by teams. The 75 winners from ten countries were invited to the award-giving ceremony at the Ideas Park in Stuttgart, among them employees from China, Brazil and the USA.

Strong commitment to health and safety

Health and safety has become an increasingly important aspect of the Group's personnel policy in recent years. For this reason the Executive Board of ThyssenKrupp AG in association with the Group Works Council has issued a clear statement on health and safety in a code of conduct which is binding for all employees. For ThyssenKrupp, health and safety is a key corporate objective ranking equally alongside product quality and business success.

However, the many successful health and safety activities have been overshadowed by a number of tragic accidents, as a result of which 14 employees lost their lives in the reporting year. The most serious accident happened on December 6, 2007 at the Turin plant of ThyssenKrupp Acciai Speciali Terni. As the result of a fire, ten employees were injured, seven of them fatally. A further five employees from other Group subsidiaries suffered fatal accidents on their way to or from work. The Executive Board and Supervisory Board of ThyssenKrupp AG and all employees mourn the loss of these colleagues. Our deepest sympathies go to the victims' families.

Despite these isolated tragic accidents, the accident rate overall decreased further. In fiscal year 2007/2008 1,240 accidents were reported in Germany, which means that there were 10.4 accidents per 1 million hours worked – an improvement of 7% from the year before.

This reduction was repeated in the international statistics. Here, too, we can report a positive trend.

To achieve a further significant improvement in health and safety, we have combined all efforts and measures in the Groupwide initiative "Zero Accidents". The initiative focuses mainly on the responsibility of the Executive Board - accidents are discussed at every Executive Board meeting – and executives at all levels, an international exchange of information, and targeted health and safety training at the plants. These measures are directed at all employees and special modules have been developed for executives.

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The Groupwide "Zero Accidents" initiative is aimed at increasing the health and safety of employees.

Over 4,400 young people undergoing training

By tradition ThyssenKrupp attaches great importance to training the skilled workers of tomorrow. Around 180 full-time trainers and numerous training officers are helping to give 4,431 apprentices a successful start to their careers.

Our subsidiaries have pursued intensive apprenticeship training activities for many decades. As well as training beyond their own needs, our companies ensure the high quality and practical value of the knowledge taught. At 5.8%, our already high apprenticeship training rate, i.e. the ratio of the number of apprentices to the overall workforce in Germany, was increased further in the past fiscal year.

90% of apprentices were offered a job with a ThyssenKrupp company on successfully completing their training. This very high retention rate reflects in particular "Program Future" in the Steel segment which aims to offer young people a lasting chance of employment.

Shortened apprenticeships as a first step on the career ladder

The shortened apprenticeship courses for practically minded young people introduced a few years ago have successfully reduced the number of people dropping out of training. Group subsidiaries first introduced these apprenticeships back in 2005/2006. In view of the good response, numerous Group subsidiaries now feature these special occupations in their apprenticeship programs. On completing a shortened apprenticeship, young people who have performed well can if they wish move directly onto a more challenging apprenticeship in the same occupation; their previous training will then count towards this.

Participation in the training pact

ThyssenKrupp continues to participate in the training pact between government and industry. In fiscal year 2007/2008 alone, we created 75 additional apprenticeship places and offered 46 initial training placements. Over 60% of the young people who have so far completed an initial training placement subsequently signed an apprenticeship contract. This success is due primarily to the intensive specialist and educational support provided by ThyssenKrupp trainers.

Advanced training promotes motivation and skills

In the reporting year, nearly every employee in Germany took part in advanced training measures. Key areas included quality management, data systems and information processing, health and safety, and management training. Added to this were intensive training programs at our foreign branches and operations. The courses, seminars and other events offer significant advantages to companies and employees alike. Our employees gain new perspectives for the future and are better motivated and qualified for their work in the Company.

Universities and graduates

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ThyssenKrupp is regarded as an attractive employer among young engineers and business students.

In the increasing competition for the best young graduates, ThyssenKrupp has established a strong starting position. Both engineering and economics students see us as a highly attractive employer.

In view of future requirements, we have further stepped up our university marketing activities and launched the “ThyssenKrupp Recruiting Initiative”. Our aim is to make potential young executives more aware of the career opportunities offered by our Group, attract them to ThyssenKrupp at an early stage, and provide efficient and sustained support throughout the recruitment process. A new careers portal on the internet provides this target group with a clear overview of the size and diversity of our Group and the attractive jobs and entry schemes available. In addition, two new graduate entry programs have been created directed at both interns and postgraduate students.

“Next Generation” internship program

In the reporting year ThyssenKrupp employed 1,200 interns in Germany alone. In fiscal 2008/2009, the 100 best interns, selected on the basis of their commitment and performance during their internship, will join a new two-year program for interns in which they will receive extensive support through to the start of their professional careers. Under the ThyssenKrupp “Next Generation” program, interns will gain a better knowledge of our Group and also of themselves and their own strengths and development areas. Since good students most commonly find their future employer through attractive internships with systematic support programs, “Next Generation” will benefit not only the students but also our Group.

“Your Innovation” - the ThyssenKrupp program for doctoral students

Engineering graduates in particular are increasingly keen to gain higher qualifications in doctoral programs with a strong practical focus. In our new-look ThyssenKrupp program for doctoral students “Your Innovation”, highly qualified young academics develop innovations and contribute their input to the latest technologies in the Group. By communicating with other postgraduates and experienced employees via our knowledge network and taking part in tailored seminars, they can identify and develop new aspects of their own potential. Targeted mainly at engineering graduates, the program provides participants with interdisciplinary support in their doctoral studies.

Partial retirement and company pension plan

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Almost all of the 3,730 employees in partial retirement are using the so-called block release model.

Block model of partial retirement popular

The partial retirement scheme allows employees a smooth transition into retirement and thus also speeds up the process of change in the age and skill structure of the workforce. In the Group 3,730 employees were in partial retirement at the end of September 2008. Almost all of them opted for the so-called block release model – with a full-time work phase followed by a release phase. The table below shows the number of employees in partial retirement in the individual segments:

EMPLOYEES TAKING PARTIAL RETIREMENT BY SEGMENT on Sept. 30, 2008

	Working phase	Release phase	Total
Steel	853	942	1,795
Stainless	239	91	330
Technologies	696	454	1,150
Elevator	89	67	156
Services	128	99	227
Corporate	29	43	72
Group	**2,034**	**1,696**	**3,730**

Modern company pension plan

The company pension plan at ThyssenKrupp has been a key element of compensation policy for decades. It was reorganized in the Group many years ago and today represents a combination of employer- and employee-contribution pension benefits, with the employee contributions qualifying for additional rewards from the employer. Employees receive regular information on the status of their personal pension benefits in the form of “account statements”. As well as creating transparency, this makes employees aware of the considerable value of their own company pension benefits.

The employee-contribution pension plans available cover the entire spectrum of tax-deductible options. The Group’s own deferred compensation plans are particularly popular. The continuation of the rules exempting deferred compensation from social security contributions beyond 2009 has placed the employee-contribution pension plan on a solid basis and allows employees to reliably plan their benefits.

ThyssenKrupp PerspActive successful

The new management development concept “ThyssenKrupp PerspActive” has already proven its value in practice.

For efficient and integrated management development, managers must be assessed on the basis of uniform standards and criteria. For this reason a newly developed assessment process was introduced in the past fiscal year – as part of the “ThyssenKrupp PerspActive” management development concept. Under the new process, the Group’s top managers were assessed by their supervisors on a standardized basis according to performance, potential and management competencies. The results were then discussed by the management bodies of the business units and segments. Finally, the Group Executive Board considered the assessments in a closed-door “Management Development” meeting. The new transparency enables a better assessment of the Group’s management portfolio and supports the Executive Board with decisions on strategic management planning.

To promote Groupwide networking and improve the personal development opportunities of each individual manager, we have developed a so-called “career rule” in the framework of “ThyssenKrupp PerspActive”. This states that executives can only be considered as candidates for positions in the segment executive board if they have experience in at least two countries, two functions and two companies. Generally each of these stages takes at least two years. In the first 18 months after the phased implementation of this rule, an increase in mobility at executive level has already been observed: Among the potential candidates for top executive positions, both international and cross-segment rotations have doubled.

Cross-segment career prospects

"ThyssenKrupp PerspActive" supports and promotes the development prospects of each and every manager and helps the company select the best candidate for each position. A key instrument for this is the newly defined appointment process, under which appointments at the level below the segment executive board are subject to the approval of the Group Executive Board. We aim to open up further prospects across the segments for as many executives as possible and ensure that each vacancy is filled by the most suitable candidate.

The "ThyssenKrupp PerspActive" processes are supported by a new internet-based executive information system. Executives can use it to assess their employees online and plan and follow up development measures.

To improve the transparency and comparability of positions, ThyssenKrupp has introduced a Groupwide grading system for all top management posts worldwide. This allows these positions to be compared for the first time across organizational and national borders – a key prerequisite for promoting job rotation and planning individual careers. It will also make it easier to develop ThyssenKrupp Academy programs for specific target groups.

For the grading system, we conducted an initial screening of the top management levels before categorizing around 2,000 positions – 1% of the total workforce – in a management structure specially developed for ThyssenKrupp. The managements of the segments, business units and operating groups were closely involved in this development process. In summer 2008 the incumbents of the positions worldwide were informed about the system used and the project results.

Number of participants at the Academy more than doubled

The ThyssenKrupp Academy was founded two years ago as an independent subsidiary of ThyssenKrupp AG. It is an essential element for shaping the future of our Group. With its wide-ranging programs, the Academy supports and promotes learning and development opportunities for our executives.

In the reporting year the number of participants in the Academy's tailored and challenging programs more than doubled to 1,700 executives. A total of 4,800 participant days were utilized for the targeted development of competencies and for networking with prominent experts and learning partners from renowned business schools and international universities. Most of the programs are conducted in English to allow an exchange of experience and knowledge across the segments and in global networks.

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The ThyssenKrupp Academy promotes the development opportunities of participants with four learning platforms and diverse programs.

With its four learning platforms – Management School, Competence Forum, Impact Workouts and Horizon Sessions – the Academy aims to challenge and expand established management knowledge using innovative learning architectures. It introduces new models of thinking, takes on board new ideas, passes these ideas on and in so doing intensifies the exchange of knowledge in the Group. A particularly important aspect of the program content is that it is application-oriented. Programs comprising numerous modules give participants the opportunity to try out what they have learned in practice.

In 2007/2008 the ThyssenKrupp Academy focused on leadership training. Other key areas were value growth, strategic fitness, quality, health and safety, and transformation and change in the global competitive arena.

Tailored and performance-related compensation systems

Attractive compensation is a key factor in winning and motivating employees and executives. In addition to a fixed salary, which is subject to the provisions of collective or individual employment contracts, there are a number of other performance-related compensation components tailored to specific target groups at ThyssenKrupp. Employees under the collective agreement in Germany receive additional company-related annual bonuses to reflect outstanding business results. For employees under individual employment contracts, the fixed salary is supplemented by bonus systems, with the bonus amount linked to the Company's performance indicators and the employee's personal performance. ThyssenKrupp companies outside Germany also have attractive compensation systems based on local regulations.

In spring 2008, employees in Germany were able to buy ThyssenKrupp shares for the sixth time with an employer contribution of 50%.

In addition, we work to increase the share of the Company's capital held by the workforce. In early 2008 some 80,000 employees at Group companies in Germany had the opportunity to buy ThyssenKrupp shares up to a total value of €270, with 50% being paid for by their employer, under the sixth ThyssenKrupp employee share program. Programs were also carried out again in the reporting year in other European countries – France, Spain and the United Kingdom. In the employee share program in France, which took place for the fourth time in spring 2008, roughly one in two of the 6,400 eligible employees took part.

Our executive compensation policy is characterized by earnings- and share price-oriented instruments which are systematically applied and have proven their worth. The Mid Term Incentive plan (MTI) launched in 2003 was issued for the sixth time in the reporting year. As in the previous year, the members of the Executive Board of ThyssenKrupp AG and the segment executive boards together with selected directors and executives from major Group subsidiaries were eligible for the plan. The development of the stock rights issued under this plan is based on the share price and ThyssenKrupp Value Added (TKVA).

The discounted share purchase program for a specific target group of executives was issued for the third time in the reporting year. This, too, again met with a good response. Under this model, selected executives who are not eligible for the MTI can purchase ThyssenKrupp shares at a discount, the amount of which depends on the development of ThyssenKrupp Value Added.

Risk Report

Our systematic risk management system increases the value of the Company and safeguards its existence by ensuring the appropriate management and transparent communication of individual risks. In the reporting year, all risks were contained and manageable. The future existence of the company is secured. In the event that all the risks we know about but cannot yet fully judge are realized, the financial crisis will have a major impact on the Group's earnings situation.

Risk management organization has proven its worth

Risk policy as part of corporate strategy

As part of corporate strategy, our risk policy is directed at safeguarding the existence of the Company and systematically and continuously increasing its value.

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The risks for the Group and the opportunities associated with them are assessed as part of our risk management system.

The risk strategy is based on an evaluation of the risks and the opportunities associated with them. In the Group's core competency areas we consciously take on reasonable, manageable and controllable risks if they are expected to deliver an appropriate reward. Risks in support processes are transferred where appropriate to other risk carriers. Other risks not connected with core and/or support processes are avoided to ensure that the aggregate risk volume does not exceed the risk coverage potential available at ThyssenKrupp AG.

ThyssenKrupp has set out the framework conditions for orderly and forward-looking risk management in its risk management policies. The "Risk Management" manual specifies the processes for risk management. The Group has issued binding principles for dealing with risks. For example, speculative transactions or other measures of a speculative nature are inadmissible. Conduct towards suppliers, customers and other business partners must be fair and responsible at all times. Regular training programs and control measures help ensure that these principles are observed.

Risk management system has proven its worth Groupwide

The risk management system installed by the Executive Board of ThyssenKrupp AG has proven itself to be efficient. All employees of the Group - regardless of their position in the hierarchy - are required to be aware of the risks in their area of responsibility. Direct responsibility for early identification and management of risks lies with the operating managers. The next organization level up in each case is responsible for risk control.

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The Executive Board is kept regularly informed about the overall risk situation of the Group.

Within the framework of risk inventories (risk maps) the Group companies report on the status of major risks to their segment holding companies using tiered threshold values. The risks are evaluated and classified according to probability of occurrence and loss amounts, and the risk reduction measures and early warning indicators are regularly updated. The segment holding companies provide the Executive Board of ThyssenKrupp AG with a summary of the current risk situation under a fixed agenda item in the bi-weekly Executive Board reports. In urgent cases, ad hoc risks are communicated directly outside the normal reporting channels.

Once again in 2007/2008 we examined whether the rules of the risk management system are being observed in Germany and abroad. The findings from these internal audits helped further improve the early identification and management of risks. In addition, we have continuously enhanced the tools for identifying and managing risks in the Group. Cross-segment software is currently being developed with which we will be able to manage risks in the Group on a standardized and structured basis, reduce the number of manual activities in the risk management process, and further enhance the quality of the information generated.

Opportunities and risks in balance

All risks taken by us are balanced by appropriate opportunities which we systematically identify, evaluate, manage and control. More details can be found in our opportunities report on pages 144–150.

Risk transfer by central service provider

As central service provider, ThyssenKrupp Risk and Insurance Services handled the transfer of risks to insurers through the conclusion of Group insurance policies in 2007/2008, as in previous years. Regular loss analyses are carried out to evaluate the potential risks and the insurance cover is determined on this basis. Under property and business interruption policies significant deductibles exist for some production units of the Steel and Stainless segments, so that there is a risk that one or more claims on these policies could materially impair the Group's assets, liabilities, financial position and results of operations. The transfer of risk to insurers could be negatively impacted by the current financial crisis if insurers collapse. This risk is considerably reduced because ThyssenKrupp Risk and Insurance Services spreads the risk over numerous insurers and only selects insurers with a rating of at least A-.

Several working groups have developed joint binding standards for risk prevention. Compliance with the standards as part of a property insurance risk management system was monitored regularly by internal and external audits. In addition, a new Group policy requires that a business recovery plan be drawn up in case of business interruptions for risks from property and business interruption insurance.

Central risk areas

Financial risks are contained

Central responsibilities of ThyssenKrupp AG include the coordination and management of financial requirements within the Group and securing the financial independence of the Group. In this connection, Group financing is optimized and financial risks controlled. Risks in the individual financial risk areas are minimized through an ongoing process of monitoring and intensive controls.

Credit risk (default risk): Financial instrument transactions in the financing area are only concluded with counterparties of very high credit standing. Outstanding receivables and default risks are constantly monitored by the Group subsidiaries; in some cases they are additionally insured under commercial credit policies. The credit standing of key account customers is monitored particularly closely.

Liquidity risk: To secure the solvency and financial flexibility of the Group at all times, we maintain long-term credit facilities and cash funds on the basis of a multi-year financial planning system and a liquidity planning system on a rolling monthly basis. The cash pooling system and external financings are concentrated mainly on ThyssenKrupp AG and specific financing companies. We use the cash pooling system to allocate resources to Group subsidiaries internally according to requirements.

Market risk: Various measures are used to mitigate or eliminate the risk of fluctuations in the fair values or future cash flows from non-derivative or derivative financial instruments due to market changes. These measures are mainly traded outside the stock exchange and include foreign currency forward contracts, interest rate/foreign currency derivatives and commodity forward contracts with banks and commercial partners. To hedge against commodity price risks we also use futures traded on the stock exchange. The use of derivative financial instruments is extensively monitored, with checks being carried out on the basis of policies in the framework of regular reporting.

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Standard Group policies exist to minimize risks in currency management.

Currency risk: To contain the risks of the numerous payment flows in different currencies – in particular in US dollars – we have developed Groupwide policies for foreign currency management. All companies of our Group are required to hedge foreign currency positions at the time of their inception; companies based in the EMU are required to hedge via our central clearing office. Translation risks arising from the conversion of foreign currency positions are generally not hedged.

Interest rate risk: As in previous years, we procured funds in 2007/2008 on the international money and capital markets in different currencies – predominantly in euros and US dollars – and with various maturities. The resulting financial liabilities and our financial investments are partially exposed to risks from changing interest rates. To manage these risks, regular interest rate risk analyses are prepared. The regular communication of the results of the interest rate analyses is part of our risk management system.

Commodity price risk: Depending on the market situation, purchasing prices for raw materials and energy can fluctuate significantly. We minimize this price risk firstly through long-term supply contracts – e.g. for ore, coal and coke. Secondly, some Group companies use derivative financial instruments to hedge against the risk of commodity price fluctuations, in particular for nickel and copper. Hedging via such financial instruments is subject to strict guidelines. Commodity forward contracts and options are used.

Details of these risk areas are provided under Note 30.

The financial crisis and its potential impact on the real economy will result in a global economic slowdown which could have a negative impact on the Group's operating cash flow. The financial crisis has generally hindered access to the money and capital markets. Against this background, ThyssenKrupp has made sufficient provision to maintain liquidity.

Risks associated with acquisitions, disposals and restructurings

Risks may arise from the disposal or acquisition of real estate, companies or other business activities and from restructuring programs in the Group. Where the occurrence of a risk is probable, adequate provision has been made in the balance sheet.

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The security of the IT we use in the Group is of central importance.

Risks associated with information security

The information technologies used in the Group are continually reviewed to assess whether they guarantee secure handling of IT-supported business processes; if necessary they are updated. We continually update our systems because information security is one of our key priorities. We have set up a cross-segment Information Security Forum to serve as a coordination platform. At some companies business processes and data centers have security certification. The IT-based integration of business processes is subject to the condition that the risks involved for our Group companies and also for our customers, suppliers and other business partners are minimized.

Risks associated with pensions and healthcare obligations

The fund assets used to finance pension liabilities are exposed to capital market risks. To minimize these risks, the individual investment forms are selected and weighted on the basis of asset liability studies by independent experts. The aim is to adjust the investments to ensure that the associated pension liabilities are permanently fulfilled in respect of the current and future income from the investments. Pension obligations are subject to risks from increased life expectancies of beneficiaries and from obligations to adjust pension amounts on a regular basis. In addition, the cost of healthcare obligations in the USA and Canada may increase. Furthermore, in some countries there is a risk of significantly higher payments having to be made to finance pension plans in the future due to stricter statutory requirements. In individual cases, the premature cancellation of a pension plan may necessitate an additional allocation.

More details are provided in the Notes on pages 190–195.

Legal risks associated with third-party claims

Legal risks result from claims made against ThyssenKrupp or individual Group companies. These can relate to antitrust law, environmental law or claims for damages under product liability law.

In addition, customers, consortium partners and subcontractors have lodged claims against ThyssenKrupp under plant construction, supply and service contracts. Where it is probable that individual claims will lead to payment obligations, we have made provision.

A report on pending litigation and claims for damages can be found in Note 29.

Regulatory risks

Changes to the legal framework can have an unfavorable effect on our business. Tighter liability or environmental legislation could increase our costs and reduce our sales volumes. Changes to competition rules could bring disadvantages for us. In addition, higher social insurance contributions and other mandatory non-wage labor costs would mean cost increases for us. We endeavor to reduce the costs through close working relations with the institutions responsible for developing the statutory framework.

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More and more Group subsidiaries are having their environmental management systems certified, which reduces environmental risks considerably.

Environmental risks

Process-related risks of air and water pollution exist in some of our production operations. We therefore take extensive measures to minimize environmental impact and conserve resources. This includes the use of modern facilities which are environmentally friendly and also reduce charges and energy costs. The increasing number of Group companies with certified environmental management systems has reduced the risk of environmental risks occurring. We consistently comply with all statutory environmental requirements. More details on environmental protection at ThyssenKrupp are provided on pages 112–114.

Some of our real estate is subject to risks from past pollution and mining subsidence. These risks are managed and reduced by preventive measures and scheduled remediation work. Landfills on our real estate are monitored and secured on an ongoing basis. Once again in 2007/2008, adequate liabilities were recognized.

Emission allowance risks from EU proposals

The plans of the European Commission to cease free allocation and introduce auctioning of all CO_2 emission allowances from 2013 pose significant risks specifically for our production costs. As an energy-intensive industrial and services group operating in a competitive international market, we would likely be unable to pass on all or any of the additional costs from auctioning to our customers. This would have a corresponding negative impact on the earnings situation.

Procurement risks

On the procurement side, ThyssenKrupp is mainly affected by the possibility of rising prices. We counter the associated risks in the procurement of raw materials, in particular ore and coal, by passing on the higher prices in our product prices as far as possible. In addition, we are constantly searching for alternative low-cost suppliers worldwide. In purchasing energy, we limit the risks with a structured procurement policy on the electricity market and long-term natural gas contracts.

To limit the risks of supply failures, we select our suppliers carefully. The geographical distribution of orders in our segments makes us independent of regional supply bottlenecks and helps us find alternative sources in the event of local supply problems. More details on our procurement management can be found on pages 81–85.

Sales risks from global activities

As a globally active group, ThyssenKrupp is particularly exposed to risks associated with the global economy. We closely monitor the economic trend in individual countries and trade flows in order to minimize sales risks. Our international presence also makes us largely independent of regional crises. Furthermore, our widely differentiated product and customer structure reduces our sales risks.

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The decline in the auto industry also holds risks for ThyssenKrupp in terms of possible bad debts.

The weakening of the automotive industry being observed worldwide also affects our Group and is being closely monitored. The reduced credit rating of key account customers harbors the risk of bad debt, which we are countering with effective receivables management. The sales risks of our segments are described in detail on pages 139–143.

We minimize quality and delivery schedule risks by continuously optimizing our value chains. Preventive maintenance and modernization counters the risk of an unscheduled shutdown of production units.

Personnel risks and personnel policy

Committed and competent staff and managers are a central factor in the success of ThyssenKrupp. There is therefore a risk that key personnel cannot be found to fill vacancies in our Group or that they cannot be retained. That is why we position ourselves as an attractive employer and promote the long-term retention of employees in the Group. Systematic management development includes offering executives career prospects and attractive incentive systems. It also includes targeted mentoring to promote identification with the Company at all levels.

We secure the young talent we need for our workforces by addressing potential employees at an early stage and providing a high-quality training system. In intensive cooperation with key universities, we establish contact with talented students. The 2008 Ideas Park in Stuttgart also played a major role in promoting ThyssenKrupp as an attractive employer for young engineers. We pay special attention to women with children who wish to work: Wherever possible, we help them balance career and family.

More information on these matters is provided in the section entitled “Employees” on pages 125–132.

General economic risks

Global economic growth will slow. We forecast growth of 3.7% in 2008 and less than 3% in 2009. The world economy is therefore in recession. These forecasts are based on a series of assumptions. It is assumed that the geopolitical situation will remain largely stable. The assessment is also based on the uncertain assumption that the problems triggered by the international financial crisis will not dramatically escalate.

The international financial crisis precipitated by the problems on the US mortgage market has already impacted the economy in particular in the USA and other industrialized countries. In 2009, too, the financial crisis is expected to have negative knock-on effects on the market for goods and services. If the economic and financial measures introduced by governments fail to help gradually restore confidence in the financial market, this will increase the risk of an even deeper and longer recession. Liquidity problems at the banks will then further restrict lending, investment will decrease further, and economic prospects - also in emerging economies - will be dampened by higher unemployment and falling consumption.

The expected global recession should help ease the price situation for energy and raw materials. For companies in the euro zone, however, these effects may be offset by a stronger dollar. In addition to this exchange rate risk, there is a risk that supplies of raw materials in particular will be further restricted by government intervention or other anticompetitive measures. Prices are affected by taxes on raw material exports and other export restrictions as well as any further limiting of competitive structures as a result of takeovers.

Decentralized management of segment-specific risks

Steel: Innovation strategy reduces market risks

Risks in the Steel segment include in particular risks on the sales and procurement markets, risks from exchange rate fluctuations and emissions trading as well as production losses and increased maintenance expenditures due to plant stoppages. In addition, the major investment projects in Brazil and the USA will increase capacity, which can also lead to risks on the sales and procurement markets.

From the viewpoint of the global steel market there is a general risk that overcapacities will be created, especially in China, which will lead to an imbalance on the world markets and could negatively impact the profitability of the Steel segment.

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The creation of production capacities in Brazil and the USA reduces the risks inherent in limited traditional markets for Steel.

The segment counters the risks associated with steel industry cycles through cost optimization, prompt production adjustments and a concentration on high-end market segments subject to less cyclicality. To reduce the risk of limited traditional markets, Steel is globalizing its production – among other things by building production capacities in Brazil and the USA – and increasing its international sales. To contain the sales risks associated with the major projects, we began work on establishing and expanding a customer base from an early stage. However, we see only minor market and competitive risks with regard to the NAFTA market entry by the new plant in Alabama/USA. Extensive and successful customer relations work is already being carried out to support this process.

The segment successfully counters the high competitive intensity on the market for carbon steel flat-rolled products with an innovation strategy which allows competitive advantages to be achieved at least temporarily.

Major risks exist on the sales side in connection with implementing price increases. Disproportionate rises in raw material and energy prices represent risks on the cost side for Steel. For this reason we constantly monitor developments and key factors to ensure we can introduce any necessary changes at an early stage. To mitigate these risks, Steel is adjusting contracts with customers so that they more closely match the periods agreed in the purchasing contracts for raw materials.

Risks continue to exist in connection with possible losses within the deductibles agreed with insurers. To alleviate these, organizational and technical measures are carried out and optimized on an ongoing basis. For example, the Steel segment has integrated a business and technical risk controlling system into its risk management process and further optimized its fire prevention program by implementing best practice guidelines for the entire segment.

In close cooperation with its suppliers, Steel is trying to minimize the risks from managing the major projects in Brazil and the USA. These include in particular construction delays, equipment supplier delivery problems and exchange rate changes. In cooperation with project teams and external advisers, a complete system has therefore been set up encompassing the analysis of weaknesses, development of countermeasures and systematic risk management.

Despite the Groupwide emissions trading strategy, the segment may face volume and price risks in connection with emission allowances in the second trading period from 2008 to 2012.

Stainless: Extensive measures to counter market risks

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The future development of China represents a risk which Stainless for example is countering by extending the value chain.

In addition to the usual cyclical risks the Stainless segment faces risks associated with the way the markets respond to existing or anticipated overcapacities at stainless producers in Asia. The supply and demand situation in China in particular represents a risk.

Numerous measures are in place to counter these risks. We have extended our value chain towards the higher-margin end-customer business, further intensified customer relationships, expanded our custom services, and improved our quality and delivery performance. We are also countering increasing competitive pressure by developing new applications for stainless steels and nickel alloys, by developing innovative products made from these materials and by using modern, cost-saving process technologies.

In the construction of the stainless steelmaking and processing plant in Alabama, USA, the costs are being strictly controlled to prevent further schedule delays and budget overruns. The implementation of this project will also help increase our market penetration in the USA.

The risks associated with the availability and prices of raw materials, particularly nickel, chromium and alloyed scrap, are minimized by corresponding contracts and hedging mechanisms. The Stainless group is preparing for the risk of substitution of stainless flat-rolled products in response to high alloying element prices by developing alternative material concepts. In addition, the continuous development and introduction of technical and organizational measures ensures that potential sources of risks in the production process are eliminated or reduced.

In view of the risk of fire and natural phenomena such as storms, hail and flooding, the segment significantly expanded its risk management activities in the area of property insurance. In cooperation with the insurance companies, joint, binding risk provision standards were drawn up, compliance with which is reviewed in regular audits. We developed measures to minimize the risk of fire in cooperation with the insurance companies and external experts. The implementation of these measures is under way.

On November 20, 2007, the EU Commission ruled that a law adopted by the Republic of Italy in 2005 granting ThyssenKrupp Acciai Speciali Terni among other companies certain benefits in the purchase of electricity was inadmissible state aid. Together with the Republic of Italy we filed a complaint against this decision with the court of first instance. It is not yet possible to judge whether and in what amount possible repayment demands may be made by the Italian state or claims by ThyssenKrupp Acciai Speciali Terni settled by Italy.

Technologies: Close project controls

With its global activities, the Technologies segment is exposed to risks in various business areas. In addition to the global economic downturn, these include above all political imponderables and order deferrals in the project business, for example due to the situation in the Middle East.

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Technologies has thorough project controls allowing it to contain the risks involved in major long-term projects.

The specific risks associated with large long-term contracts and technically complex orders are contained through close project controls and increased use of project management measures. In addition, further individual measures are in place to enhance efficiency including controlling and to optimize processes. In the civilian shipbuilding sector competitive disadvantages versus Asian competitors are offset by intensive programs to improve performance and reduce costs.

The ruling by the EU Commission in the Hellenic Shipyards state aid case that some undertakings of the Greek government do not comply with the requirements of EU state aid law has given rise to a risk in the Marine Systems business unit. The state aid was granted until 2002 partly in connection with the privatization of the formerly nationalized shipyard before Hellenic Shipyards belonged to the ThyssenKrupp Group through Howaldtswerke-Deutsche Werft. It is not yet possible to assess whether and in what amount costs from this will be incurred by Hellenic Shipyards. More details can be found under Note 29 on page 201.

Our automotive operations continue to face a variety of market risks. Rising prices for steel and other starting materials, which experience shows cannot be passed onto customers in full or without some delay, represent a major risk to earnings. Extensive cost reduction programs are being implemented to offset rising cost pressure on the procurement side and increasing price pressure from auto manufacturers on the selling side. To counter the risk associated with falling demand in its traditional markets, the Mechanical Components business unit is building or expanding production capacities in growth regions such as India and China. We are currently planning the construction of a crankshaft factory in China. Following the ending of the Transrapid project in Munich, the existing operations were restructured and adjusted in line with the reduced marketing and planning activities. In addition, the deferral of the planned airport link project in Shanghai may lead to restructuring expenditures.

Elevator: Regional risks largely balanced

In the Elevator segment, the risks vary significantly between the different regions and market segments. However, as an international company Elevator succeeds in largely balancing the regional market risks as the individual markets are in different cyclical phases.

The new installations business is strongly influenced by activity in the building industry and can therefore be subject to volatility. The targeted use of project management measures helps contain risks in the processing of major orders. Since rising material prices cannot always be passed onto customers, it is especially important to continuously improve efficiency in production and optimize purchasing on an ongoing basis.

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The service and modernization business of Elevator is less exposed to economic risks.

By contrast, the service and modernization business is comparatively unaffected by cyclical risks in the industry. Instead, customer retention is particularly important here. Continuous efficiency improvements help counteract cost increases such as higher fuel prices.

Due to the segment's global presence, the management of exchange rate changes is a key priority. Suitable financial hedges are in place in the Group to limit the influence of currency risks. In addition, exchange rate risks are minimized by the fact that sales and costs in Elevator's various markets are largely in the same currency.

Services: Package of measures to counter price risks

The Services segment is mainly engaged in materials trading and services. In the reporting year it encountered the associated price risks on the procurement and selling side with an extensive action program. Logistics and management tools were systematically improved. This included in particular the expansion of the central warehouse concept to optimize inventories. At the same time, expanding the service business, which is independent of material prices, makes the segment less sensitive to cyclical price movements.

The significant general economic risks and risks in various market segments are reduced by the segment's worldwide presence, broad customer base and high degree of diversification. The resultant wide spread of risks also applies to the bad debt risk, which is additionally limited by the use of hedging instruments.

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Services limits the possibility of bad debts by risk spreading.

The Industrial Services business unit faces risks from significant competition and price pressure. We counter these by means of continuous capacity adjustments and new sector- and customer-specific service offerings and sales initiatives.

Corporate: Risk management through project controls and compliance

In addition to risks from the past industrial use of real estate, Corporate also faces risks from the construction of the new ThyssenKrupp Quarter in Essen. We systematically and continuously observe and analyze potential risks from building cost increases and schedule delays in a project control and compliance system. Potential savings are identified and implemented as quickly as possible.

No threat to existence of Company

Overall, the risk situation at ThyssenKrupp continues to be manageable. There is no threat to the existence of the Company. Alongside the general economic risks from the global economic downturn triggered by the financial crisis, the main individual risks relate to the handling of major projects. In addition, procurement and sales risks are important. However, since an efficient risk management system is in place in all areas, the risks in the Group are contained and manageable overall.

Subsequent events, opportunities and outlook

At present, the impact of the international financial crisis on the real economy cannot be adequately forecast. A substantial economic downturn is expected in 2009 which will also affect the previous growth markets and our customer sectors. Our systematic portfolio optimization strategy is designed for the long term, enabling us to overcome periods of economic weakness and maintain our long-term goals.

Subsequent events

There were no events requiring disclosure.

Economic outlook

An expected increase in world GDP by less than 3% would represent a recession for the world economy in 2009.

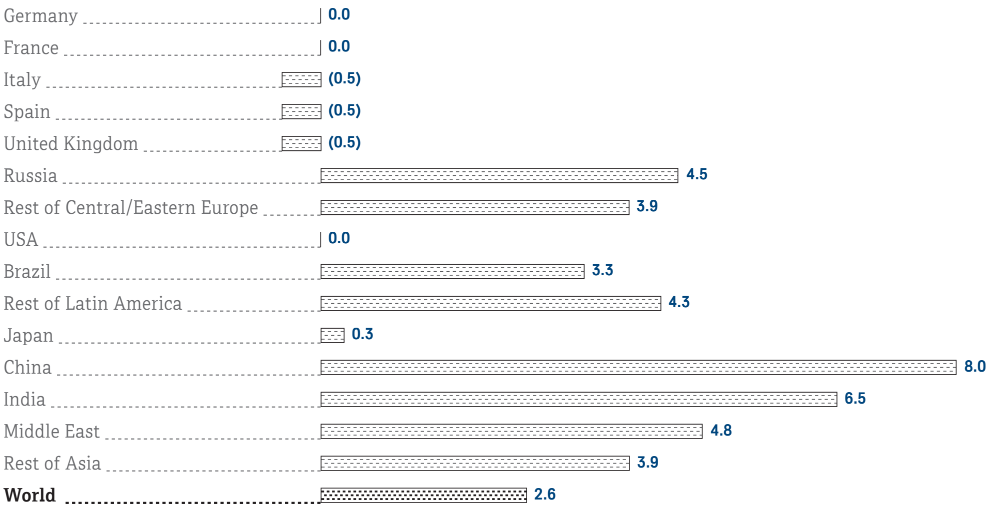
Global economy in recession

The markets for goods and services will be hit hard by the international financial crisis in 2009. Following growth of 3.7% in 2008, world GDP is expected to expand by less than 3% in 2009, resulting in a recession in the global economy. At present it is not possible to assess the extent to which the bail-out packages introduced by the US and European governments in October 2008 will shore up the financial markets. Global GDP growth could accelerate again modestly in 2010.

In the USA, domestic demand is expected to remain weak in 2009. The financial and real estate crisis and the slowing labor market will impact private consumption. Exports, to date a mainstay of the economy, will also slow as a result of the global economic situation and the stronger US dollar. As a consequence, companies will reduce their spending.

In the euro zone, the economic outlook for 2009 has deteriorated significantly. The financial crisis is having a negative effect on consumer and business spending. Consumer uncertainty and a slower labor market are impacting private consumption. Growth in exports will be moderate at best in 2009. In Germany, capital expenditure will fall against the background of weaker industrial activity.

GROSS DOMESTIC PRODUCT 2009* change compared to previous year in %



* Forecast

The emerging markets of Asia and Central and Eastern Europe will also be unable to escape the consequences of the financial crisis, and growth there will be significantly weaker in 2009. In China and India, the pace of growth in private consumption and capital expenditure will slow perceptibly. Demand will also soften in most countries of Central and Eastern Europe. In Russia, the reluctance of banks to grant loans is increasingly affecting businesses.

Prospects on important sales markets

As a result of the international financial crisis, the prospects for business on important sales markets have become much more uncertain. The problems in the financial sector are having a noticeable impact on the real economy.

We expect the following developments for ThyssenKrupp on the relevant customer markets:

The previous strong growth of the global steel market will slow. Given the worsening prospects for the economy as a whole in the coming year, demand for steel will drop particularly in Europe, North America and Japan. Raw material prices started to ease recently, but it is not yet possible to say whether this will be a lasting development. In Europe, the recent significant increases in third-country imports pose a further risk.

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Previous strong growth on the world steel market is expected to slow in 2009.

In the stainless steel market, the high inventories at distributors and service centers are being gradually reduced at the start of the 2008/2009 fiscal year. As prices for alloying metals fall, especially nickel, and the fear of a recession grows, customers are holding back on orders. The sharp rise in imports from Asia is exacerbating the situation. Against this background, falling raw material prices will have a negative impact.

With 10 million vehicles, China is expected to become the world's second-largest auto manufacturer after Japan in 2009.

At present it is not possible to predict developments on the international vehicle market. Any production growth will only take place in the emerging markets of Asia and Central and Eastern Europe, while output will fall again in Western Europe and the NAFTA region. China is expected to produce almost 10 million vehicles and replace the USA as the world's second-biggest producer after Japan. In 2009, output from Western European auto manufacturers will fall short of the prior-year figure; in Germany, production is expected to drop by at least 2% to less than 6 million cars and trucks.

The global weakening of demand for capital goods will impact the mechanical engineering sector in many countries in 2009. With no impetus from the domestic markets, activity in the USA and Japan is expected to stagnate. In Germany, demand is expected to decline after years of boom. China is likely to report further high growth rates, though here again the pace of growth has slowed significantly.

Global construction output in 2009 will be driven only by the emerging markets of Asia and Central and Eastern Europe. In the USA, building activity will decline further due to falling real estate prices and weak housing demand. In the euro zone and in Germany, stagnation is the best that can be hoped for.

Opportunities: Quality as a success factor

ThyssenKrupp's strategy of positioning itself as a premium supplier on the world market means that once the economic slump is over, the Group will once again have opportunities to achieve long-term, solid and profitable growth. Through high productivity, product quality and innovation, we intend to further improve our earning strength. Rising customer requirements could provide us with additional orders, as we are rated highly in terms of quality. Our products meet very high standards in all areas – from low-noise submarines to high performance materials such as stainless steel alloys to low-pollution industrial facilities.

Detailed opportunity management system

We operate a comprehensive management system at all levels of the Group to identify and exploit the opportunities that present themselves to ThyssenKrupp. Central to this system are the segments, whose operating business units observe trends on their markets and analyze them for possible opportunities. When lucrative projects emerge, and the potential reward justifies the associated risks, the segments decide whether and how best to proceed. They have recourse to the Group's strategic framework, which secures financing and liquidity as well as offering key services for the operating companies.

Opportunity management means teamwork at ThyssenKrupp: Project officers and management boards decide how best to utilize strategic opportunities. In the event of cross-segment projects or projects of outstanding importance for ThyssenKrupp as a whole, the Group's Executive Board takes responsibility.

More information on our business planning, expected development lines and goals are provided on pages 59–63. Details about risks for the Group are presented in the Risk Report on pages 133–143.

Opportunities in the segments

Steel: Our Steel segment is focused on the market for premium flat-rolled carbon steel and holds a strong position in its European core market. Intelligent materials solutions, product-specific processing and extensive services through to finished parts shape our market opportunities. Continuous advancements in our steel materials give us an important competitive advantage. Our transatlantic growth strategy will strengthen our position in the major steel consuming markets of Europe and North America. We are undertaking intensive marketing activities, including direct contact with many existing and new customers, to ensure that our extended and improved capacities are taken up by the market.

By changing the terms of contracts with our customers, we aim to pass on increases in raw material and energy prices more quickly in the future. In the past we had a large share of annual contracts which were mostly based on the calendar year. This meant that if raw material costs rose dramatically, there was a time lag before the effect of higher steel prices was reflected in average revenues. Following discussions with our customers, however, in the final quarter of 2007/2008 we were able to conclude annual contracts with changed terms and higher prices which took account of the increases in raw material costs. The terms of these contracts have been matched to the terms of the contracts we conclude with raw material suppliers, which will allow us to respond more quickly to changes in raw material prices in the future.

Stainless: The Stainless segment has established a reputation as a specialist for high-performance materials. With its stainless steel, nickel alloy and titanium products, it exploits opportunities on the market for high-quality materials. In conjunction with the existing cold rolling mill in Mexico, the construction of a new plant complex in the US state of Alabama will strengthen the segment's position on the North American stainless market.

Ever greater importance is being attached to services which permit customers to concentrate on their core business and outsource other functions to Stainless. To this end we are expanding our range of global services and tightening our network of sales and service centers. Delivering customized solutions, offering product-related services and maintaining a presence close to customers should generate significant opportunities. This service offensive will increase our added value.

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So-called megatrends such as environment, energy and food open up new business opportunities for Technologies.

Technologies: There are major opportunities for the Technologies segment in the megatrends raw materials, environment, energy, security, infrastructure, food and in the growing regions of the emerging markets. In these areas the segment can leverage its strengths in technology, design and innovation. We aim to assume market leadership in high-performance business areas through efficient, cost-optimized products, play a key role in defining technological progress and develop innovative products offering high customer benefit.

In geographical terms, we see opportunities in the entire Asia/Pacific region. To this end Technologies is expanding its capacities in India and China. One particular focus is the Middle East including North Africa. Thanks to its major oil and gas reserves, this region can afford to invest heavily in industry and is using the expertise of our plant engineers for this. To serve this market more intensively, we have opened the ThyssenKrupp Technologies TechCenter Middle East in Dubai. More than five billion people can be reached within a five-hour flight radius from this location.

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

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

The Services segment will further expand its core material services business in the future.

Services: The Services segment is pursuing a focused strategy aimed at strengthening its core material services business. Its target group are international customers who wish to utilize the specialized skills of our experts. Our offering ranges from straightforward material supplies to complex supply chain management, where we take responsibility for all aspects from ordering and quality control to logistics and just-in-time delivery to the customer's production lines. For our Special Products unit we see particular growth opportunities in Asia and Eastern Europe. The strength of our product range lies in its diversity, taking in construction products for flood protection, metallurgical products, nonferrous metals, minerals and industrial gases.

Important performance-related opportunities

We see important opportunities in procurement, production and improved marketing to profitably expand ThyssenKrupp's business. New electronic procurement platforms make handling purchases easier both for us and our suppliers. Methods such as online requests for bids, auctions or catalog ordering have already proven successful. Now we need to convince as many business partners as possible worldwide of the benefits they offer.

In production, the process improvements introduced in recent years will increase product quality while maintaining or lowering costs. New processes added in the area of steel processing include innovative hot-dip galvanizing methods for multiphase steels and the joining of stainless and carbon steels in tailored products.

In the area of plant engineering, our new technology for the production of polylactic acid should open new market opportunities. Polylactic acid is the starting material for a biodegradable plastic which is of such high quality that it can be used for packaging and bottles.

For our elevators, escalators and moving walks we are aiming to achieve greater standardization of individual technical components. At the same time we want to design our products more closely in line with the specific wishes of our customers. Today's elevators and escalators should both accentuate the architectural character of the building and offer extremely cost-efficient operation. That's why many customers are turning to high-tech products such as our TWIN elevator, or are deciding in favor of our energy-saving lighting concept.

At Services, particular performance-related opportunities can be achieved by taking our marketing activities for materials services even closer to customers. For offshore applications, our engineers have expanded the range of construction services to include a highly efficient vibratory pile driving technology which could result in additional orders.

Opportunities from young talent

We take diverse measures to secure motivated and highly qualified young talent for the Group.

Given the expected shortage of skilled and managerial employees in the future, we take every opportunity to inform qualified school and university graduates of the career opportunities available in the Group. One proven method is inviting students of various disciplines to trade shows at which ThyssenKrupp is exhibiting its products and processes. In addition to providing a good introduction to our range, students can also gain a personal insight into the daily working life of, for example, an engineer.

We also give well-qualified and motivated university graduates the chance to contact skilled and managerial employees as well as numerous trainees in the Group to find out about career opportunities. For example, more than 270 university graduates applied for one of the 24 places available at the 1st ThyssenKrupp Career Day, which was held last fiscal year. We will be continuing with these events.

Equally promising was "do-camp-ing", a one-week vacation program for senior high school students aimed at providing an introduction to engineering studies. It involved active project work as well as discussions and Q&A sessions with students and professional engineers, including some from ThyssenKrupp, with the objective of getting the young participants interested in technical issues. A total of 80 students from all over Germany attended. We believe that in the long term measures such as these will attract qualified and motivated young talents to the area of technology and our Group.

Tax opportunities from tax legislation

The 2008 corporate tax reform had a positive impact on ThyssenKrupp AG's taxation in the reporting period. In conjunction with changes to the structure of trade tax, the reduction of the corporate tax rate lowered the nominal tax burden in the corporate and trade tax group of ThyssenKrupp AG from 39.4% to around 31% of domestic profits. The newly introduced limitation of interest deduction did not apply owing to the good level of earnings achieved in Germany in 2007/2008. Tax rate reductions have also been resolved in other European and non-European countries in which the Group generates pleasing levels of income, including Spain, Italy and Canada.

Value-enhancement potential through new initiative

The Groupwide value-enhancement program ThyssenKrupp best offers additional opportunities. The start of the 2008/2009 fiscal year sees the launch of the new Net Working Capital initiative, which will support the positive performance of the projects running under ThyssenKrupp best. Whereas in the past the focus was on earnings, the aim now is to optimize the working capital tied up in accounts receivable, accounts payable and inventories. As with previous initiatives we are providing methodological tools and training employees in their use. ThyssenKrupp best will also be expanded in the subsequent fiscal year.

Expected earnings situation

In the 2008/2009 fiscal year we expect the international financial crisis to impact heavily on economic performance. According to our estimates, world GDP will grow by less than 3%. As a result, the global economy will go through a phase of recession. At present, it is difficult to estimate what effect the distortions caused by the financial crisis will have. Our planning for the coming fiscal year takes account of these restrictions. Despite the high level of uncertainty and the reduced predictability of the situation, we believe that with our business portfolio we are well positioned even in times of economic downturn.

Group sales are currently expected to decline significantly in fiscal 2008/2009.

Sales and earnings: We anticipate a substantial decrease in sales in fiscal 2008/2009. This will have a corresponding effect on earnings. The increasing uncertainties on the financial and real markets make it impossible to provide a quantifiable forecast at this time. We will supply more concrete information on the current fiscal year in our quarterly reporting. Price and volume risks will be limited by declining material prices and an additional wide-ranging package of measures to increase efficiency. This will also significantly reduce working capital requirements. The forecast for the individual segments is as follows:

- Steel – substantial price and volume risks, cushioned by long-term contract structures, the focus on numerous premium segments and declining material prices.
- Stainless – lower demand, revenues stabilizing.
- Technologies – relatively high level of planning certainty for revenues and earnings from project business due to high order backlog with good earnings quality.
- Elevator – comparatively immune to fluctuations in revenues and earnings due to high service share and high order backlog.
- Services – price and volume risks cushioned by broad product portfolio with high service share, global presence and further optimization of logistics.

In 2009/2010 we expect the global economy to come out of recession and growth to accelerate moderately. Assuming our business is not impacted by lasting economic weakness, in 2009/2010 we aim to return to our long-term growth path and expect a renewed improvement in sales and earnings.

In the longer term, particularly after the completion of the major investment projects by Steel and Stainless in North and South America and by the other segments in other regions, we expect earnings before taxes and major nonrecurring items of €4.5 to 5.0 billion and sales in the region of €65 billion.

Dividend: In line with our policy of dividend continuity, we will once again pay an appropriate dividend.

Employees: Based on our planning, on September 30, 2009 we will have over 200,000 employees. The headcount could rise further in the following year. The increase in the workforce is mainly due to the major investment projects in Brazil and the USA. Our planned figures do not take into account any future portfolio measures.

Apprenticeship training remains very important to us. In the coming years we therefore intend to intensify our apprenticeship programs where possible and continue to train beyond our own requirements.

Research and development: Innovation and technology are of central importance to ThyssenKrupp, which is why we are continuously strengthening our efforts in this area. In fiscal 2008/2009 we will spend in the region of €800 million on innovations, and a similar amount is planned for the year after.

In order to further expand and strengthen our innovative capabilities, the Groupwide innovation program launched in the reporting period will be continued in 2008/2009. The best practices emerging from this program will be implemented in our day-to-day work to further boost our innovativeness. We aim to provide a framework for research and development that enables our employees to translate their talents and creative ideas even more quickly into innovative products and processes. In 2008/2009 we will again recruit new scientists and engineers to work in our research and development activities.

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Supply bottlenecks in raw materials, other products and services are not expected.

Procurement: Against a background of weak global growth, falling raw material prices and an expected drop in sales, materials expense in fiscal 2008/2009 will be significantly lower than a year earlier. But it will continue to amount to more than half our sales, and that will also be the case in fiscal 2009/2010. In view of our long-term, international supply relationships, we do not anticipate any bottlenecks in supplies of raw materials, components, operating materials or services in 2008/2009 and 2009/2010. Security of supplies will also be enhanced by our successful purchasing initiative, which will be expanded further in the coming years.

Energy: Due to the weakness of the economy, we expect oil and gas prices to fall temporarily. We will respond to changes in demand by adjusting volumes and will continue in the future to pursue a long-term, flexible energy procurement policy in order to exploit favorable market situations and, for example, keep electricity prices as low as possible.

At the same time, ThyssenKrupp as an intensive energy consumer must expect to have to purchase more CO_2 emission allowances than in the past. In the event of bottlenecks in power plant capacities – a so-called "power plant gap" – electricity prices will be driven even higher, as expensive, inefficient fossil-fueled power plants will have to remain in use longer.

Environmental protection: On the basis of our current planning, spending on ongoing environmental protection will be in the region €500 million in both fiscal 2008/2009 and 2009/2010. The greater part of our future pollution control investments will be accounted for by our new plant projects in Brazil and the USA. Increasing resource and energy efficiency and reducing greenhouse gas emissions will remain priorities.

Expected financial and liquidity situation

Due to the major projects at Steel and Stainless, the level of investment is above the average of previous years.

In 2005, ThyssenKrupp launched a program of sustainable and profitable growth. Investments of up to €20 billion are planned for this over a five-year period, of which roughly half has been spent so far. Due to major projects such as the new steel mill in Brazil, the new production and sales location in the USA and capacity optimization at the Duisburg site, capital expenditure is currently significantly higher than the average of the previous years. Despite the more difficult conditions resulting from the global financial crisis, our financing is on a solid basis.