For customers, progress.
For people, a future.

Annual Report 2002_2003

ThyssenKrupp

Working for the future

ThyssenKrupp aims to achieve continuous improvements in all areas. That’s a message we also want to put across in our annual reports. Whereas last year the focus was on sustainability and active dialogue, this year we want to take a closer look at innovations. Innovations at ThyssenKrupp are also the result of dialogue – with customers and employees. Addressing specific subjects from many different angles enables us to develop commercially successful innovations of the highest quality.
For our customers, for our stockholders, for our employees. For people.

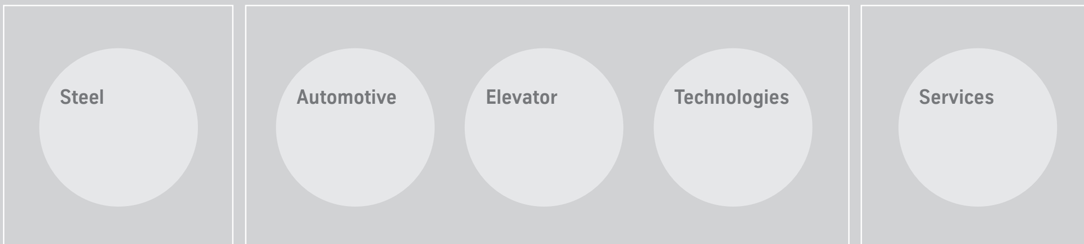
www.thyssenkrupp.com

Cover picture: ThyssenKrupp moving walks in the Seceda ski tunnel, St. Ulrich/Italy

ThyssenKrupp in brief

ThyssenKrupp is a global concern with business activities focused on the areas of Steel, Capital Goods and Services. We have over 190,000 employees in more than 70 countries developing products and services to meet the challenges of the future. In all five segments – Steel, Automotive, Elevator, Technologies and Services – they provide high-quality solutions to people's needs and our customers' requirements.

Steel | Capital Goods | Services



The Group in figures

		2001/2002	2002/2003	Change
Order intake	million €	36,404	36,047	– 357
Sales	million €	36,698	36,137	– 561
EBITDA	million €	2,648	2,454	– 194
EBIT	million €	1,046	905	– 141
EBT (Income before taxes and minority interest)	million €	762	714	– 48
Normalized EBT	million €	419	734	315
Consolidated net income	million €	216	512	296
Basic earnings per share	€	0.42	1.01	0.59
Normalized earnings per share	€	0.48	0.89	0.41
Distribution	million €	206	249*	43
Dividend per share	€	0.40	0.50*	0.10
Net cash provided by operating activities	million €	2,454	2,027	– 427
Capital expenditures	million €	1,777	1,604	– 173
Return on equity (before taxes and minority interest)	%	9.2	9.4	0.2
ROCE	%	7.0	6.9	– 0.1
EVA	million €	(413)	(413)	0
Net financial payables	million €	4,742	4,235	– 507
Stockholders' equity	million €	8,287	7,631	– 656
Gearing	%	57.2	55.5	– 1.7
Employees (Sept. 30)		191,254	190,102	– 1,152

* Proposal to the Annual Stockholders' Meeting

Note: Accounting at the ThyssenKrupp Group is in accordance with US GAAP. All financial information and disclosures are presented including disposal groups.

Dear Stockholders,

Your ThyssenKrupp investment performed creditably in fiscal year 2002/2003: the stock price increased by 3% and normalized earnings per share improved to €0.89 from €0.48 a year earlier. We will be proposing a dividend of €0.50 per share to the Annual Stockholders' Meeting in January 2004, €0.10 higher than a year ago. On this basis, the dividend yield is 4.3%.

What lies behind these figures? There are three questions of particular interest to you as stockholders: How did your company perform? What were the main challenges facing staff and management? What goals is the Company pursuing and what strategies is it using to achieve them? This annual report is designed to answer these questions, but I also think it is important to inform you personally about the main issues.

The employees of ThyssenKrupp once again worked hard and creatively in 2002/2003 to achieve the best possible results. Unfortunately, we weren't exactly helped by the economic environment, either nationally or internationally. The hoped-for recovery of the global economy failed to materialize, and the performance of the markets of importance to us was unsatisfactory. The only stabilizing factor was the international steel market, which is still in fairly robust shape.

How did ThyssenKrupp perform specifically? The disappointing economic situation left its mark on our business, and it is no consolation that our competitors fared no differently. The Group's order intake in 2002/2003 was €36.0 billion, 1% lower than a year earlier; sales also declined, by 2% to €36.1 billion. Nevertheless, normalized earnings before taxes, i.e. excluding disposals, rose to €734 million from €419 million a year earlier. This increase represents a significant improvement in the quality of our earnings, due not least to the success of the measures we have taken to enhance the efficiency of the Group.

What were the negatives? The disappointing economic situation in 2002/2003 may sound like a convenient excuse, but the fact is that in our business we rely on investment by our customers around the world to create demand for our products and services.

Let me also mention some of the other adverse factors we had to contend with in 2003. In February 2003, a rating agency downgraded ThyssenKrupp to non-investment grade. The only reason for this was that the agency changed the way it treats pension obligations. We find it impossible to comprehend the agency's actions because far from deteriorating, the Group's financial situation has improved significantly since its initial rating in summer 2001: we have reduced our debt by over €4 billion and lowered our gearing – the ratio of net debt to equity – to our medium-term target level of 60%. I can assure you that your Company, now as before, is on a solid financial footing.

In May 2003, ThyssenKrupp repurchased 16.9 million of its shares from IFIC Holding AG to reduce the Islamic Republic of Iran's indirect shareholding in ThyssenKrupp AG. This was necessary to avert the threat of serious imminent harm to the Company; our activities in the USA would otherwise have faced major business losses under relevant US legislation. In concrete terms, sales of up to US$8 billion were at risk. In view of this threat, we regard the purchase price for the stock of around €406 million as justified.

What is our strategy for the future? From my reports to you in recent years – whether in stockholder letters, Annual Stockholders' Meetings or press conferences – you have been able to see that we are pursuing a long-term corporate strategy. We are focusing our activities within our three main areas of business Steel, Capital Goods and Services, and we are continuously optimizing our portfolio to achieve sustainable improvements in the earning power and value of your Company. Admittedly, we don't always progress as quickly as we'd like. There are two reasons for this. Firstly, we base our decisions on strict criteria which do not allow acquisitions or disposals to be made "at any price". After all, the aim is to create new value for you, our stockholders. Secondly, the economic weakness I mentioned earlier has been an additional impediment. But despite this, since the beginning of fiscal 2002/2003 we have acquired businesses with sales of €1.5 billion and disposed of companies with sales of €1.0 billion.

Our strategy is beginning to bear fruit, and we intend to accelerate the pace of its implementation. In May 2003, the Supervisory Board approved the Executive Board's plans for the further development of the Group. We will be disposing of over 30 non-strategic investments with total sales of around €7 billion. This will create new scope for strategic acquisitions and improve our liquidity. We have already made a start with the sale of Novoferm and the formwork and scaffold activities. With effect from October 01, 2003, we combined the two former segments Materials and Serv into the new Services segment, creating a platform from which to focus and expand our main strengths in this area – materials expertise and industrial services.

Further elements of our corporate strategy include annual productivity increases of 2–3% and ThyssenKrupp best, our efficiency enhancement program. I am delighted by the progress ThyssenKrupp best has made: the program now embraces almost 2,300 projects in Germany and abroad, generating significant value-enhancement effects and greatly improving the transfer of knowledge within the Group. Not least, it produced outstanding winners of the inaugural ThyssenKrupp best Award presented in 2003.

What does the Group strategy aim to achieve? The success of our strategy to date, the progress and the strong international positions of our segments, and the skills and talents of our employees give my Executive Board colleagues and myself confidence for the future. There will be no letting up in our efforts to raise the tempo, improve our methods and find timely solutions to new challenges. Through organic growth, further strategic acquisitions and an even stronger service focus, the aim is to boost ThyssenKrupp's sales in the medium term to €40 – 46 billion. We are also sticking to our medium-term goal of €1.5 billion for normalized pre-tax earnings. We will not be able to meet our target this year, as the forecast growth rates are too low and subject to too many uncertainties, but we are confident that it accurately reflects ThyssenKrupp's sustainable potential. It is a clear and deliberate signal of our strength and shows what ThyssenKrupp is capable of achieving in a strong economic environment.

In the interests of good corporate governance, our future actions will be kept transparent for all our partners. We want to establish long-term ties – with our customers by providing intelligent solutions to their problems, with our employees by giving them jobs with a future, and with society in general through responsible economic and social practices. But at the center of it all are you, our stockholders. You have entrusted us with your capital and rightly expect an appropriate return. Your trust is our obligation, and we will be measured against the results we achieve.

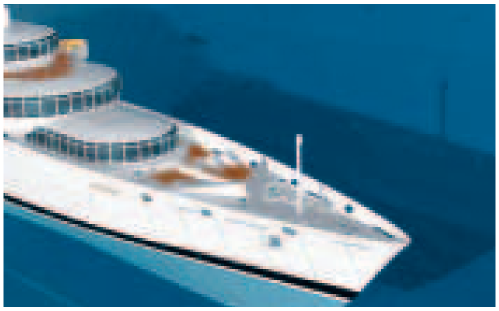
Sincerely yours,

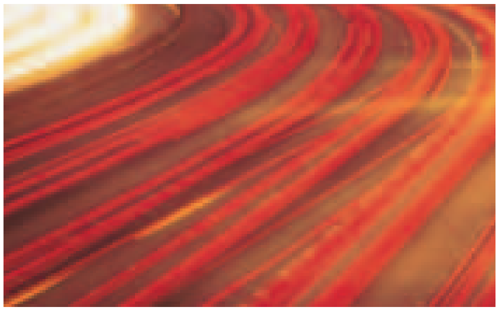
Prof. Dr. Ekkehard D. Schulz, Chairman of the Executive Board
Düsseldorf, November 2003

ThyssenKrupp is developing into one of the most innovative companies in its markets. Our technological excellence sets global quality standards. Innovative prowess and quality awareness provide a platform of dependability, responsibility and consistency to boost the Group's earning power and make our products and services what they are:

For customers, progress. For people, a future.
ThyssenKrupp

**For customers, progress.
For people, a future.**





* Components of the Group management report in accordance with Art. 315 HGB

This Annual Report is published to coincide with the Company's Annual Press Conference on December 04, 2003.

To our stockholders

To our stockholders

As stockholders, you have invested in ThyssenKrupp because you have trust in the Company, because you know that we can do well in the international marketplace and earn an appropriate return on your capital. Rightly, you want to be informed, not just about our operating activities and corporate strategy. The governance of the Company by the Management and the Supervisory Board is also the subject of this report, as is the performance of our stock and stock-related ratios. On this basis you decide on the future of your investment, and therefore also on the future of your Company.

Executive Board

Prof. Dr. Ekkehard D. Schulz
Chairman, born 1941, Executive Board member since 1991, appointed until February 28, 2005, responsible for Corporate Communications and Central Bureau, Senior Executives, Legal, Internal Auditing

Dr. Ulrich Middelmann
Vice Chairman, also Executive Board Chairman of ThyssenKrupp Steel AG, born 1945, Executive Board member since 1992, appointed until March 31, 2008, responsible for the Steel segment and for Corporate Energy

Dr. Olaf Berlien
born 1962, Executive Board member since 2002, appointed until March 31, 2007, responsible for Corporate Controlling, Materials Management and Mergers & Acquisitions, and for Real Estate

Edwin Eichler
also Executive Board Chairman of ThyssenKrupp Services AG, born 1958, Executive Board member since October 01, 2002, appointed until September 30, 2007, responsible for the Services segment and for Corporate Information Management

Dr. Jürgen Harnisch
also Executive Board Chairman of ThyssenKrupp Automotive AG, born 1942, Executive Board member since 2001, appointed until April 14, 2004, responsible for the Automotive segment and for Corporate Affairs – International

Dr. A. Stefan Kirsten
born 1961, Executive Board member since 2002, appointed until July 31, 2007, responsible for Corporate Finance, Investor Relations, Accounting, Taxes and Customs, and for Insurance Services

Ralph Labonte
born 1953, Executive Board member since January 01, 2003, appointed until December 31, 2007, responsible for Corporate Personnel and Social Policy, and for Administrative Services

Prof. Dr. Eckhard Rohkamm
also Executive Board Chairman of ThyssenKrupp Technologies AG, born 1942, Executive Board member since 1991, appointed until February 21, 2004, responsible for the Technologies and Elevator segments and for Corporate Technology

Dieter Hennig
resigned from the Executive Board at the close of December 31, 2002

As of December 01, 2003

from left

Edwin Eichler
Prof. Dr. Eckhard Rohkamm
Ralph Labonte
Prof. Dr. Ekkehard D. Schulz

Dr. Ulrich Middelmann
Dr. Olaf Berlien
Dr. A. Stefan Kirsten
Dr. Jürgen Harnisch

Supervisory Board

Prof. Dr. h.c. mult. Berthold Beitz, Essen
Honorary Chairman
Chairman of the Board of Trustees of the
Alfried Krupp von Bohlen und Halbach Foundation

Prof. Dr. Günter Vogelsang, Düsseldorf
Honorary Chairman

Dr. Gerhard Cromme, Essen
Chairman
Former Chairman of the Executive Board
of ThyssenKrupp AG

Dieter Schulte, Duisburg
Vice Chairman
Former Chairman of the German
Trade Union Confederation

Dr. Karl-Hermann Baumann, Munich
Chairman of the Supervisory Board of Siemens AG

Wolfgang Boczek, Bochum
Materials tester
Chairman of the Works Council Union
ThyssenKrupp Automotive

Carl-L. von Boehm-Bezing, Bad Soden
Former member of the Executive Board
of Deutsche Bank AG

Udo Externbrink, Dortmund
Systems programmer
Chairman of the General Works Council
of Triaton GmbH

Herbert Funk, Hünxe
Senior manager & head of plant management
of ThyssenKrupp Stahl AG

Dr. Klaus Götte, Munich
Former Chairman of the Executive Board
of MAN AG

Klaus Ix, Siek
Fitter
Chairman of the Works Council
of ThyssenKrupp Fahrtreppen GmbH

Gerd Kappelhoff, Witten
(until October 16, 2002)
Member of the Executive Board of
ThyssenKrupp Automotive AG

Dr. Martin Kohlhaussen, Frankfurt/Main
Chairman of the Supervisory Board of
Commerzbank AG

Dr. Heinz Kriwet, Düsseldorf
Former Chairman of the Executive Board
of Thyssen AG

Reinhard Kuhlmann, Frankfurt/Main
Secretary General of the European
Metalworkers' Trade Union Federation

Dr. Mohamad-Mehdi Navab-Motlagh, Tehran
Vice Minister for Economics and International
Affairs in the Industrial and Mining Ministry
of the Islamic Republic of Iran

Dr. Friedel Neuber, Duisburg
Former Chairman of the Executive Board
of Westdeutsche Landesbank Girozentrale

As of December 01, 2003

Peter Scherrer, Düsseldorf
(since February 12, 2003)
Trade union secretary at the
Düsseldorf branch office of IG Metall

Thomas Schlenz, Duisburg
Shift foreman
Chairman of the Group Works Council
of ThyssenKrupp AG

Dr. Henning Schulte-Noelle, Munich
Chairman of the Supervisory Board of Allianz AG

Wilhelm Segerath, Duisburg
Automotive bodymaker
Chairman of the General Works Council of
ThyssenKrupp Stahl AG and Chairman of the
Works Council Union ThyssenKrupp Steel

Ernst-Otto Tetau, Brietlingen
Machine fitter
Chairman of the Works Council of
Blohm + Voss GmbH and Chairman
of the Works Council Union
ThyssenKrupp Technologies

Bernhard Walter, Bad Homburg
Former Chairman of the Executive Board
of Dresdner Bank AG

Supervisory Board Committees

Executive Committee
Dr. Gerhard Cromme (Chairman)
Dieter Schulte
Dr. Karl-Hermann Baumann
Thomas Schlenz

Mediation Committee under Art. 27 par. 3 Codetermination Act
Dr. Gerhard Cromme (Chairman)
Dieter Schulte
Dr. Karl-Hermann Baumann
Thomas Schlenz

Personnel Committee
Dr. Gerhard Cromme (Chairman)
Dieter Schulte
Dr. Karl-Hermann Baumann
Thomas Schlenz

Audit Committee
Dr. Karl-Hermann Baumann (Chairman)
Dr. Gerhard Cromme
Udo Externbrink
Klaus Ix
Ernst-Otto Tetau
Bernhard Walter

Strategy, Finance and Investment Committee
Dr. Gerhard Cromme (Chairman)
Dieter Schulte
Wolfgang Boczek
Dr. Martin Kohlhaussen
Dr. Heinz Kriwet
Dr. Mohamad-Mehdi Navab-Motlagh
Thomas Schlenz
Wilhelm Segerath

Report by the Supervisory Board

Dr. Gerhard Cromme

Chairman
of the Supervisory Board

In the following report the Supervisory Board gives an account of its activities in the past fiscal year and describes its ongoing dialogue with the Executive Board, the main subjects of discussion at the Supervisory Board meetings, the work of the committees and the audit of the financial statements.

In the reporting year, the Supervisory Board performed the functions for which it is responsible according to statutory provisions and the Articles of Association. We regularly advised the Executive Board on the management of the Company and supervised the conduct of business. The Supervisory Board was directly involved in all decisions of fundamental significance for the Company. In written and verbal reports the Executive Board furnished us with regular, up-to-date and comprehensive information on all relevant issues of strategy and corporate planning, business progress, the state of the Group including the risk situation, and risk management. Where the actual course of business deviated from plans and targets, this was explained to us in detail. The Executive Board agreed the Company's strategic alignment with us. All events of importance to the Company were discussed in detail by the Supervisory Board Executive Committee (Praesidium) and the full Supervisory Board on the basis of reports by the Executive Board. Outside the Supervisory Board meetings, I was personally in regular contact with the Executive Board and was kept informed about the current business situation and key business transactions.

Four Supervisory Board meetings were held in fiscal 2002/2003. No Supervisory Board member attended fewer than half the meetings. Between meetings, we were kept informed about projects and events which were urgent or of particular importance. Where necessary, decisions were made by written vote.

Work of the committees

The five committees of the Supervisory Board, composed of stockholder and employee representatives, prepare issues to be dealt with at the full meetings as well as resolutions of the Supervisory Board. In individual cases, decision making powers of the Supervisory Board were delegated to the committees. All committees are chaired by the Supervisory Board Chairman, with the exception of the Audit Committee. The current compositions of the individual committees are shown in the list of Supervisory Board members on page 11.

The Executive Committee (Praesidium) met six times in the reporting period. The main subjects of discussion were fundamental issues of the further development of the Group and the implementation of the German Corporate Governance Code. In its meeting on April 30, 2003 the Praesidium discussed in detail the repurchase of ThyssenKrupp AG shares from IFIC Holding AG to avert serious imminent harm to the Company and approved the acquisition after considering all arguments.

The Executive Committee of the Supervisory Board met six times in 2002/2003.

The Personnel Committee, which met five times, dealt mainly with resignations and appointments of Executive Board members, with the structure and level of compensation for the Executive Board and with the acceptance of external supervisory board seats by Executive Board members.

The Mediation Committee in accordance with Art. 27 par. 3 German Codetermination Act (MitbestG) did not have to be convened.

The Audit Committee met four times in the reporting period and addressed in particular the parent-company and consolidated financial statements, as well as the further development of the risk management system. It dealt with the quarterly reports, awarded the audit engagement, and determined the audit priority areas and the level of compensation. The auditors participated in all four Audit Committee meetings and reported in detail about their audit activities and the audit review of the quarterly financial statements.

The Strategy, Finance and Investment Committee, which met twice in the past fiscal year, dealt with the Group's strategic development and investment plan, and prepared the relevant resolutions for the full-session meetings.

Detailed reports on the meetings and work of the committees were given in the full-session meetings.

Key areas of discussion in the Supervisory Board

The development of sales, earnings and employment in the Group and the individual segments, the financial situation and major investment projects were the subject of regular deliberations at the full-session meetings. At several meetings the German Corporate Governance Code and its implementation at ThyssenKrupp were discussed.

The corporate and investment plans were discussed and adopted.

In the meeting on December 19, 2002 we focused on the parent-company and consolidated financial statements for the year ended September 30, 2002. The Supervisory Board also adopted the corporate and investment plans for fiscal 2002/2003. In this context, the consequences of the dollar exchange rate movements and the conflict in Iraq were discussed. Another focus was a detailed report by the Executive Board on the development of the Automotive segment. In addition, the Supervisory Board approved the disposal of ThyssenKrupp Nirosta GmbH's quarto plate business to AvestaPolarit and discussed potential consequences for the Group of the German government's tax reform plans.

In the meeting on February 21, 2003 we discussed ThyssenKrupp's downgrade to non-investment grade status by the rating agency Standard & Poor's and the consequences arising from it. The Supervisory Board adopted Rules of Procedure for the Audit Committee and approved the planned acquisition of the automotive supplier Mercedes-Benz Lenkungen. Furthermore, there were deliberations about a second acquisition project to strengthen the position of the Automotive segment, the purchase of the French Sofedit group.

In April 2003 we approved by written procedure the disposal of 50% of Böhler Thyssen Schweißtechnik GmbH shares to Böhler Uddeholm. In the meeting on May 19, 2003 the Supervisory Board dealt with Executive Board personnel matters. Deliberations regarding the Group's strategic development plan and the finance plan for regaining investment grade status at Standard & Poor's were also key points. In this context, the planned disposals and their effect on the earnings and financial situation of the Group were discussed in detail with the Executive Board. A further focus was the repurchase of ThyssenKrupp AG shares from IFIC Holding AG which averted serious imminent harm to the Company. After the Praesidium approved this acquisition in its meeting on April 30, 2003, the Supervisory Board also gave its approval. Additionally, we adopted the investment plan for fiscal 2003/2004 and approved the acquisition of the French Sofedit group presented in the previous meeting, as well as the disposal of the Thyssen Polymer group, which is not part of the Group's core activities.

In July 2003 the Supervisory Board approved by written procedure the disposal of the formwork and scaffold business of ThyssenKrupp Serv AG and, in August, the acquisition of the Korean elevator manufacturer Dongyang. Both projects had already been presented in the meeting on May 19, 2003.

In the meeting on August 14, 2003 we were informed in detail about the development of the Steel segment. In addition we received a progress report on strategic development. The Supervisory Board adopted a new organization chart for the Executive Board. The Executive Board compensation structure was explained.

At the beginning of October 2003 we approved by written procedure the disposal of the Novoferm group to the Japanese company Sanwa Shutter as part of the portfolio optimization.

Corporate Governance and Declaration of Conformity

In several meetings and also by means of written documentation between meetings we dealt with the implementation of the German Corporate Governance Code. The Executive Board – also on behalf of the Supervisory Board – reports in the following section on pages 17–21 on corporate governance at ThyssenKrupp in accordance with section 3.10 of the German Corporate Governance Code.

In implementing the Code, the Supervisory Board dealt in several meetings with a review of its efficiency. The review focused on the supply of full and timely information to the Supervisory Board, its composition and organization, as well as the flow of information between the committees and the full board.

On October 01, 2003 the Executive Board and Supervisory Board issued an updated Declaration of Conformity according to Art. 161 of the Stock Corporation Act (AktG) and made it permanently available to stockholders on the Company website. ThyssenKrupp AG complies with all recommendations of the Government Commission on the German Corporate Governance Code as amended on May 21, 2003.

Audit of the financial statements

The 2002/2003 parent company and consolidated financial statements were audited by KPMG.

The parent company financial statements for the period October 01, 2002 to September 30, 2003, prepared by the Executive Board in accordance with HGB (German GAAP) rules, and the management report of ThyssenKrupp AG were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, in accordance with the resolution of the Annual Stockholders' Meeting on February 21, 2003 and the subsequent award by the Audit Committee of the Supervisory Board. The auditors issued an unqualified audit opinion. The consolidated financial statements of ThyssenKrupp AG were prepared on the basis of US GAAP. By utilization of the exemption provision of Art. 292a HGB, German GAAP consolidated financial statements were not prepared. Accordingly, additional disclosures pursuant to Art. 292a HGB were added. The US GAAP consolidated financial statements and the management report on the Group were given an unqualified audit opinion.

One focus of the audit this year was an assessment of the use of off-balance sheet financing in the Group, including how this is accounted for, and the associated risk management and controlling systems. The report on this, the other audit reports and financial statement documentation were sent to all Supervisory Board members in good time. They were the subject of intense discussion at the meeting of the Audit Committee on November 18, 2003 and at the meeting of the Supervisory Board on December 03, 2003. At both meetings, the auditors took part in the discussion of the parent company and consolidated financial statements. They reported on the main results of the audits and were available to us for supplementary information.

On the basis of our own examination of the parent company financial statements, the consolidated financial statements, the management report and the management report on the Group, we approved the result of the audit and, in the meeting on December 03, 2003, approved the parent company and consolidated financial statements. The parent company financial statements are thus adopted. We concurred with the proposal of the Executive Board for the appropriation of net income.

Composition of the Supervisory Board and Executive Board

At the close of October 16, 2002 Mr. Gerd Kappelhoff left the Supervisory Board. In his place, by court ruling effective February 12, 2003, Mr. Peter Scherrer was appointed member of the Supervisory Board. We thank Mr. Kappelhoff for his constructive cooperation in this body and for his commitment to the interests of the Company and its employees.

As successor to Mr. Dieter Hennig, who resigned from the Executive Board and retired at the close of December 31, 2002, the Supervisory Board appointed Mr. Ralph Labonte as member of the Executive Board and labor director of ThyssenKrupp AG effective January 01, 2003. We thank Mr. Hennig for his many years of deserving and successful service to the Group.

Prof. Dr. Eckhard Rohkamm and Dr. Jürgen Harnisch will leave the Company and enter retirement on expiration of their current appointments at the close of February 21, 2004 and April 14, 2004 respectively. The Supervisory Board has appointed as a new member of the Executive Board Dr. Wolfram Mörsdorf who will represent the Automotive segment on the Executive Board as successor to Dr. Harnisch, effective April 15, 2004. Dr. Olaf Berlien will be responsible for the Technologies segment, effective February 22, 2004, on the departure of Prof. Dr. Rohkamm.

We thank the Executive Board, company managements, all employees and the employee representatives for their efforts in the fiscal year.

The Supervisory Board

Gerhard Cromme

Dr. Gerhard Cromme
Chairman
Düsseldorf, December 03, 2003

Corporate Governance at ThyssenKrupp

By tradition, ThyssenKrupp has always attached great importance to good and responsible corporate governance. The Company complies with all the recommendations of the German Corporate Governance Code as amended on May 21, 2003 and follows most of the Code's suggestions.

The Executive Board – also on behalf of the Supervisory Board – reports in the following on corporate governance at ThyssenKrupp in accordance with section 3.10 of the German Corporate Governance Code:

ThyssenKrupp took account of internationally and nationally recognized standards of good and responsible corporate management even before the publication of the German Corporate Governance Code. The Executive and Supervisory Boards work together closely in the interests of the Company and are committed to enhancing the long-term value of the Company.

Unqualified declaration of conformity

On October 01, 2002 the Executive Board and Supervisory Board issued the first Declaration of Conformity in accordance with Art. 161 of the Stock Corporation Act (AktG), stating that with two exceptions, ThyssenKrupp complied with the recommendations of the Government Commission on the German Corporate Governance Code. The first of these exceptions was that at that time, one Supervisory Board member, a director of an exchange-listed company, held more than five supervisory board mandates at non-Group exchange-listed companies. The second exception was that there was no separate compensation for chairmanship and membership of Supervisory Board committees. After these qualifications no longer held true, the Executive Board and Supervisory Board issued an updated Declaration of Conformity on April 30, 2003, establishing that ThyssenKrupp complies with all recommendations of the Government Commission on the German Corporate Governance Code.

This unqualified Declaration of Conformity still applies following the amendments to the Code resolved by the Government Commission on May 21, 2003, as confirmed by the Executive Board and Supervisory Board on October 01, 2003. The Code amendments principally relate to Executive Board compensation. Individual disclosure of Executive Board and Supervisory Board compensation, previously a suggestion, became a recommendation. ThyssenKrupp already published Executive Board and Supervisory Board compensation for individual members in the Annual Report for fiscal 2001/2002.

ThyssenKrupp complies with all recommendations of the German Corporate Governance Code.

Beyond this, ThyssenKrupp also complies with most of the suggestions of the Code. Only the introduction of staggered periods of office for the stockholder representatives on the Supervisory Board is not planned at present. At our exchange-listed subsidiary Eisen- und Hüttenwerke AG, the German Corporate Governance Code is implemented taking into account the specificities of its membership in the Group. Variances are set out in the company's Declaration of Conformity of September 23, 2003.

Internet support for stockholders

Our stockholders are kept regularly informed about important dates by a financial calendar, which is published in the Annual Report, the quarterly reports and on the Company website. They can exercise their voting rights at the Annual Stockholders' Meeting in person or by proxy, for which they can authorize the representative of their choice or a company-nominated proxy acting on their instructions. For the first time, proxy voting instructions for the Annual Stockholders' Meeting on February 21, 2003 could also be issued in advance and during the meeting by electronic media.

Close cooperation between Executive Board and Supervisory Board

The Executive Board provides the Supervisory Board with regular detailed updates on all relevant issues relating to corporate planning and strategic development, on business transactions and the situation of the Group (including an overview of risks), as well as risk management. It explains any variances in the course of business from budget plans and targets and consults the Supervisory Board on Company strategy. The Articles of Association make provision for important business transactions to be subject to Supervisory Board approval. For more details, please turn to the Report by the Supervisory Board on pages 12–16.

The period of office of the stockholder representatives on the Supervisory Board ends at the close of the Annual Stockholders' Meeting which resolves on discharging the Supervisory Board from responsibility for fiscal 2003/2004. The period of office of the employee representatives ends at the close of the Annual Stockholders' Meeting which resolves on discharging the Supervisory Board from responsibility for fiscal 2002/2003.

The Company has taken out directors and officers (D&O) liability insurance with an appropriate deductible for the members of ThyssenKrupp AG's Executive and Supervisory Boards.

There were no consultancy or other service contracts between members of the Supervisory Board and the Company in the reporting period. Conflicts of interest of Executive or Supervisory Board members, which must be disclosed immediately to the Supervisory Board, did not occur.

Success-based compensation for Executive and Supervisory Boards

There are clear criteria for Executive Board compensation.

Executive Board compensation comprises a fixed component and a variable component. In addition to their bonus, Executive Board members also receive stock appreciation rights under the Company's Long Term Management Incentive Plan (LTMI) as a variable component of compensation. Another component of Executive Board compensation is a Mid Term Incentive Plan (MTI). Compensation is based in particular on the duties of the individual Executive Board member, his/her personal performance and that of the Executive Board as well as on the business situation, success and prospects of the Company relative to its competitive environment. The Notes to the Consolidated Financial Statements contain details of the LTMI and the MTI on pages 167–168.

In fiscal 2002/2003, compensation for the active Executive Board members totaled €7,645.5K. Of this total, €4,272.0K related to fixed salaries and €3,373.5K to bonuses. The breakdown by individual Executive Board member is shown in the following table. In addition to these amounts, the Executive Board was granted 575,000 stock appreciation rights (3rd – 5th installments) under the LTMI and 123,381 stock rights under the MTI. At the end of the respective performance period, the stock appreciation rights result in a cash remuneration if at least one of the two performance hurdles of the LTMI has been met. The amount of compensation payable under the MTI is established at the end of the three-year performance period. At September 30, 2003 the hypothetical maturity of the stock appreciation rights issued in the 5th installment of the LTMI and the stock rights of the MTI would have provided a cash yield. The amounts payable to individual Executive Board members under the two programs, assuming maturity at the balance sheet date, are also shown in the following table.

Executive Board compensation 2002/2003 in thousand €

	Fixed salary	Bonus	Total	LTMI * stock appreciation rights	MTI stock rights **	Total
Prof. Dr. Ekkehard D. Schulz, Chairman	792.0	643.5	1,435.5	283.8	263.5	547.3
Dr. Ulrich Middelmann, Vice Chairman	600.0	487.5	1,087.5	215.0	199.6	414.6
Dr. Olaf Berlien	480.0	390.0	870.0	172.0	159.7	331.7
Edwin Eichler	480.0	390.0	870.0	172.0	159.7	331.7
Dr. Jürgen Harnisch	480.0	390.0	870.0	172.0	159.7	331.7
Dieter Hennig (until 12-31-2002)	120.0	–	120.0	–	–	–
Dr. A. Stefan Kirsten	480.0	390.0	870.0	172.0	159.7	331.7
Ralph Labonte (from 01-01-2003)	360.0	292.5	652.5	172.0	159.7	331.7
Prof. Dr. Eckhard Rohkamm	480.0	390.0	870.0	172.0	159.7	331.7
Total	4,272.0	3,373.5	7,645.5	1,530.8	1,421.3	2,952.1

* LTMI calculation based on the intrinsic value of the 5th installment of €6.88;
** MTI calculation based on the end-of-period price for TK stock of €11.52

In addition, the Executive Board members receive non-cash benefits in the total amount of €547.4K, as well as a pension plan. The non-cash benefits mainly comprise the tax value of real property, related incidental costs and the use of Company cars. The Executive Board members are responsible for paying tax on these non-cash benefits. In principle they are available in the same way to all Executive Board members; they vary in amount according to the personal situation of the individual member. No loans or advance payments were granted to members of the Executive or Supervisory Boards in the year under review.

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €13.6 million. An amount of €117.9 million was accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

Under Art. 14 of the Articles of Association, in addition to reimbursement of their expenses and a meeting attendance fee of €500, Supervisory Board members receive compensation comprising a fixed component of €16,000 and a bonus of €800 for each €0.01 by which the dividend paid out to stockholders for the past fiscal year exceeds €0.10 per share. On top of this, there is an annual compensation, based on the long-term performance of the Company, of €2,000 for each €100,000,000 by which average earnings before tax and minority interests (EBT) in the last three fiscal years exceeds €500,000,000. This compensation component will be payable for the first time after the Annual Stockholders' Meeting which resolves on discharging the Supervisory Board from responsibility for the fiscal year ending on September 30, 2005.

Changes to Supervisory Board compensation were made in the Articles of Association.

The Chairman receives three times the above fixed compensation, bonus and long-term performance-based component, and the Vice Chairman double these amounts. Chairmanship and membership of Supervisory Board committees are compensated separately according to the German Corporate Governance Code. Supervisory Board members who only served on the Supervisory Board for part of the fiscal year receive a proportionally reduced compensation amount.

For fiscal year 2002/2003, the members of the Supervisory Board will receive total compensation of €1,356,482 based on the proposed dividend of €0.50 per share. The individual Supervisory Board members receive the amounts listed in the following table.

Supervisory Board compensation 2002/2003 in €

	Fixed compensation	Bonus	Compensation for committee work	Total
Dr. Gerhard Cromme, Chairman	48,000	96,000	48,000	192,000
Dieter Schulte, Vice Chairman	32,000	64,000	36,000	132,000
Dr. Karl-Hermann Baumann	16,000	32,000	48,000	96,000
Wolfgang Boczek	16,000	32,000	12,000	60,000
Carl-L. von Boehm-Bezing	16,000	32,000	–	48,000
Udo Externbrink	16,000	32,000	12,000	60,000
Herbert Funk	16,000	32,000	–	48,000
Dr. Klaus Götte	16,000	32,000	–	40,000*
Klaus Ix	16,000	32,000	12,000	60,000
Gerd Kappelhoff (until 10-16-2002)	701	1,403	–	2,104
Dr. Martin Kohlhaussen	16,000	32,000	12,000	60,000
Dr. Heinz Kriwet	16,000	32,000	12,000	60,000
Reinhard Kuhlmann	16,000	32,000	–	48,000
Dr. Mohamad-Mehdi Navab-Motlagh	16,000	32,000	12,000	60,000
Dr. Friedel Neuber	16,000	32,000	–	48,000
Peter Scherrer (from 02-12-2003)	10,126	20,252	–	30,378
Thomas Schlenz	16,000	32,000	36,000	84,000
Dr. Henning Schulte-Noelle	16,000	32,000	–	48,000
Wilhelm Segerath	16,000	32,000	12,000	60,000
Ernst-Otto Tetau	16,000	32,000	12,000	60,000
Bernhard Walter	16,000	32,000	12,000	60,000
Total	**362,827**	**725,655**	**276,000**	**1,356,482***

* including deductions made under Art. 14 par. 3 Articles of Association

Members of the ThyssenKrupp AG Supervisory Board received compensation of €0.1 million in fiscal 2002/2003 for supervisory board mandates at Group subsidiaries. Beyond this, they received no further compensation or benefits in the reporting year for personal services rendered, in particular advisory and mediatory services.

Responsible risk management

Good corporate governance also involves dealing responsibly with risks. The systematic risk management activities performed as part of the Group's value-based management approach identify risks and optimize risk exposure. The risk management system at ThyssenKrupp AG is examined by the auditors in Germany and abroad. It is continuously evolved and adapted to the changing conditions. For more details, please turn to the section on "Risk Management" on pages 134–138.

Continuous improvement in transparency

For up-to-date information on the Group, go to www.thyssenkrupp.com

We attach great importance in our corporate communications to ensuring that all target groups receive the same information at the same time. Private investors also have access to the latest news and developments at the Group on our website. All stock exchange (ad hoc) announcements made by ThyssenKrupp AG are posted online. The Company's Articles of Association and the Rules of Procedure for the Executive Board, Supervisory Board and the Audit Committee can also be viewed on our website. Details of how ThyssenKrupp is implementing the recommendations and suggestions of the

German Corporate Governance Code are also available online. All stockholders and interested parties can subscribe to an electronic newsletter, which provides updates on developments in the Group, important events, new products and services, ad hoc announcements and press releases.

According to Art. 15a of the Securities Trading Act (Wertpapierhandelsgesetz), the members of the Executive and Supervisory Boards are obligated to disclose the purchase or sale of ThyssenKrupp shares. At September 30, 2003 no such disclosures had been made to ThyssenKrupp AG. Similarly, there were no cases of share ownership subject to disclosure under section 6.6 of the German Corporate Governance Code at September 30, 2003.

The mandates held by Executive and Supervisory Board members are listed on pages 194–197.

Details of related party transactions are given in the Notes to the Consolidated Financial Statements on page 182.

Auditing by KPMG

It was agreed with the auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main that the Chairman of the Audit Committee would be informed immediately of any possible grounds for exclusion or bias arising during the audit insofar as they are not immediately eliminated, and that the auditors would report immediately on any findings and occurrences during the audit which have a significant bearing on the duties of the Supervisory Board. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts ascertained during their examination which would cause the Declaration of Conformity issued under Art. 161 Stock Corporation Act (AktG) by the Executive Board and Supervisory Board to be incorrect.

ThyssenKrupp stock

In fiscal 2002/2003 the stock market climate brightened increasingly from mid-year. ThyssenKrupp's stock climbed 3%, while the DAX and DJ STOXX indices gained 18% and 9%, respectively. This section contains detailed information on the stock's performance, our stockholder structure and our investor relations work.

Key data of ThyssenKrupp stock

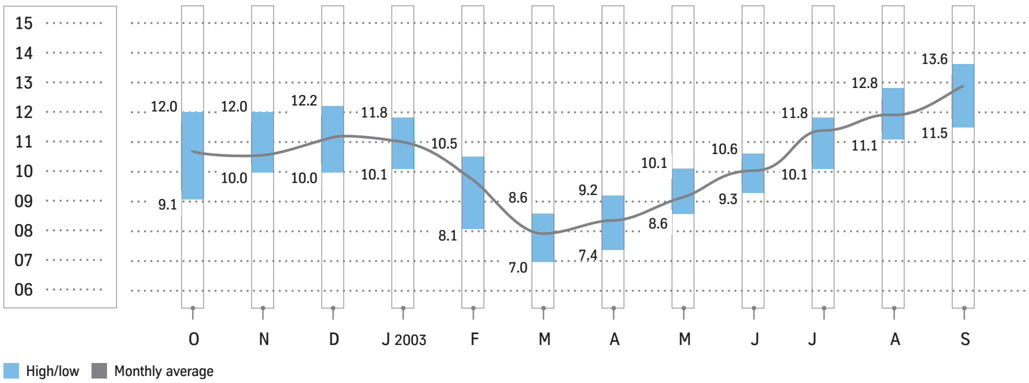
		1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
Capital stock	million €	1,315	1,317	1,317	1,317	1,317
Number of shares	million shares	514.5	514.5	514.5	514.5	514.5
Stock exchange value end September	million €	9,621	7,918	5,814	5,762	5,927
Closing price end September	€	18.70	15.39	11.30	11.20	11.52
High	€	24.55	33.60	20.69	18.50	13.62
Low	€	12.84	15.27	9.93	10.87	7.01
Dividend	€	0.72	0.75	0.60	0.40	0.50 **
Dividend total	million €	368	386	309	206	249 **
Dividend yield	%	3.8	4.9	5.3	3.6	4.3
EPS	€	0.96 *	1.46	1.76	0.42	1.01
Normalized EPS	€	1.23 *	1.33	1.05	0.48	0.89
Number of shares ***	million shares	514.5	514.5	514.5	514.5	507.7
Trading volume (daily average)	million shares	1.5	1.8	1.7	2.0	2.8

* pro forma
** proposal to Annual Stockholders' Meeting
*** weighted average of outstanding shares

Share price performance subdued

The performance of the stock markets in the 1st quarter of fiscal year 2002/2003 was influenced by political uncertainties and risks. Subsequently, the military conflict in Iraq had a particularly strong impact. In the 2nd quarter ThyssenKrupp stock lost around a third of its value. Although initially the stock performed mainly in line with the market, it lost considerable ground following the downgrade by one of the rating agencies, reaching an all-time low of €7.01 on March 12, 2003.

Highs and lows of ThyssenKrupp shares in €



Performance of ThyssenKrupp stock in comparison indexed, from Sept. 30, 2002 to Sept. 30, 2003, in %

From the 3rd quarter onward, the stock price staged a gradual recovery. This trend, which reflected the general market performance, was supported by the announcement in May of the Group’s strategic focus and continued restructuring. In a sustained uptrend in the 4th quarter, ThyssenKrupp stock reached a fiscal-year high of €13.62 on September 08, 2003. However, toward the end of the fiscal year, stock prices subsided again in a weakening market.

Fiscal-year high of €13.62 on September 08, 2003.

At September 30, 2003 the share price closed at €11.52, 2.8% higher than on September 30, 2003. Over the same period, the performance of the DAX was considerably stronger, gaining 17.6%, while the DJ STOXX gained 9.1%. Further details of our stock’s performance are shown in the charts on this double page.

As shown in the chart below, the market capitalization improved slightly against the year before from €5.8 billion to €5.9 billion.

Market capitalization of ThyssenKrupp AG in million €

03-25-1999 Initial quotation	9,338
09-30-1999	9,621
01-05-2000 All-time high	17,287
09-29-2000	7,918
09-28-2001	5,814
09-30-2002	5,762
03-12-2003 All-time low	3,607
09-30-2003	5,927

ThyssenKrupp stock master data

		Securities identification number
Stock exchange		
Germany	Frankfurt (Prime Standard), Düsseldorf	DE 000 750 0001
United Kingdom	London Stock Exchange	5636927
Symbols		
Stock exchange	Frankfurt, Düsseldorf	TKA
	London	THK
Reuters	Frankfurt Stock Exchange	TKAG.F
	Xetra trading	TKAG.DE
Bloomberg		TKA GR

Stock market listing in Germany and the United Kingdom

ThyssenKrupp stock has been listed on the Frankfurt, Düsseldorf and London stock exchanges since March 25, 1999. The listing in the main segment of the SWX Swiss Exchange, Zurich, was withdrawn on October 17, 2003. The delisting was prompted by the extremely small volume of ThyssenKrupp shares traded. The volume of ThyssenKrupp shares traded directly on the London Stock Exchange has also been low in recent years. However, in London higher volumes are traded over the counter, and in particular major orders are sent from London to the international Xetra trading system of Deutsche Börse AG. Against this background we intend to maintain our listing in London, Europe's biggest stock market. The master data for our stock are shown in the chart above.

On the German stock exchanges including the Xetra trading system, some 698 million ThyssenKrupp shares were traded in the reporting period, 37% more than the 508 million traded the previous year. The average daily volume was 2.8 million shares.

The inclusion of ThyssenKrupp stock in major indices helps raise its profile with institutional investors. In Germany our shares are included in the calculation of the DAX and the corresponding sector indices. In Europe the stock is included in the calculation of the broad DJ STOXX and DJ EURO STOXX indices as well as the associated sector indices.

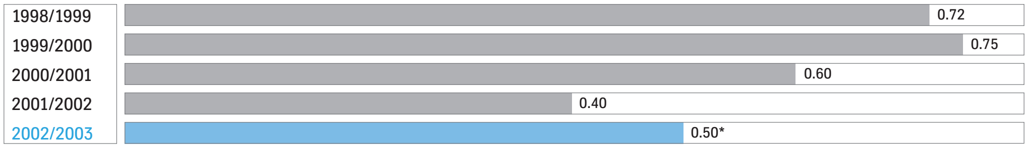
Earnings per share €1.01

Earnings per share (EPS) is calculated by dividing the Group's net income by the weighted average of outstanding shares. In fiscal year 2002/2003 an average 507.7 million shares were outstanding following the share repurchase pursuant to Art. 71 par. 1 no. 1 German Stock Corporation Act (AktG). On this basis, EPS was €1.01.

Normalized EPS is €0.89.

To improve comparability, EPS is additionally calculated without the one-time effects of changes in accounting principles and material disposal gains/losses as part of the portfolio optimization. In fiscal year 2002/2003 a further positive effect was the partial tax deductibility of the payments for the acquisition of treasury stock. After these adjustments, normalized EPS in 2002/2003 was €0.89, compared with €0.48 a year earlier.

ThyssenKrupp AG dividend payment in €



* Proposal to the Annual Stockholders' Meeting

Dividend proposal of €0.50 per share

A proposal will be submitted to the Annual Stockholders' Meeting on January 23, 2004 to approve payment of a dividend in the amount of €0.50 per share. Based on the stock price of €11.52 on September 30, 2003, the dividend yield is 4.3%. The payout ratio is 61% of the net income of ThyssenKrupp AG and 49% of consolidated net income. The chart above shows the dividend payments since 1998/1999

Capital stock unchanged

The capital stock remains unchanged at €1,317,091,952.64 and consists of 514,489,044 no-par-value bearer shares. The shares are evidenced in global certificates. The right of shareholders to certification of their shares is excluded under the Company's Articles of Association. Under Art. 19 of the Articles of Association of ThyssenKrupp AG, each share grants one vote.

Stockholder structure basically stable

Following the survey in 2001, ThyssenKrupp conducted a further analysis of its stockholder structure at September 30, 2003. The survey revealed only minor changes to the structure. The share of the capital stock held by private investors remained largely stable at 22%, and the share held by institutional investors and investors with major holdings was also roughly constant at 78%. Around 80% of shareholders are resident in Germany, while just over 20% of the capital stock is held by foreign investors.

Around 80% of our stockholders come from Germany.

There were marked regional shifts in particular among foreign institutional investors. Investors from other European countries (excluding the UK) increased their ThyssenKrupp shareholdings from 5.4% in 2001 to 7.2%. The share of US-based investors also rose slightly from 3.9% to 5.4%. By contrast, the proportion of institutional investors in Germany and the United Kingdom fell slightly by one percentage point in each country. Outside Germany the biggest shares in ThyssenKrupp are held in the USA (5.4%), the UK (3%) and France (2.9%), followed by Switzerland (1.7%), whose significance has waned considerably compared with previous surveys, and the Netherlands (1%).

The largest stockholder is the Alfried Krupp von Bohlen und Halbach Foundation, Essen, which according to its latest notification now holds 20% of the voting rights in ThyssenKrupp.

In the 2002/2003 fiscal year, ThyssenKrupp repurchased 16.9 million shares from IFIC Holding AG, Düsseldorf, representing some 3.29% of the capital stock. Details of the transaction are explained on pages 165–166. Pursuant to Art. 21, par. 1 of the German Securities Trading Act (WpHG), IFIC Holding AG then announced that on May 06, 2003 it fell below the threshold of 5% of the voting rights in ThyssenKrupp AG and its share in the voting rights now amounts to around 4.5%.

The free float, which is generally taken into account in the weighting of ThyssenKrupp stock in the indices, is around 80% of the capital stock.

Prize-winning investor relations

For fair and ongoing communications with the capital market, ThyssenKrupp was awarded third prize in the blue chip category of the "Best Investor Relations Deutschland" (BIRD) competition. Presented for the first time at the German Investor Relations annual conference in May 2003, the BIRD award is judged on the basis of informative content, credibility, currency and comprehensibility.

Capital magazine, on the other hand, based its selection of the best investor relations websites on story, service, design and performance. The ThyssenKrupp site was judged to be the best of the 110 DAX, MDAX and TEC-DAX companies reviewed.

For ThyssenKrupp these awards are an incentive to further improve the high standard of its investor relations work. The stockholder survey conducted this year provides a platform for actively addressing investors and efficiently planning future roadshows.

Q&A sessions on 36 roadshow days.

In fiscal year 2002/2003 we significantly intensified our relations with institutional and private investors. A total of 36 roadshow days further strengthened our presence on the financial markets important to ThyssenKrupp. In addition, the company presented its spectrum of products and services along with its strategy at a number of investor conferences, private investor presentations and not least sales-force briefings at international banks.

Alongside these events for specific target groups, ThyssenKrupp is continuously expanding its internet website for a wider public. In the interests of fair disclosure, all presentations and publications, including financial reports, are available for viewing and downloading from the internet. Analysts' meetings and conference calls, the Annual Press Conference and Annual Stockholders' Meeting are transmitted live on the website and are available for viewing any time thereafter. And, of course, our Investor Relations team can be contacted in person whenever they are needed.

Shock absorbers. Made interactive.

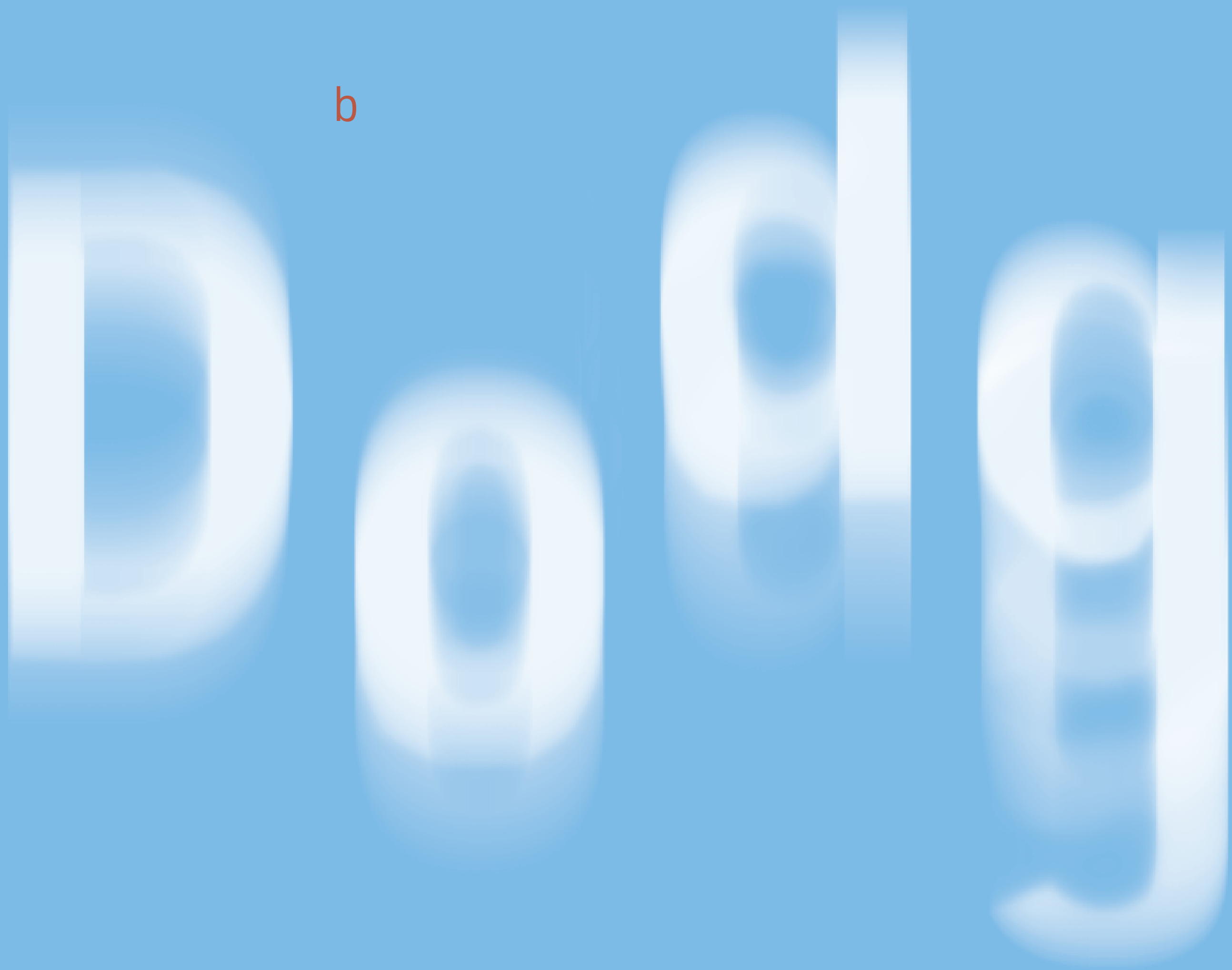
Potholes, road joints, rail crossings, cobblestones – there are many things that can make driving an uncomfortable experience. In extreme situations, faulty shock absorbers can cause a car to swerve or skid. Reason enough for ThyssenKrupp to develop a new damping system that responds instantly to changing driving situations to provide active reassurance.

For customers, progress. For people, a future.

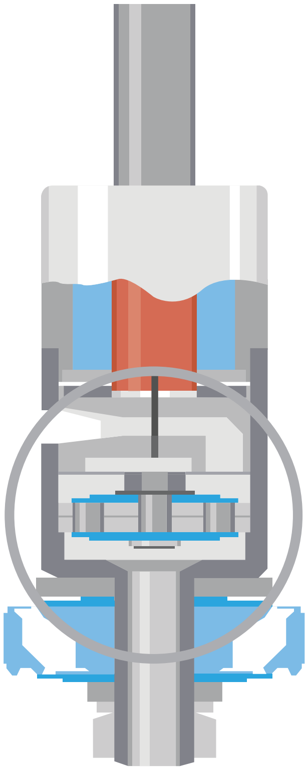
Shock absorption

a

a
Drive relaxed. Arrive relaxed.


b
Dodg

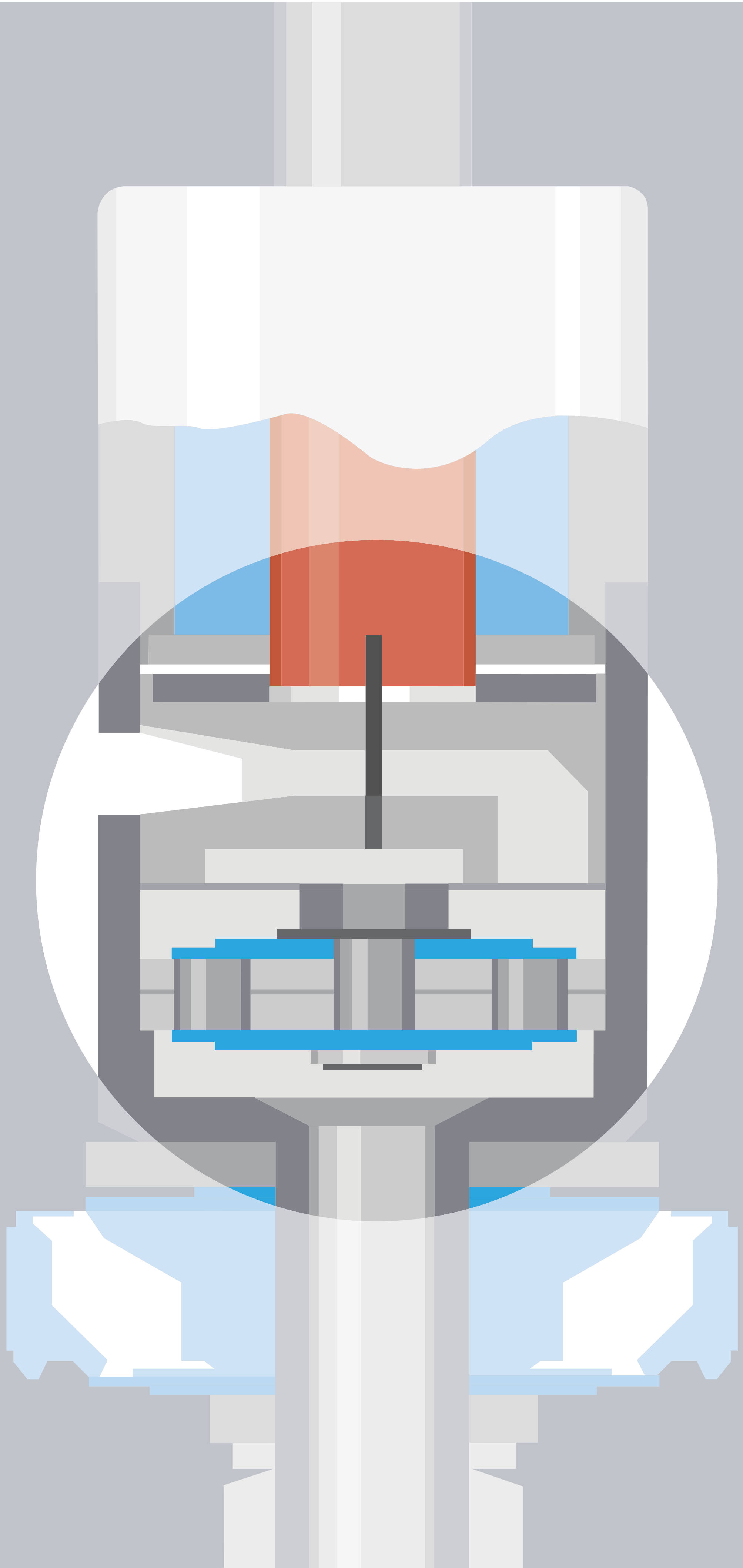
b **Unavoidable.** A car whose wheels lose contact with the road is no longer steerable. Result: The car doesn’t respond the way the driver wants.



C
DampTronic

C
Continuously variable redefined. DampTronic is the name of an electronically adjustable damping system developed by ThyssenKrupp Bilstein. Thanks to a continuously variable valve actuated by a proportional solenoid, the shock absorber can adapt at lightning speed from “firm” to “soft” and any setting in between.

The thinking suspension. Automotive engineers can now better resolve the traditional conflict between comfort and dynamics by teaching a suspension to adapt automatically to different driving situations. Drivers can also select their preferred suspension setting, from comfortable to sporty, at the touch of a button.

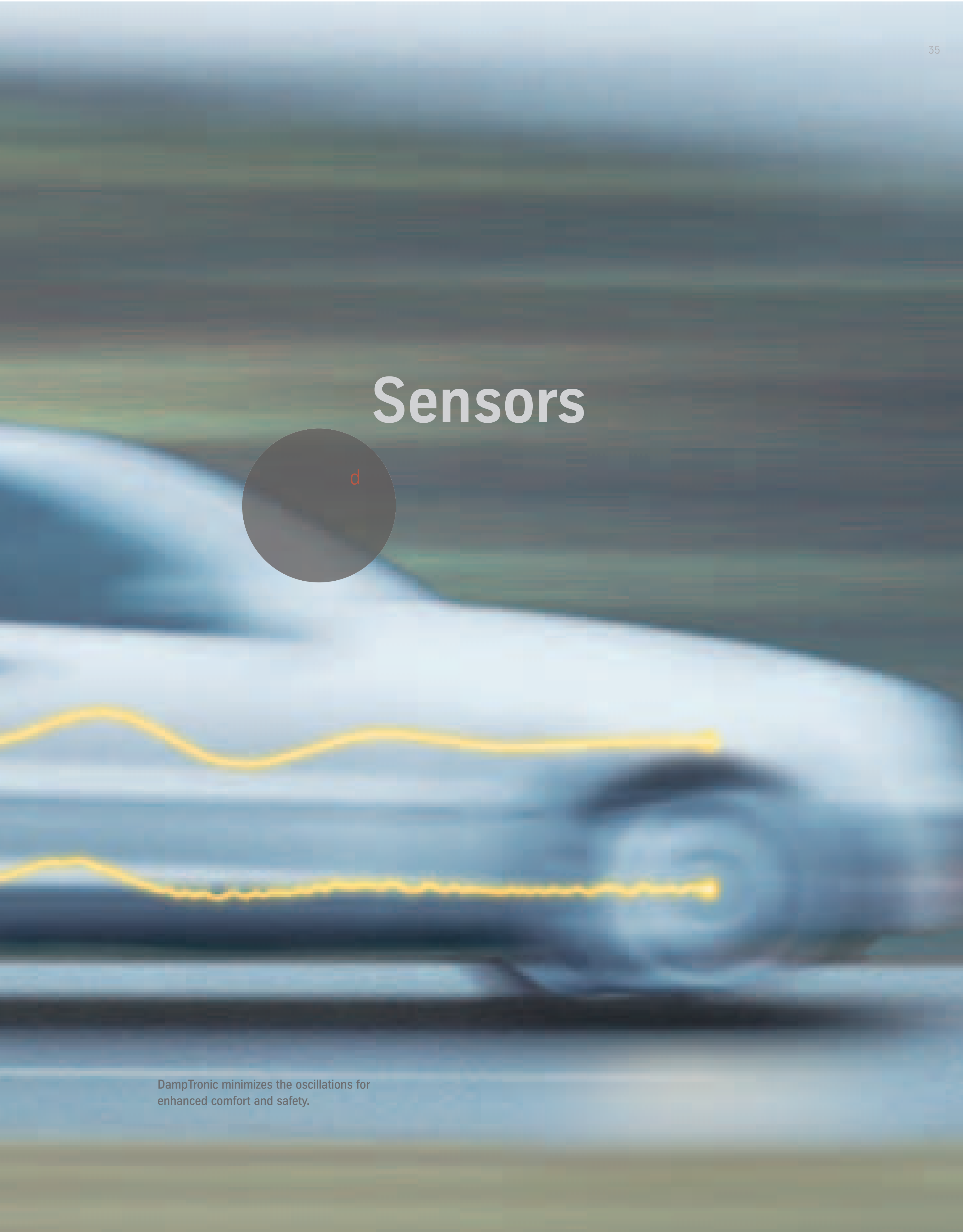


d

Welcome to the data highway. With DampTronic, sensors register the car's motions every fraction of a second. A central control unit calculates the optimum damping force and transmits a signal to the dampers, individually for each wheel. Exactly the right damping force is available at all times under all driving conditions.

When a car drives over cobblestones or bumps, the wheels and body begin to oscillate.

Sensors



DampTronic minimizes the oscillations for
enhanced comfort and safety.

Outlook

Majority vote. DampTronic has long proved itself, and not just on the test track. Although DampTronic can do much more than a conventional shock absorber, it is hardly any larger or heavier. So it should find its way into more and more cars. Agility, safety and comfort are persuasive arguments.

Dr. Thomas Brendecke, ThyssenKrupp Bilstein Future Development, with Dipl. Ing. Alfred Preukschat, ThyssenKrupp Bilstein Management.


Staying mobile. ThyssenKrupp

Business performance

Business performance

Economically speaking, 2002/2003 was the year of unfulfilled forecasts. Despite this, ThyssenKrupp performed well: Sales at €36.1 billion were almost level with the previous year; earnings before taxes reached €714 million, excluding disposal gains and losses the figure was €734 million; earnings per share increased significantly to €1.01. We can thus propose to the Annual Stockholders' Meeting a dividend of €0.50, €0.10 more than a year earlier. In 2003/2004, given a recovering economy, we expect a growing level of business, higher earnings, progress in the optimization of our portfolio – and hence a further strengthening of your Company for the future.

Course of business in 2002/2003

The 2002/2003 fiscal year was negatively impacted by the continued disappointing performance of numerous national economies. The global economy failed to recover as expected. On key customer markets, weak demand had a marked impact on our performance. Order intake decreased 1% to €36.0 billion and sales declined 2% to €36.1 billion. Capital expenditures at €1.6 billion were sightly higher than depreciation. The Group's portfolio was further optimized by numerous acquisitions and divestitures.

Disappointing world economy

The performance of the world economy in 2003 was weaker than had been expected at the end of the previous year. The growth forecasts for key industrialized nations had to be scaled back in some cases by more than half in the course of the year. According to estimates, economic output in the western industrialized countries grew by less than 2% in 2003, as shown in the chart below, and world trade expanded by only a moderate 3.5%.

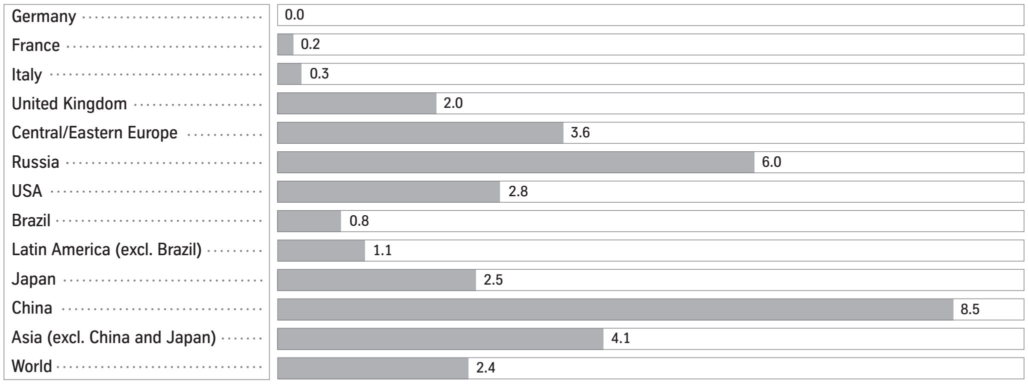
World trade grew by a moderate 3.5% in 2003.

In the USA, the economic recovery accelerated in the course of 2003. Demand was driven mainly by private and public-sector consumption, while capital spending only started to pick up in the second half of the year. The Japanese economy returned to growth thanks to higher business spending, with exports benefiting at times from the weakening of the yen against the US dollar.

The economic trend in the emerging markets of Asia and in Central and Eastern Europe remained mainly favorable. China, in particular, continues to show strong growth. Latin America recovered only slightly from the setbacks of the previous year. The Brazilian economy has virtually stagnated.

The economy in the euro zone was also very weak. Investment in buildings and equipment declined; exports were hampered by the strengthening of the euro. The German economy was particularly subdued. Low consumption coupled with cautious investment spending and weak export growth caused the German economy to stagnate.

Gross domestic product 2003* Real change compared to previous year in %



* Estimate

Germany's crude steel output was just under 45 million tons in 2003.

Group's sales markets generally weak

On the markets of importance to ThyssenKrupp – a breakdown of Group sales by customer group is shown in the chart opposite – conditions deteriorated for the most part.

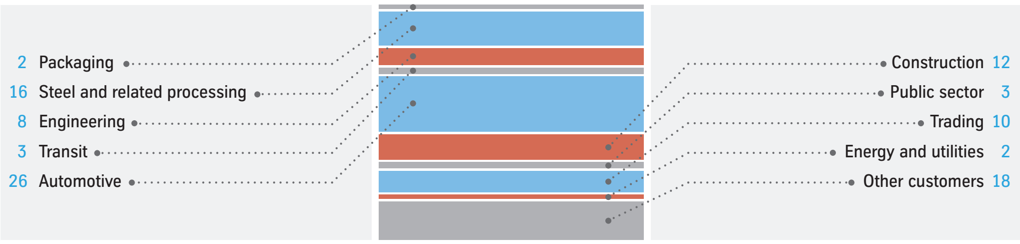
The international steel market was in robust shape in terms of volume. World crude steel output is expected to reach an all-time high of 960 million metric tons in 2003. A large part of this 6% growth was again due to China; in most other regions growth was much more moderate due to weak consumption.

At approximately 159 million metric tons, crude steel production in the European Union stagnated at its year-earlier level. Crude steel output in Germany was just under 45 million tons, the same as a year earlier. The situation on the Western European steel market was characterized by continued weak demand from most steel users and the strength of the euro over much of the year, which hampered the export activities of both steel users and steel suppliers.

In the first half of the fiscal year, the carbon steel market was largely in balance in terms of volumes, despite weak consumption. Imports from outside the EU were at a moderate level as the Chinese market absorbed large steel volumes at very high prices. Toward the middle of the fiscal year, demand and prices on the now overheated Chinese steel market collapsed abruptly as a result of the inventory cycle; subsequently more steel was diverted to Western Europe. The steel-using industry failed to provide any sustained economic impetus through the end of the fiscal year. Adequate inventory levels at distributors and consumers and mid-year seasonal effects also dampened demand. From May/June 2003, European producers adjusted their output to the consumption downturn. The sales losses suffered by Western European flat steel suppliers in the EU market were only partly offset by significantly higher exports to non-EU countries. Flat steel prices, which were raised in several steps through spring 2003, remained largely stable thereafter despite weaker demand.

World output of crude stainless steel is expected to reach a new record of 21.5 million metric tons in 2003. Global production of cold-rolled stainless products likewise increased 7% to a record 11.7 million tons, with all the main consumer regions recording growth. In Western Europe, production was cut back considerably in the summer months in response to decreased demand; another contributory factor was a significant rise in imports from non-EU countries for price reasons. Overall the production of stainless cold-rolled products in Western Europe stabilized roughly at its prior-year level. In the NAFTA region, production increased slightly, mainly thanks to the inventory cycle. In Asia, particularly in the biggest single market China, growth continued at a high level. Worldwide prices for stainless products increased for the most part from the end of 2002, driven partly by rising alloy surcharges.

Sales by customer group 2002/2003 in %



The international automobile market showed a mixed regional picture. According to initial estimates, just under 60 million vehicles were produced worldwide in 2003, 2% more than a year earlier. However, the key markets of Western Europe and North America slowed down.

In the NAFTA region, automobile production in 2003 is estimated at 16.2 million units, a drop of 3% from 2002. Car output fell sharply, while production of light and heavy trucks was in line with the previous year. Thanks not least to substantial discounting, sales remained at a relatively high level of 19.2 million units. There were major shifts in market share, with Asian suppliers gaining ground at the expense of the big three US manufacturers.

In the South American market, the negative trend of the previous year was halted. According to provisional estimates, production in 2003 was up 4% to 2 million vehicles. In Brazil, output reached 1.8 million vehicles.

In Asia, the positive trend gathered strength. While Japanese auto production remained virtually stable, other countries in the region significantly expanded their vehicle output. In China alone, it is estimated that almost 30% more vehicles were produced in 2003.

Automobile production in Asia continued to rise in 2003.

In the European Union, production in 2003 is estimated to fall by 1% to 16.7 million units. By contrast, output in the countries of Central and Eastern Europe grew by just under 4%.

In Germany, production decreased 1% to an estimated 5.4 million vehicles. Around 70% of German output was for exports, which showed a slight decline overall. New registrations were down from the previous year. Foreign suppliers gained further market share.

Weak investment in the western industrialized countries also impacted the engineering sector in 2003. In the German mechanical engineering industry, order intake fell short of the already low prior-year level, with a particularly pronounced decline in domestic orders. Output was an estimated 2% lower than the year before. The German machine tool sector fared even worse. In the USA, demand for machine tools remained very subdued.

The slide of the German construction industry continued in 2003 with a further deterioration in the order situation. Construction demand was also low in most other Western European countries, but was again more favorable in many Central and Eastern European countries.

ThyssenKrupp's performance hampered by slow economy

ThyssenKrupp in figures

		2001/2002	2002/2003
Order intake	million €	36,404	36,047
Sales	million €	36,698	36,137
EBITDA	million €	2,648	2,454
Income*	million €	762	714
Employees (September 30)		191,254	190,102

* before taxes and minority interest

Sales by segment million €

	2001/2002	2002/2003
Steel	11,686	12,016
Automotive	6,337	6,295
Elevator	3,500	3,365
Technologies	5,806	5,382
Materials	8,875	8,895
Serv	2,549	2,381
Real Estate	320	345
Corporate	45	26
Segment sales	**39,118**	**38,705**
Inter-segment sales	(2,420)	(2,568)
Group	**36,698**	**36,137**

The continued economic weakness had a marked impact on the business performance of ThyssenKrupp in fiscal 2002/2003, as shown in the tables above. Order intake and sales deteriorated. Exchange rate changes also had a negative effect. Eliminating exchange rate effects, order intake and sales increased.

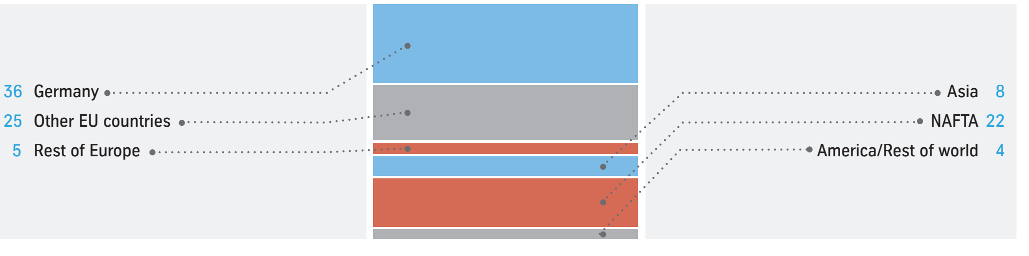
Order intake and sales were slightly lower than a year earlier.

Order intake in fiscal 2002/2003 was €36.0 billion, 1% down from the year before. New orders were lower in particular at Elevator and Technologies; Steel and Materials registered increased demand.

The Group's sales fell 2% to €36.1 billion. Sales were lower at Technologies and Serv, but higher at Steel.

Key sales regions alongside Germany were above all the other EU countries and the NAFTA region; the following chart provides an overview. Sales to customers outside Germany reached €23.0 billion in the reporting period, representing 64% of total Group sales.

Sales by region 2002/2003 in %



Steel: Crude steel output 17 million tons

Sales million €

	2001/2002	2002/2003
Carbon Steel	6,780	7,161
Stainless Steel	4,020	3,957
Special Materials	1,443	1,514
Total	**12,243**	**12,632**
Consolidation	(557)	(616)
Steel	**11,686**	**12,016**

The Steel segment performed well in 2002/2003.

In a continuing difficult economic environment, the Steel segment held up relatively well in fiscal 2002/2003. After a period of initially stable demand in the first half of the fiscal year, due in part to the inventory cycle, order volumes weakened from the early summer for seasonal as well as economic reasons. As we largely held our prices during this weaker phase and as they were higher than in the corresponding prior-year period, the total value of orders received at €11.9 billion was slightly higher than the year before. Sales of ThyssenKrupp Steel climbed 3% to €12.0 billion in the reporting period.

Crude steel output was 2% higher at 17.0 million metric tons. However, both Carbon Steel and Stainless Steel had to introduce temporary shutdowns in the summer months to adjust to falling demand. In addition, at Carbon Steel high finished-product inventories necessitated production cutbacks in the downstream cold rolling and hot-dip coating areas. As a result, not all core units were fully utilized in the final quarter of the fiscal year. At Stainless Steel, production was also reduced slightly in the summer quarter.

The Carbon Steel business unit recorded a 6% rise in sales to €7.2 billion. With volumes weaker at times but on average slightly higher than the year before, the growth is mainly due to price improvements. The lead company ThyssenKrupp Stahl AG, which accounted for almost 80% of the business unit's total sales, raised its prices for quarterly transactions in several steps up to April 01, 2003. In addition, substantial price increases were also realized in some annual contracts with major customers in 2003. Overall, average revenues in the reporting period showed a 4% improvement against a year earlier. Shipments remained high well into the summer before falling sharply in August and September, for reasons based only in part on seasonal effects.

At Stainless Steel, sales decreased 2% to €4.0 billion. In the core stainless steel flat product business, we held our sales at the prior-year level. The strategically important product cold-rolled strip recorded increased sales, reflecting both higher shipments and better revenues in the first half of the fiscal year. Sales at the stainless companies in Germany and Italy matched the year-earlier figures. However, at ThyssenKrupp Acciai Speciali Terni sales weakened significantly, particularly in the summer months. Sales of our Mexican company ThyssenKrupp Mexinox decreased due to falling demand. In China, on the other hand, Shanghai Krupp Stainless achieved a large increase in sales.

The companies of the Special Materials business unit increased their sales by a total of 5% to €1.5 billion. Sales volumes of non-grain-oriented electrical steel picked up considerably. Sales of stainless steel long products also showed an overall improvement against the year before.

Automotive: Weak auto markets in North America and Western Europe

Sales million €

	2001/2002	2002/2003
Chassis	2,711	2,764
Body	1,751	1,685
Powertrain	1,862	1,877
Total	**6,324**	**6,326**
Corporate/Consolidation	13	(31)
Automotive	**6,337**	**6,295**

Automotive maintained sales at €6.3 billion.

The Automotive segment held up well despite the difficult market. At €6.3 billion, sales almost matched the prior-year level. The segment's performance was impacted by the continued weakness of the auto markets in North America and Western Europe. The seven-day strike at eastern German automotive suppliers also had a negative effect. Sales were further impacted by exchange rate developments. Without the strengthening of the euro against the US dollar and the Brazilian real, sales would have improved. Positive effects came from the significant growth in system business, the ramp-up of a foundry in the USA, and increased sales from ongoing business.

The Chassis business unit generated higher sales than the year before. This was mainly due to increased system business and higher call-off orders for certain vehicle models. These improvements due to individual models were partly offset by the phasing out of/lower demand for other models.

Sales of the Body business unit were below the prior-year figure. This was due to the expiration of contracts for individual vehicle models and above all to a drop in demand at the North American plants. Production in Kendalville and Philadelphia was therefore discontinued. Our European companies profited from the start of production of new models. In addition, July 2003 saw the acquisition of the Sofedit group, a leading French supplier of body and chassis stampings and assemblies with plants in France, Spain, Poland and Brazil.

The Powertrain business unit improved its sales slightly. This was due to high demand for crankshafts resulting from the continuing diesel boom in Germany. Demand for steering columns, steering systems, and camshafts also increased. Sales volumes of precision forgings and die cast products were also pleasing. Weak demand for heavy truck components and the disposal of Philipps & Temro in North America had a negative impact on sales.

Elevator: Service and modernization business successful

Sales million €

	2001/2002	2002/2003
Germany/Austria/Switzerland	552	603
France/Benelux	384	394
Spain/Portugal/Latin America	497	529
North America/Australia	1,676	1,438
Other Countries	313	361
Passenger Boarding Bridges	78	77
Accessibility	108	108
Total	**3,608**	**3,510**
Consolidation	(108)	(145)
Elevator	**3,500**	**3,365**

Upward trend in service and modernization business continued.

The Elevator segment performed successfully in adverse economic conditions. While the general economic weakness, especially in the construction sector, continued to negatively impact the new installation business, service and modernization business remained encouraging. At €3.4 billion each, order intake and sales were lower than a year earlier, but these reductions were due solely to exchange rate factors. Without the increase in the value of the euro, order intake and sales would have increased.

The Germany/Austria/Switzerland business unit achieved high sales growth. This was partly due to the inclusion of Tepper Aufzüge. At operating level, new installation sales showed a particular improvement in Austria. Order intake was at the prior-year level.

The France/Benelux business unit held up well in a highly competitive market. While order intake fell slightly against the year before, sales increased. The restructuring measures introduced to increase efficiency showed first successes.

Order intake of the Spain/Portugal/Latin America business unit was lower than a year earlier. Eliminating exchange rate effects, however, new orders matched the very high prior-year level. Decreases on the still weak Latin American and Portuguese markets were largely offset by increases in Spain. Despite the exchange rate effects, sales increased. This was mainly due to the partial billing of large infrastructure projects.

The declines in order intake and sales at the North America/Australia business unit were primarily due to negative exchange rate effects. Continuing high vacancy rates in the USA discouraged the construction of new office and commercial buildings. This resulted in a weakness in new installation business, which was largely offset by an encouraging level of modernization business.

At the Other Countries business unit, both order intake and sales increased. The unit improved its market position in Eastern Europe and Asia particularly.

While sales of the Passenger Boarding Bridges business unit remained virtually unchanged from the weak prior year due to continuing low passenger numbers in the aviation industry, order intake increased strongly due to the winning of a major contract.

At the Accessibility business unit, order intake and sales remained stable despite negative exchange rate effects. A modernized product portfolio and more efficient production and distribution structures had a positive impact on stair and platform lift business.

Technologies: Encouraging performance in plant technology

Sales million €

	2001/2002	2002/2003
Production Systems	1,390	1,250
Plant Technology	1,418	1.452
Marine	911	884
Mechanical Engineering	2,065	1,776
Total	**5,784**	**5,362**
Corporate/Consolidation	22	20
Technologies	**5,806**	**5,382**

Technologies had to contend with difficult market conditions in 2002/2003. Demand for machine tools decreased sharply, especially in the USA. Sales of construction equipment suffered from the unsatisfactory situation in the building sector, and the aviation industry recorded falling passenger numbers. By contrast, plant technology delivered an encouraging performance. Under these mostly unfavorable economic conditions, the segment's order intake was 6% lower at €5.0 billion, while sales fell 7% to €5.4 billion.

At Production Systems, low US demand for machine tools and the weak capital goods market in Germany led to reduced orders and sales in the Metal Cutting business. The Assembly Plant business was also unable to equal its prior-year figures. By contrast, Autobody Manufacturing Systems reported improvements in order intake and sales.

Plant Technology received orders worth €1.8 billion.

Plant Technology recorded very high growth in order intake. This was mainly due to Uhde; the company won a €450 million contract to build a fertilizer complex in Saudi Arabia. This pushed Plant Technology's order intake up to €1.8 billion. Sales climbed slightly from a year earlier, with changes in exchange rate relativities having a negative effect.

The Marine unit, comprising the Blohm + Voss and Nordseewerke shipyards, was unable to repeat its high order intake of the year before due to the postponement of a number of international shipbuilding projects. As a result, orders in hand decreased to €1.7 billion. Sales were slightly lower than the year before.

Sales and orders at Mechanical Engineering were down from the previous year. Thyssen Polymer, Henschel Recycling Technik and Henschel Industrietechnik were sold to best owners in the reporting period as part of the portfolio optimization. The Metrorapid project in North Rhine-Westphalia and the planned order for three additional vehicle sections for the Shanghai project were cancelled.

Materials: Wide-ranging efficiency improvement program

Sales million €

	2001/2002	2002/2003
Materials Services Europe	4,619	4,762
Materials Services North America	1,453	1,331
Special Products	2,886	2,874
Total	**8,958**	**8,967**
Consolidation	(83)	(72)
Materials	**8,875**	**8,895**

Materials achieved sales of €8.9 billion in the reporting period, the same as the year before. In a highly competitive market, prices came under severe pressure. Particularly in the warehousing business it was difficult to pass on price increases from manufacturers to customers.

In the Materials Services Europe business unit, sales increased slightly, mainly due to warehousing and service business. Unlike in Germany and Western Europe, business in Eastern Europe was again positive thanks to continued lively demand, allowing us to continue our targeted expansion. Particularly in Hungary and Poland we have achieved a strong market position. The European plastics business again performed encouragingly. Wide-ranging efficiency improvement programs were launched affecting the entire product range in Germany and several other Western European countries. The pooling and concentration of warehousing and distribution units showed first successes.

Materials expanded further in Eastern Europe.

Despite difficult market conditions, Materials Services North America improved its market position in the USA. Sales volumes and revenues, on a US dollar basis, were roughly in line with the year before; converted into euros, however, sales declined. While we expanded our stockholding and service business and gained market share as a result, the back-to-back and trading business declined.

Sales at the Special Products business unit were generally stable at the prior-year level. International business in rolled steel, tubes and technical trading products was negatively impacted by numerous external factors and decreased. By contrast, the system business in railway equipment benefited from Deutsche Bahn's investment program. Significant growth was also achieved in trading metallurgical products, minerals and coke; numerous new supply agreements were concluded.

Serv: Industrial Services steps up internationalization efforts

Sales million €

	2001/2002	2002/2003
Industrial Services	1,593	1,453
Construction Services	199	143
Facilities Services	308	332
Information Services	472	469
Total	**2,572**	**2,397**
Consolidation	(23)	(16)
Serv	**2,549**	**2,381**

In a continued weak market environment, sales in the Serv segment decreased by 7% to €2.4 billion. Customers further delayed necessary modernization and maintenance. Exceptional effects from the closure and disposal of individual activities additionally impacted sales.

The Industrial Services business unit recorded significant sales losses. The weak level of activity in industrial construction and civil engineering was reflected above all in the scaffold services business. This applied to Germany, Europe and – for the first time after years of constant growth – the USA. Business with machine tools deteriorated significantly. The disposal of the environmental activities at the beginning of the fiscal year caused a drop in sales. As part of its continued internalization strategy, the business unit strengthened its activities in various foreign markets.

Construction Services now closed down completely.

Sales of the Construction Services business unit continued to fall in the reporting period. ThyssenKrupp has meanwhile completely sold its construction formwork and scaffold sale and hire business. Hünnebeck GmbH and its nine European subsidiaries were sold effective August 31, 2003; the sale of the US formwork business under an asset deal was concluded at July 29, 2003. Following these measures, the business unit was shut down completely.

The Facilities Services business unit expanded its sales thanks to new, long-term service contracts, in particular in energy contracting. Project business remained difficult due to strong competition, now also from Eastern Europe.

The Information Services business unit held its ground well in a continued difficult IT market. The slight drop in sales was due to the disposal of the media services activities and weaker printing business. The basic IT services business delivered an encouraging performance and achieved higher sales in the core Triaton activity.

Real Estate

Sales at Real Estate were up 8% to €345 million. Both the Residential Real Estate business unit, which manages some 50,000 housing units belonging to the Group and third parties, and the Real Estate Management unit, which focuses on optimizing the Group's commercial properties, achieved sales growth.

Continued success with systematic portfolio management

In the reporting year, ThyssenKrupp continued to optimize the Group's portfolio by acquiring and selling companies and business activities. We came a good step closer to our goal of creating an optimum balance of value drivers and cash generators.

- The acquisitions in the Steel segment served mainly to strengthen customer-related activities. In the Carbon Steel business unit, the full acquisition of the Spanish hot-dip galvanizing company Galmed contributed to the internationalization of our downstream business and at the same time gave us direct access to the growing Spanish automobile market. Stainless Steel strengthened its position in Italy, Europe's second biggest stainless market, by acquiring further steel service centers. The disposal of the quarto plate activities represents a further step in the systematic focusing of the product portfolio on high-quality cold-rolled products.

- The Automotive segment continued on its growth track as a worldwide partner to the automobile industry. The acquisition of the French supplier Sofedit improved access to the market there for body and chassis products and strengthened our ties with French auto manufacturers. In November 2003 we acquired a majority shareholding in the steering systems company Mercedes-Benz Lenkungen, which will open up new markets, customers and technologies for the Powertrain business unit. On the other hand, minor, non-core activities in North America were sold.

- The Elevator segment implemented a number of acquisitions to further consolidate its leading market position, particularly in Europe and Asia. In Germany we completed the takeover of Tepper Aufzüge, already agreed in the previous fiscal year. In Spain, the UK and Poland numerous acquisitions strengthened our position on the respective markets. With the acquisition of a majority shareholding in the Bongear Group in Hong Kong, we secured a local presence in this high-quality market. To strengthen our position in India, we established a company with a local partner there; in Malaysia we acquired important maintenance activities. In addition, in October 2003 we purchased a majority shareholding in the Dongyang Group, one of the market leaders in Korea – the third biggest market for elevators and escalators in Asia.

Elevator strengthened its leading market position.

- In the Technologies segment, the sale of Thyssen Polymer to the Belgian Deceuninck group and the disposal of the Novoferm group to the Japanese Sanwa Shutter Corp. in October 2003 were further steps in our active portfolio management strategy. We also found new owners for Henschel Industrietechnik and Henschel Recyclingtechnik.

- In the Czech Republic the Materials segment acquired a steel and stainless distributor. In addition, we strengthened our international activities in plastics distribution with acquisitions in the Netherlands and Denmark.

- Following an acquisition in its Industrial Services unit, the Serv segment gained a leading position in the fast growing Spanish market for industrial scaffold services. The non-core formwork and scaffold hire business was sold. With the sale of activities in environmental services and media services, Serv continued its concentration on industrial services.

- Corporate disposed of a further marginal activity with the sale of its shareholding in Böhler Thyssen Schweißtechnik.

In fiscal year 2002/2003, including the Mercedes-Benz Lenkungen, Dongyang and Novoferm transactions concluded in October and November 2003, ThyssenKrupp acquired activities with total sales of €1.5 billion and disposed of activities with sales of €1.0 billion. Since the merger of Thyssen and Krupp in 1999, companies with sales of €3.6 billion have been sold and businesses with sales of €5.5 billion have been acquired. Under our portfolio optimization strategy, we plan to carry out further disposals of non-strategic investments as well as further selective strategic acquisitions.

Workforce slightly reduced

On September 30, 2003 ThyssenKrupp had 190,102 employees worldwide. This means that in the reporting year the workforce decreased by 0.6% or 1,152 employees.

48% of the Group's workforce is now employed outside Germany.

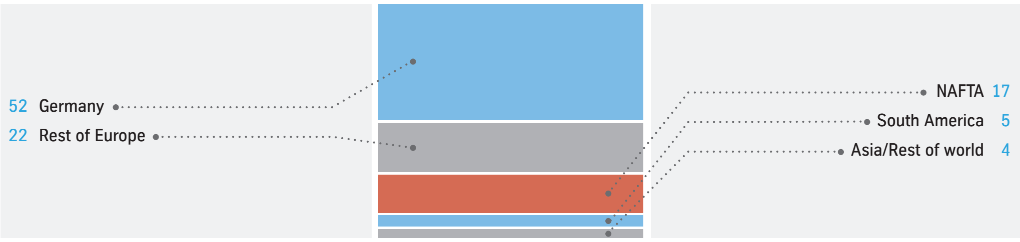
The workforce in Germany decreased by 3,327 to 99,523 employees. Outside Germany, ThyssenKrupp employed 90,579 people, 2,175 or 2.5% more than the year before. The proportion of employees working at foreign subsidiaries increased to 48%; around 17% of the total workforce is based in the NAFTA region. The table and chart on this double page provide further details on the composition of our workforce.

Personnel expense decreased 3% to €9.4 billion.

Employees by segment

	Sept. 30, 2002	Sept. 30, 2003
Steel	50,184	49,286
Automotive	38,425	41,414
Elevator	28,768	29,689
Technologies	32,781	29,871
Materials	13,743	13,720
Serv	25,932	24,767
Real Estate	745	638
Corporate	676	717
Group	**191,254**	**190,102**

ThyssenKrupp employees by region Sept. 30, 2003 in %



The movements behind the slight overall reduction in the headcount by 1,152 were considerable. Portfolio changes resulted in 5,613 employees joining the Group in the past fiscal year. 3,392 employees left the Group due to disposals. At operating level, 8,573 employees left the Group due to deteriorating market conditions, while 5,200 new jobs were created thanks to higher orders.

Stronger international focus in procurement

There were no supply bottlenecks in the Group in the past fiscal year. Isolated price increases had to be accepted, but on the whole we succeeded in keeping prices stable thanks in part to Groupwide demand pooling and a broader international supplier base. Materials expense amounted to €20.5 billion in 2002/2003, 1% less than the year before.

Materials expense of around €20.5 billion in 2002/2003.

On the international raw materials markets, however, the price trend last year was clearly up. On a US dollar basis, iron ore prices increased by 9% – 11%; however this was outweighed by the fall in the dollar against the euro. From fall 2002 to the end of the reporting period, the price of nickel on the London Metal Exchange increased by 44%. Reflecting the dominance of South Africa in the production of chromium, its price jumped by as much as 52% due to shifts in the US dollar/South African rand exchange rate. Although the price of coking coal fell by two dollars/ton, this was eaten up in our case by higher sea freight rates. All of our international procurements benefited from the increase in the value of the euro against the US dollar, the currency in which most international raw materials are still traded.

In Europe, high demand for scrap led to double-digit price increases in some cases. Demand for steel scrap on the German market has increased due to the expansion of electric furnace steel-making, which uses scrap. The average price rise was 17%. European demand for alloyed scrap grades remained high, fueled by increased melting capacities in Finland and Belgium. In addition, Far East users are increasingly buying up European scrap.

Internet and intranet are making purchasing more profitable.

Prices for steel long and flat products were higher than the year before due to increased costs of charge materials and high capacity utilization levels at some producers. However, in the case of aluminum extrusions we averted price increases through demand pooling and design changes.

Prices for parts, components and subsystems showed a mixed trend. We achieved successes in areas where we were able to pool orders through technical standardization or framework agreements and concentrate on a small number of suppliers. The implementation of cost-optimization programs with suppliers had a similar effect. Surplus capacities in the production of electronic and mechanical components led to falling prices. When the market has consolidated, however, prices are expected to rise again in the long term.

We made progress with the internationalization of our procurement portfolio. For example, we now also purchase electronic components from Asia and steel construction services from Eastern Europe. The international coordination of purchasing and logistics activities helped achieve further synergies, mostly in Europe and the NAFTA region. In some cases we purchased components locally in order to eliminate exchange rate effects and take advantage of lower labor costs.

The expansion of our e-procurement platform further optimized purchasing processes. The platform is now used by Group subsidiaries with sales of more than €9 billion. An internet tool for requests for quotes and auctions won the ThyssenKrupp best Award. The intranet, too, has proved an excellent communication medium for purchasing.

In the transportation area, a number of projects to optimize logistics services were launched in various regions of the world. We further increased the volume of orders covered by our Groupwide framework agreements and thus achieved further synergies. As part of our regional coordination efforts, new contracts especially in the USA led to significant savings as purchases of transportation services were further concentrated and combined. We have developed Groupwide procurement strategies in response to the forthcoming introduction of autobahn tolls for trucks in Germany.

Electricity prices in Germany increased significantly in a consolidated market. As the final contracts signed in the early phase of market liberalization ran out, covering around half of our electricity requirements, we had to accept considerably higher prices under new agreements. However, the solutions we developed in a ThyssenKrupp best project helped limit the price increases.

Legislation in support of renewable energies and a renewed increase in eco tax in January 2003 caused a continuous rise in electricity prices in Germany, where they are now again among the highest in Europe. In particular the support of renewable energies is having an almost dramatic effect on prices. The special rules for energy-intensive companies proved inadequate and failed to provide a level playing field for our Group in competition with companies from other parts of Europe. High electricity prices are also increasing the cost to the Group of electricity-intensive products such as industrial gases.

Oil and gas prices also increased. Political developments in the Middle East pushed up oil prices. Gas prices, which are indexed to oil, also rose.

100 locations with environmental management certification

Our operations and employees take active responsibility for environmental protection. We use production processes which impact the environment as little as possible, make economical use of energy and raw materials and prevent air and water pollution. At the same time we design our products so that they can be recycled and help our customers protect the environment. For example, our steel is fully recyclable and as such is virtually unrivalled in terms of environmental compatibility.

In the reporting year, ThyssenKrupp spent over €335 million in Germany alone on operating pollution control equipment. 48% of this was for water pollution control, 30% for clean air activities, 18% for recycling and 4% for noise reduction. €18 million was invested in new pollution control equipment, in particular for extension projects in the Steel and Automotive segments. Compared with the year before, running costs fell by 1% because we are increasingly replacing older facilities with new ones of environmental friendly design.

At the end of 2002/2003, 100 of the Group's production locations were certified in accordance with the international standard ISO 14001. This means that all these locations operate efficient environmental management systems. A plant in the Technologies segment, for example, introduced improvements to its water management and recycling systems; oils from used emulsions are no longer disposed of but reclaimed and used in the afterburners of the paint shop. As a result, less wastewater is generated and gas consumption is reduced.

Since our Duisburg steel mill now obtains most of its coke from the new coking plant in Duisburg-Schwelgern, the old coking plant in Duisburg-Bruckhausen was finally closed down. This significantly reduced dust and carbon dioxide emissions there because the new coking plant is fitted with ultra-modern environmental protection equipment. Further improvements were achieved with a new dust collection facility at one of the sinter plants where iron ore is prepared for the blast furnace. The new electrostatic precipitator collects 99.7% of the dust in the raw gas.

To reduce road traffic emissions, the Steel and Automotive segments are continuously working to develop lighter components and materials for vehicles. Inner-city traffic congestion is a particular problem. Automotive has developed special starter ring gear/flywheel systems which allow the engine to be switched off and restarted automatically even for very brief stops, say at traffic signals. This can reduce fuel consumption by 3% to 10%.

In association with Research Center Jülich, Steel developed new materials for the broad and versatile use of environmentally friendly fuel cell technology which will benefit future generations. Our steel researchers developed optimized materials for the low-cost production of compact fuel cells. Thanks to their recyclability, these materials are also more environmentally friendly than ceramic solutions.

ThyssenKrupp Tailored Blanks, a company of the Steel segment, won the Volkswagen Environment Award. Used in lightweight auto construction, our tailored blanks are environmentally friendly, one hundred percent recyclable and gentle on production resources.

2003 VW Environment Award went to ThyssenKrupp.

The Carbon Steel business unit donated €4 million to a regional climate initiative in Duisburg. The money will be used to support measures to reduce private energy consumption in individual districts by installing modern heating equipment. The donation includes the supply of photovoltaic roof and facade elements for schools in Duisburg.

Innovations for our customers

To ThyssenKrupp as a technology-intensive company, research and development is essential to market success. Developing and improving our products, services and production technologies are among the most important goals for all our segments. In this we cooperate closely with our customers to meet their requirements as accurately and quickly as possible. We also maintain intensive contacts with universities and colleges, public research institutes and scientists worldwide.

Around 2,000 research projects in 2002/2003.

In the past fiscal year the Group spent €183 million on basic research and development projects, 4% less than the year before. A further €446 million was spent on customer-related development work, including technical quality assurance. Around 3,000 scientists, technicians and engineers from the areas of materials, production, process and information technology were involved in approximately 2,000 research and development projects. The Group operates 45 development centers worldwide.

More information on major new developments in the reporting year can be found in the section "Innovations: Developing the future" on pages 84 to 88.

Capital expenditure at €1.6 billion

In the reporting period, ThyssenKrupp made investments totaling €1.6 billion, 10% less than the previous year. The table below provides a breakdown by segment. €1.3 billion was invested in property, plant and equipment and intangible assets, while the remaining €0.3 billion was used to acquire companies and equity interests. Capital expenditure was €0.1 billion higher than depreciation.

Capital expenditure in the Steel segment amounted to €678 million with depreciation at €765 million. A key project at Carbon Steel was the modernization of the Dortmund cold rolling mill. Additional equipment for the thin film coating of sheet was installed in an electrolytic coating line at the Duisburg-Beeckerwerth site. This allows us to meet the new requirements of our customers in the auto industry

Investment by segment million €

	2001/2002	2002/2003
Steel	833	678
Automotive	452	319
Elevator	91	132
Technologies	181	133
Materials	69	164
Serv	161	173
Real Estate	37	45
Corporate	52	29
Consolidation	(99)	(69)
Group	**1,777**	**1,604**
Intangible assets	82	96
Property, plant and equipment	1,453	1,186
Financial assets	242	322

for innovative corrosion protection concepts. Major investments were also made in tinplate production, where a skin pass mill was relocated from Dortmund to Andernach. The construction of a new continuous annealing facility in Andernach will make it the world's biggest tinplate production center. Another focus of investment was capacity expansion at Tailored Blanks to keep pace with growing demand. Capacity at Duisburg-Hüttenheim is to be doubled in the next few years, and a new plant went into production in China at the beginning of the reporting period. Stainless Steel invested in the expansion of its cold rolling capacities. At the Krefeld location, capital spending focused on a new 20-roll cold rolling mill which is scheduled to go into operation in the second half of 2004. At ThyssenKrupp Acciai Speciali Terni, additional investment was made in the thin slab caster which was commissioned in mid-2001 and the new annealing and pickling line. At ThyssenKrupp VDM, a new furnace went into operation at the Unna plant in August 2003. This furnace allows us to produce extremely clean nickel-base superalloys, in particular for rotating parts for the aerospace industry and for land-based gas turbines.

In the Automotive segment, capital expenditure totaled €319 million and depreciation €317 million. Once again, most of the investment was order-related. In Leipzig, the axle assembly line for the Porsche Cayenne and the new BMW 3 Series was expanded. In Brackwede and in Hopkinsville, USA, our assembly capacities for chassis components were expanded to meet increased demand. The shock absorbers for the Mercedes M-Class will be produced in Hamilton, USA in the future. The closure of the Philadelphia site and the relocation of production to Detroit necessitated modernization of the production lines there. Our new site at Tijuana in Mexico will produce plastic pick-up boxes in the future. Other plants in the USA, Brazil and Liechtenstein invested in the expansion of crankshaft and camshaft machining capacities.

Assembly capacities for chassis components expanded to meet higher demand.

The Elevator segment invested €132 million in the reporting period; depreciation amounted to €45 million. The main focus was again on financial investments. Over ten companies in Europe and Asia were acquired. Spending on property, plant and equipment included the start-up of a more environmentally friendly paint handling system at the Neuhausen plant. To enhance the use of enterprise resources, the IT system in Brazil was upgraded. Further significant investments related to the optimization of the vehicle fleet.

Capital expenditures in the Technologies segment amounted to €133 million, €31 million lower than depreciation. The emphasis was on modernizing and rationalizing production operations. At Nordseewerke in Emden, the prefabrication facilities are being modularized. Another key area of investment was the expansion of production capacities to meet growing market requirements.

In the Materials segment capital expenditures totaled €164 million and depreciation €77 million. Projects here focused on modernizing factory and office equipment. At the end of the fiscal year work began on the introduction of SAP/R3. In North Rhine-Westphalia, a new project was launched to optimize warehousing and logistics. In Eastern Europe and North America, the branch network was expanded and the service range widened.

Investments in the Serv segment amounted to €173 million with depreciation at €108 million. Equipment spending was mainly on factory and office equipment.

Income, dividend

Consolidated income before taxes and minority interest totaled €714 million in the reporting period, compared with €762 million a year earlier. Excluding disposal gains/losses, normalized earnings before taxes were €734 million, compared with €419 million a year earlier. Steel and Automotive recorded a significant increase in profits. The proposal to the Annual Stockholders' Meeting is for a dividend of €0.50 per share, €0.10 higher than a year earlier.

Consolidated pre-tax profit €714 million

ThyssenKrupp achieved income before taxes and minority interest of €714 million in fiscal 2002/2003, compared with €762 million a year earlier. As in the previous year, earnings do not include goodwill amortization. Unlike in the previous year, earnings in fiscal 2002/2003 are affected to only a relatively small extent by disposal gains/losses. In fiscal 2002/2003 the net loss on the disposal of activities was €20 million, compared with a gain of €343 million in fiscal 2001/2002. Excluding these earnings components, the normalized pre-tax profit for 2002/2003 is €734 million. This represents a significant improvement over the prior-year figure of €419 million. The acquisition of treasury stock had no impact on earnings. A breakdown of pre-tax income by segment is shown in the table opposite.

Steel and Automotive recorded significant earnings increases.

The Steel segment and the Automotive segment achieved large earnings increases in both absolute and relative terms. The profit rise in the Steel segment is mainly due to the improved market situation at Carbon Steel, which led to increased revenues and shipments. Business optimization measures implemented across the segment also had a positive effect. Stainless Steel also improved its operating earnings. The Special Materials business unit recorded a drop in profits due to deteriorating market conditions and high restructuring expense. At Automotive, restructuring costs were significantly lower than a year earlier. Elevator achieved another improvement from a high level. Materials likewise reported significantly improved earnings due to efficiency improvement measures. There were significant drops in earnings at Technologies, Serv and Real Estate. Expenses at Corporate were lower after eliminating the high disposal gains of the previous year. Technologies was impacted by ongoing losses in the Metal Cutting unit and increased project costs for the Transrapid in Shanghai. Serv's normalized earnings declined due to the difficult situation in industrial services.

A detailed analysis of income by segment is included in the "Management's discussion and analysis" section of the financial report (pages 123–126).

ThyssenKrupp AG income €406 million

The net income of ThyssenKrupp AG in the reporting period as calculated by HGB (German GAAP) was €406 million, compared with €258 million a year earlier. ThyssenKrupp AG improved its income from investments from €656 million to €1,128 million, mainly resulting from profit and loss transfers from domestic subsidiaries and dividends from national holding companies. Other operating income was significantly lower because in the previous year gains were realized on the sale of investments. After deducting expenses for Group management activities, pension costs for former employees of ThyssenKrupp AG and its predecessors, other operating expenses and net interest costs of €144 million, income from ordinary activities amounted to €582 million (previous year €340 million).

Income* by segment million €

	2001/2002	2002/2003
Steel	167	384
Automotive	64	188
Elevator	317	355
Technologies	112	42
Materials	72	90
Serv	52	(58)
Real Estate	80	60
Corporate	(90)	(332)
Consolidation	(12)	(15)
Group	**762**	**714**

* before taxes and minority interest

The acquisition of treasury stock at a price above the market price resulted in extraordinary expense of €246 million in the financial statements of ThyssenKrupp AG. After the successful conclusion of a test case before the Tax Court, a reassessment of the tax risks was carried out, resulting in a €73 million lower liability being accrued for income tax risks. Of the net income of €406 million, €149 million is to be transferred to retained earnings. Subject to approval by the Annual Stockholders' Meeting, the remaining unappropriated net income is to be used to pay a dividend of €249 million; the balance of €8 million is to be carried forward.

Dividend payment of €249 million proposed.

€0.50 dividend per share

The legal basis for the dividend is the HGB net income of ThyssenKrupp AG in the amount of €406 million (previous year €258 million). The Executive Board and Supervisory Board propose to the Annual Stockholders' Meeting the payment of a dividend of €0.50 per share, compared with €0.40 per share a year earlier. Of the unappropriated net income of €257 million, an amount of €249 million is to be used to pay a dividend on the 497,567,801 shares eligible for dividend as at September 30, 2003. The balance of €8 million is to be carried forward. Should the number of shares eligible for dividend distribution change before the date of the Annual Stockholders' Meeting due to a change in the number of treasury shares, the proposed appropriation of profit will be adjusted accordingly.

Start of the new fiscal year and outlook

The uncertainties over the economic outlook persist at the beginning of the new fiscal year. Most forecasts predict only a moderate recovery for 2004. Assuming these forecasts are accurate and are not revised downward like last year, we expect an improvement in ThyssenKrupp's business performance. In fiscal year 2003/2004 we aim to achieve a further increase in normalized earnings before taxes.

Worldwide economic recovery possible

World economic growth of 3% expected in 2004.

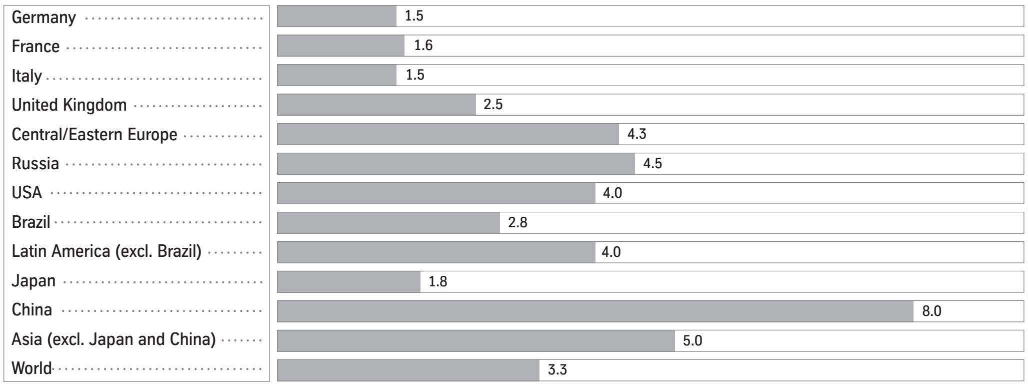
The hopes of a global economic upswing in 2004 rose at the end of 2003. Sentiment data as well as hard indicators point to an economic revival. Many forecasts predict real world economic growth of 3% or more and an intensification of world trade in 2004; more details are provided in the chart below. However, the risks to sustainable global economic growth remain considerable; as well as geopolitical uncertainties and rising energy prices, the foreign exchange markets in particular could trigger disruptions.

The US economy is the most important growth engine for the global economy and as such will play a key role in 2004. Business spending is expected to increase, alongside robust private consumption. Assuming continued confidence on the part of the financial markets, the US's large budget and current account deficits should not cause major disruptions. In Japan, the moderate economic recovery is expected to continue. As the global economy picks up, Japanese exports should expand strongly.

In the emerging markets of Asia, economic growth is expected to accelerate. China will continue its high rate of expansion. In the countries of Central and Eastern Europe, economic activity should gain momentum in 2004, the year of eastern enlargement of the EU. The countries of Latin America are expecting a moderate economic revival now that the monetary framework there has improved.

In the euro zone, the economy is expected to recover only very slowly. Domestic demand remains subdued. Exports could trigger an expansion, particularly if the braking effect caused by the appreciation of the euro decreases. Only slow growth is forecast for Germany in 2004. The economic hopes rest firstly on higher private consumption if the reduction in income tax rates is brought forward as planned, and secondly on a revival in capital investment and exports.

Gross domestic product 2004* Real change compared to previous year in %



* Forecast

A brightening of the overall economic picture should also result in a slight upturn in demand on the markets important to ThyssenKrupp:

- If the economy picks up, steel consumption in our core market of Western Europe should also increase and prompt steel fabricators and distributors to increase their inventories. This should allow further moderate increases in European carbon steel prices from January 2004. However, this also depends on the further trend in the euro exchange rate. Overall, we expect world crude steel production in 2004 to be slightly over 1,000 million metric tons, 6% more than in 2003. In Germany, production is expected to increase to 46 million tons in 2004 from just under 45 million tons in 2003.

  Increasing imports remain a risk factor for the EU steel market. Under the EU's safeguard measures against steel imports, new tariff quotas became effective from October 2003 which allow tariff-free imports to the EU for a set period.

- Global automobile production in 2004 should reach more than 62 million vehicles. The main growth will be in the Asian countries excluding Japan. In North America, production is forecast to increase in 2004 after the decrease in 2003. The Brazilian auto sector is expected to continue its recovery. Higher production is also anticipated in the EU; the German auto industry expects to produce around 5.7 million cars and trucks.

Global automobile production set to increase in 2004.

- A moderate recovery of the world economy will initially have only a limited impact on the capital goods sector. German and European machinery manufacturers forecast only a slight rise in production in 2004 following decreases in recent years. A similar pattern is expected in the machine tool sector. The situation is expected to be slightly more favorable in the USA, where demand could rise slightly faster than in Western Europe due to high business spending.

- The situation in the German construction industry is not expected to improve significantly in 2004. No recovery is in sight for residential and commercial construction, while public-sector construction is suffering from a lack of demand from municipalities and local authorities. In the rest of Western Europe, only a slight recovery in building activity is expected. The prospects for the CIS states and the countries of Central and Eastern Europe and Asia are more favorable.

Subsequent events

Subsequent events are presented under Note (30) in the Financial Report.

Improved business performance expected in 2003/2004

If the widely predicted moderate economic recovery materializes, this would benefit the performance of ThyssenKrupp. We expect the following developments:

We expect sales in the region of €38 billion.

- **Sales:** Based on current knowledge, we expect sales in the region of approximately €38 billion in the current fiscal year.

  - Steel expects slightly higher shipments to contribute to a small rise in sales.

  - Automotive forecasts a significant increase in sales due mainly to the inclusion of the new acquisitions Sofedit and Mercedes-Benz Lenkungen. In addition, the start of production of new models for which we supply components will have a positive impact.

  - Elevator expects a generally stable level of sales over the year.

  - Sales of Technologies are expected to decline slightly for structural reasons.

  - In the newly created Services segment, sales are expected to be at the prior-year level. A slight improvement in materials business – above all internationally – will offset the reduction due to the disposal of the construction-related formwork and scaffold activities.

- **Earnings and dividend:** The uncertainties over the economic outlook persist at the beginning of the new fiscal year. Most forecasts predict only a moderate recovery for 2004. Assuming these forecasts are accurate and are not revised downward like last year, we expect an improvement in ThyssenKrupp's business performance. In fiscal year 2003/2004 we aim to achieve a further increase in normalized earnings before taxes. We will continue to pay a dividend based on our earnings performance.

- **Employees:** According to our current planning, we will have approximately 190,000 employees at September 30, 2004, almost the same as in the reporting period. The number of employees at Automotive and Elevator is expected to increase, especially abroad, as acquisitions are consolidated. In Germany, on the other hand, the headcount will continue to decrease. Training young people remains a major concern for us in all our segments; we intend to maintain our high apprentice training rate to provide as many young people as possible with a solid start to their working life.

- **Procurement:** Based on forecast sales and the price trends currently discernible, we expect material expense in the current fiscal year to be over €21 billion. No bottlenecks are expected in the procurement of raw and operating materials, components and services. Long-term supply agreements and partnerships with our key suppliers will ensure security of supply. We have also concluded multi-year agreements for our energy supplies to ensure price certainty. However, materials will continue to be purchased generally on a spot basis so that we can profit from price swings. In the case of components and subsystems, our purchasing policy is governed by product complexity and production time. For simple components we will make increased use of the opportunities offered by e-business; the more complex and technologically sophisticated the products are and the longer their lifecycle, the more we will look to build up long-term supply relationships. We intend to intensify our purchases in Eastern Europe in the current year. This should not affect the volume of purchases in the USA and Asia because the extra costs for logistics would exceed any price advantages. As far as prices are concerned, we anticipate increasing costs for energy, in particular electricity, which could also impact other procurement goods. However, internet-based purchasing and increased pooling of our requirements will enable us to absorb part of the price increases. Reflecting the decentralized structure of the Group, inventories are held as close as possible to the respective production sites, which has proved cost-effective.

- **Research and development:** Research and development expenditure in the current fiscal year will be roughly the same as in the previous year. €340 million will be spent on basic and customer-specific projects and a further €310 million on technical quality assurance. Efforts to reduce automobile fuel consumption and emissions remain a firm focus of our development activities. In this, ThyssenKrupp is working closely with auto manufacturers to develop new high-strength materials, optimized production technologies and weight-reduced components which make automobiles lighter. Other projects are aimed at enhancing automobile safety and comfort. In the plant engineering area, we are working to optimize existing processes in terms of efficiency and environmental protection, in particular resource conservation. We have again launched an innovation contest for the current year to motivate our employees and better utilize our innovation potential. The number of employees working in our development centers and related facilities will again be around 3,000, most of them university-educated engineers, scientists and technicians.

Expenditure of €650 million planned for research and development.

More than €340 million to be spent on environmental protection in 2003/2004.

- **Environmental protection:** Expenditures of approximately €340 million are budgeted for ongoing environmental protection measures in 2003/3004. At many of our production sites we have significantly reduced the amount of wastes generated, reflecting the success of our environmental protection efforts so far. We will continue to invest in environmental protection facilities worldwide. The Steel segment is retrofitting the final sinter belt at its Duisburg location with advanced filter equipment. When it is complete, all of our sinter plants will have dust collection facilities. We have begun the construction of a shaft furnace to allow us to convert iron- and carbon-containing dusts and sludges generated during waste gas cleaning into new iron. The new furnace represents an important step forward in our zero-waste program to return residual materials to the production cycle. A Mexican plant in the Steel segment is further optimizing its water preparation facilities. A new wastewater treatment system will go into operation there in 2004. We are also continuing to invest in environmental protection in the expansion of the Shanghai Krupp Stainless cold rolling mill in China; the facilities there are of the same environmental standard as those in western industrialized countries. The Elevator segment's Angers plant in France will achieve ISO 14001 environmental certification in the current fiscal year. The aims of our sustainable environmental policy are to further reduce emissions, noise, water and energy consumption and further improve waste recycling.

- **Capital expenditures and financing:** The volume of investment approved by the Supervisory Board is €3.1 billion, roughly the same as the previous year. In 2003/2004, additions to fixed assets are expected to total €1.8 billion, slightly above the level of depreciation. Meeting our target for gearing of 60% remains a high priority.

Boat dreams. Realized faster.

People have always felt the lure of the sea. Thousands of years were needed before the first boats became the super yachts and cruise liners of our day. Today, there are no limits to the imagination of future owners, but there are limits to the time it takes for an idea to become reality. ThyssenKrupp uses virtual reality to make boat dreams come true as quickly as possible.

For customers, progress. For people, a future.

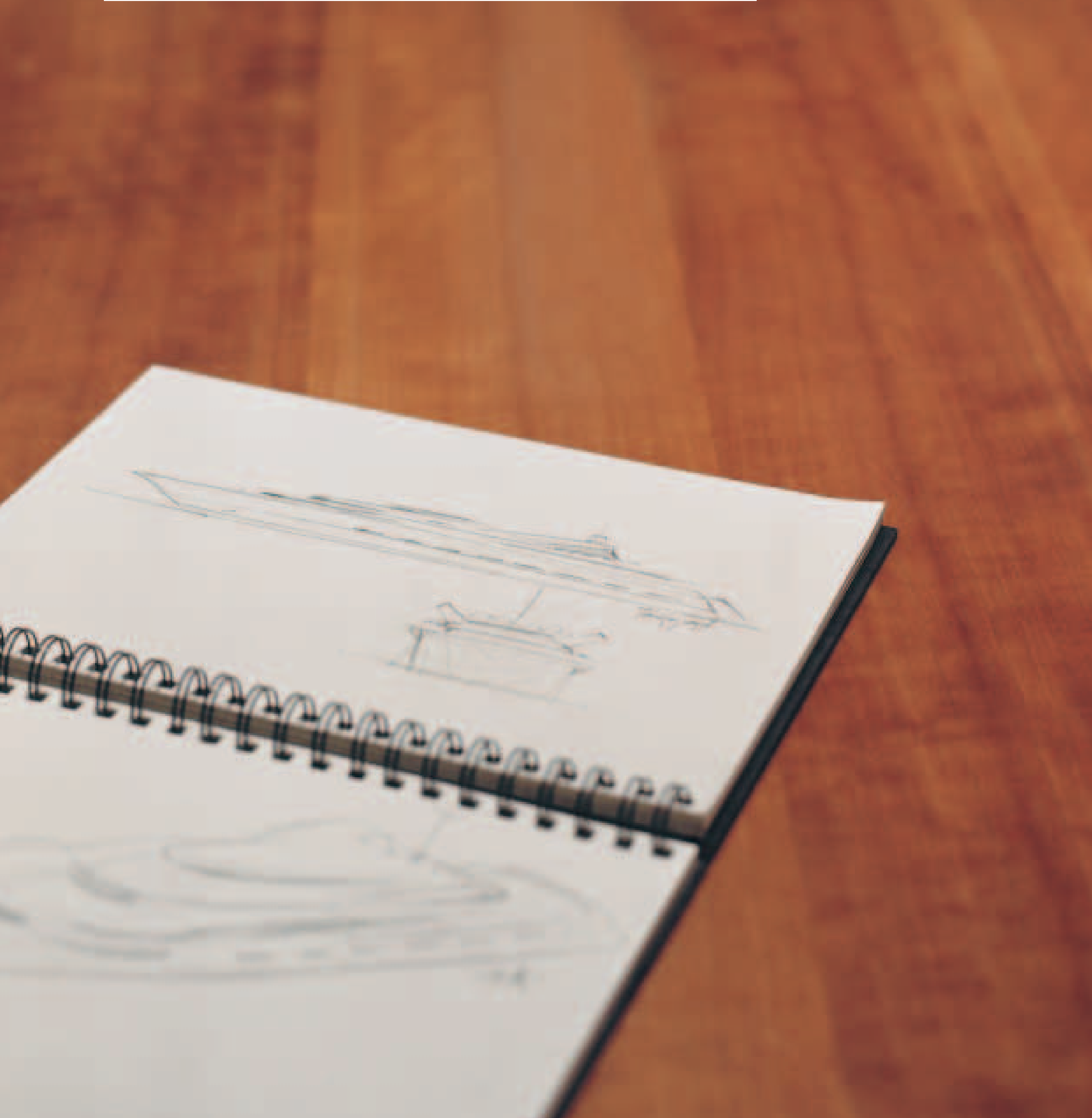

a
boundless

a **Individuality, perfectly implemented.** Mega yachts are always a reflection of the boundless imagination of their owners. That's probably why they are so unique.

b

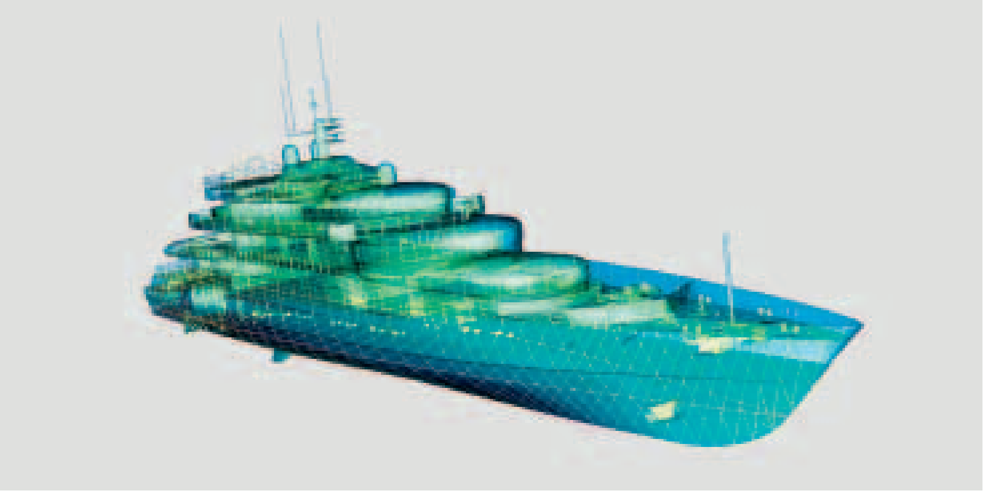
Many ideas. One outcome. You don't build a mega yacht every day. But every day brings new challenges demanding new solutions.

Designer Tim Heywood in conversation with Jürgen Engelskirchen, Head of Marine Shipbuilding and Yachts at ThyssenKrupp Werften.



b Dialogue skills

c Virtual



c

Simultaneous engineering. ThyssenKrupp uses a newly developed design system that lets you inspect every angle of a ship even while it still only exists on the computer. Anything you don't like you can change, at the click of a mouse. This makes it possible to work through various ideas together with the client and decide which is the best – without the time and money required to execute the changes in the real world.

Building blocks of individuality. Then when it finally comes to turning ideas into reality, ThyssenKrupp uses an intelligently optimized modular construction technique. Based on decades of experience building high-performance ships, it uses a unique laser welding and cutting system to reduce fabricating times drastically. The quality of these lightweight structures is raised to unprecedented levels.

reality

d

ThyssenKrupp's lightweight construction technique makes things possible that were unimaginable before: high speed with low fuel consumption, extreme agility thanks to low weight, supreme comfort through low noise and reduced vibrations. The benefits are felt by our customers. And sometimes by their customers too.

d

Wonderwork


Full steam ahead. ThyssenKrupp

Our future potential

Our future potential

More than 190,000 people work for ThyssenKrupp on all five continents. Their work, their innovativeness and their talents determine whether our products and services are successful – today, tomorrow and the day after. Our employees are the engine that drives the Company and continuously optimizes our products, processes and technologies. Some call them soft factors, but for us they are the guarantors of our future success. We want to tell you more about them in the following section.

People at ThyssenKrupp

Well over 1,400 young people have just started their careers at ThyssenKrupp by being accepted onto one of our sought-after apprenticeship programs. We invest a great deal in their training because we need qualified young people and we want to offer them a future.

Apprenticeship training offensive

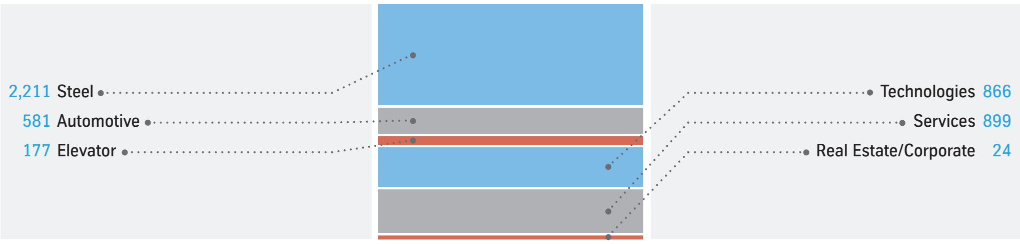
At September 30, 2003, 4,758 young people were learning one of the roughly 70 occupations offered by ThyssenKrupp in Germany, ranging from commercial and industrial trades to IT professions. Training is provided in around 50 apprenticeship workshops and 90 further training facilities. Compared with the previous year, we raised our apprenticeship training rate from 5.0% to 5.1%, which is significant because some companies with high training rates, e.g. Thyssen Polymer, were sold and others had to scale back their apprenticeship programs. It was only with a great deal of effort that we managed to take on roughly the same number of apprentices as in the prior year. The Executive Board of ThyssenKrupp AG committed to create 60 new training places in the Group and provided €1.8 million for this purpose. Another 10 apprenticeship places are being set up at Rasselstein Hoesch, six of them financed by employees forgoing their bonus payments. The breakdown of apprentices by segment is shown in the chart below.

In some areas, we again had difficulty filling the available training places with qualified applicants this year, confirming the general trend of declining standards among applicants.

We remain true to our traditions and continue to train well in excess of our own needs. We see this as a responsibility to society which we are glad to fulfill. Particularly in times of high youth unemployment, it is essential to offer young people high-quality training and improve their prospects on the job market.

We are training just under 4,800 young people in around 70 occupations.

Apprentices by segment (total 4,758 apprentices in Germany at September 30, 2003)



Further developments in company pensions

In fiscal 2002/2003 we continued to pursue our company pension strategy with the aim of converting existing schemes from defined-benefit to defined-contribution plans and from annuity to lump sum payments. Provisions under new collective agreements in the wake of Germany's pension reforms require employers to offer additional so-called "Riester" products for private pension provision. In the metal-working industry, this led to the introduction of the so-called "MetallRente". However, very few of our employees took advantage of this, seeing greater advantages in the "KOMBI-PAKT" and deferred compensation models already introduced in the Group.

To ensure that the new plans are available not just to new employees but also to those who have been with the Group for years, we have developed individual changeover options for the Group subsidiaries. This allows long-serving employees to increase their benefits through personal contributions, which automatically lead to additional employer contributions, in a defined-contribution plan.

Increasing take-up of partial retirement

ThyssenKrupp started offering partial retirement at a very early stage, and increasing numbers of employees at our German companies are taking advantage. At September 30, 2003, 2,196 employees were on partial retirement, the vast majority of them opting for the so-called "block" model. 686 employees are already in the release phase. We expect a slight increase in the take-up of partial retirement in the coming years.

Further steps toward worldwide Group job market

ThyssenKrupp jobworld has been implemented on the intranet.

To meet our objective of offering a worldwide platform for internal job offers and thus promoting international job rotation, we implemented an improved version of ThyssenKrupp jobworld on our intranet. ThyssenKrupp jobworld has been upgraded to the latest European technical standards and is accessible to all Group subsidiaries and employees both inside and outside Germany. ThyssenKrupp jobworld is currently available in German and English; further languages will be added.

International networking

The ThyssenKrupp information seminars for young executives promote the idea of networking and cooperation within the Group from an early stage. This is particularly true of the English-language seminars, at which young executives from many different countries meet up and exchange views. An important element of these seminars are the meetings with segment and Group directors, who give participants concrete insights into their segments and strategies.

Focus on executive development

Attracting, developing and retaining top-class executives and specialists is a central element of our executive development policy. We work consistently to fill our leadership positions optimally, to further train our executives in line with job requirements, and to utilize the vast knowledge available within the Group in an efficient and integrated way.

Our catalogue of eight ThyssenKrupp management competencies has proved to be a sound basis for selecting and developing executives. These competencies reflect the key demands facing our top managers – from leadership qualities to market orientation to internationality. The tools used to assess the potential of candidates are based on these competencies. As part of our annual worldwide systematic survey of potential and succession planning in all segments, high potentials are identified on the basis of a competency profile. These assessments are augmented by management audits. Yearly executive development meetings between the Executive Board members of ThyssenKrupp AG and the segment lead companies provide an overview of the current candidates and serve as a first step in our succession planning process. Developing these candidates for top positions from an early stage ensures management continuity in the Group.

Individualized training and a multi-stage seminar program are provided to develop our top executives. In the seminars, attendees from all over the world address current issues of corporate strategy. Professors from international business schools present modern approaches to general management. In addition, participants receive individual feedback on the communication competencies they displayed during the seminars, with particular emphasis on intercultural skills. This is supplemented by discussions with participants to identify the most suitable development areas and measures. Individual coaching is also available on request.

Executives are prepared for future requirements in seminars.

Executive compensation policy

Performance and earnings are major criteria in ThyssenKrupp's executive compensation system. They form the basis for bonus schemes and for the Long Term Management Incentive (LTMI) plan as a long-term capital market-oriented element of compensation. In fiscal 2002/2003, the 5th installment of the LTMI was issued to top managers.

The Group also offers attractive postretirement benefits. The pension plan for executives in Germany was redesigned and geared to future requirements. The switch from defined benefits to defined contributions makes it easier for the companies to budget for pensions. Under the plan, executives receive financial benefits not only after retirement, but also at a younger age if their earning capacity is reduced. They also have the possibility of topping up their postretirement benefits through deferred compensation.

ThyssenKrupp best

ThyssenKrupp best, the Groupwide program launched in fiscal 2001/2002, continued to expand in the reporting year. Activities were aimed mainly at implementing defined projects, identifying additional improvement potential and intensifying the transfer of knowledge throughout the Group.

Almost 2,300 projects worldwide

At the end of the reporting year, there were 2,284 ThyssenKrupp best improvement projects, 512 of them already completed. More details are provided in the chart below. In keeping with the program's underlying concept, the results of many of these projects can be transferred to other areas of the Group. Examples include new web-based processes to reduce purchasing prices for starting materials and services, and the systematic development of new sales markets in the USA.

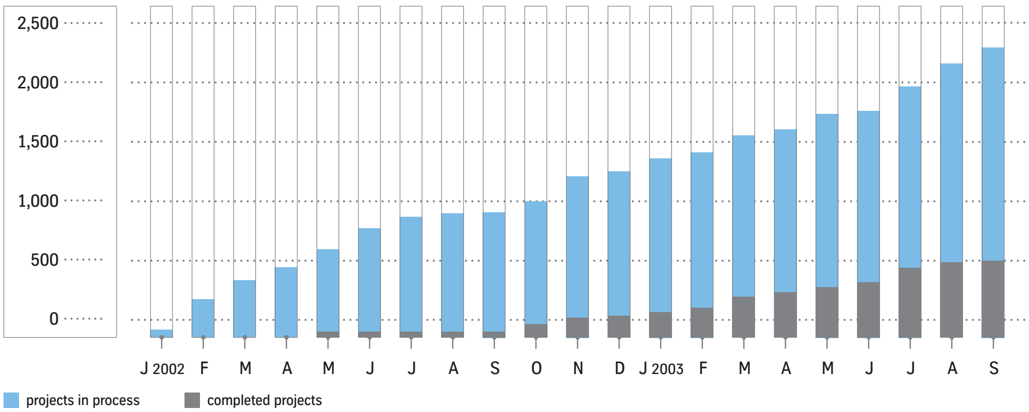
The four main areas of project work, accounting for some 80% of the projects, are operating efficiency, sales leadership, performance quality and capital productivity. Other initiatives relate to stronger staff and management involvement, expanding service business, knowledge and innovation management, and the increased use of e-technologies. The broad spectrum of activities shows that ThyssenKrupp best unlocks far more value-adding potential than simple cost-reduction or quality-enhancement programs.

122 projects are international in scope.

The program is becoming increasingly international: Group companies in Europe, North, Central and South America have now been joined by Asian subsidiaries. There were 1,391 projects in Europe, most of them in Germany, France, Italy, Spain and the UK. A further 762 projects were registered on the American continent – in the USA, Canada, Mexico and Brazil. Nine projects were launched in China. 122 projects are international in scope.

The Executive Boards of ThyssenKrupp AG and the segment lead companies paid numerous visits to projects in Germany and abroad, a clear sign of the importance they attach to the program.

ThyssenKrupp best projects worldwide



Successful project methods

A number of different project methods are used. One of the most popular is Six Sigma, which is mainly used for repetitive production-related processes. It reduces costs and boosts productivity by lowering defect rates and saving materials. Six Sigma is used in more than 200 projects throughout the Group.

The Six Sigma method has proved successful.

Improvement potential systematically identified

To maintain the program's momentum, business processes at all subsidiaries worldwide are systematically investigated to identify additional improvement potential. All elements and interfaces of the value-adding process – from procurement to production to after-sales service – including all organizational and management processes are analyzed. Based on this analysis, 1,300 new projects were launched in the reporting year.

Groupwide knowledge transfer intensified

One of the key aims of ThyssenKrupp best is to organize the efficient transfer of knowledge in the Group. The Groupwide know-how pool was extended in the reporting period by additional training programs, methods and best practice examples. The web-based project management tool best pl@za is accessible to project participants throughout the Group; it provides information on all ongoing projects and facilitates the sharing of project-related knowledge. Decentralized knowledge networks on key individual themes have become a major success factor. Regular project leader meetings in the segments and cross-segment workshops help intensify the exchange of experience.

ThyssenKrupp best Award

As an additional incentive to all employees involved in ThyssenKrupp best projects, the first competition for the ThyssenKrupp best Award was staged in the reporting year. 19 successfully completed projects were nominated by all the segments and the Real Estate business for the competition, which is to become an annual event. Four of these projects – from the Steel, Automotive, Technologies and Materials segments – were honored for their innovative solutions and transferability to other parts of the Group. The winning projects, which came from Germany and abroad, received prizes to a total value of around €90,000.

Innovations: Developing the future

More than 3,000 scientists, engineers and other specialists work at our development centers pushing back the boundaries of knowledge. Usually they know the destination and have to find the road there, but sometimes they hit on roads without knowing immediately where they will lead. Whether they and we are successful is decided by our customers.

NewSteel Body unveiled at 2003 Frankfurt Motor Show

In the competition among materials, the Steel segment is focusing its efforts on concepts which exploit the weight saving properties of steel. One outcome of these efforts is the NSB® NewSteel Body concept, which we unveiled at the 2003 Frankfurt Motor Show. The name stands for a steel body-in-white designed independently by the segment specifically for weight optimization. Using recognized methods, key structural data were determined and documented, a viable production plan was developed for the body, and material and production costs were calculated. The results of the project are being offered to interested auto manufacturers for joint further development. The segment is therefore not just supplying ideas for alternative steel solutions but also ways to implement them in partnership.

Intelligent design makes the new auto body 24% lighter.

Compared with a minivan chosen as a benchmark, the new body offers a 24% weight saving, made possible by an intelligent mixture of conventional stampings and innovative tubular components. Half of the body is made up of stampings, the rest of closed, thin-walled hollow sections. The front and rear side members and roof frame consist of thin-walled welded tubes given their final shape by hydroforming. Laser-welded and hydroformed parallel plates were also used. The intensive use of tubular sections in the body design optimally exploits the potential of high-strength steels. All these technologies, materials and components can be easily integrated into volume production. An added benefit is that the design principle is virtually cost-neutral compared with current steel designs and much cheaper than aluminum solutions.

The key to this success is the fact that Steel has systematically built up its own vehicle development capabilities in recent years. Our experts work with car designers at an early stage of vehicle development. They are thus helping position steel successfully against competing materials.

For a different view of the project, turn to the section called “Auto bodies. Light relief.” on the image pages 87–96.

Excellence in surface engineering

Opened in 2000 in collaboration between Steel and the Fraunhofer-Gesellschaft research organization, the Dortmunder OberflächenCentrum surface engineering center has established itself as the world’s largest center of excellence for surface technology. In developing completely new coating concepts for flat products, the center aims to reduce coating thickness while maintaining, improving or adding functionality. The latest innovation is an alloy coating made of a combination of zinc and magnesium. The metallic coating is half the normal thickness but still provides at least the same level of protection as conventionally zinc-coated sheet.

Together with the color design studio Friedrich Ernst von Garnier and the paint manufacturer Akzo Nobel Nippon Paint, Steel developed the new color collection ReflectionsOne®. Thanks to an optimized coating containing selected pigments, the color design retains its harmony for years and years. In September 2003, the segment's Carbon Steel business unit won the European Structural Steel Award for the design of hot dip coating line 8 in Dortmund. Key factors were the building's innovative design and the ReflectionsOne® color scheme.

The 2003 European Structural Steel Award went to ThyssenKrupp.

Elegant stainless steel look for car wheels

To secure and expand steel and stainless steel sales, the Stainless Steel and Carbon Steel business units worked together with a major car wheel manufacturer to develop a new steel-spoke wheel with a stainless steel cover. It combines a modern spoke design with an elegant and surprising stainless steel look. The new wheels cost roughly the same to manufacture as conventional steel wheels with plastic covers and much less than aluminum wheels. The project won 3rd prize in the 2003 ThyssenKrupp Innovation Contest.

Tailored research for the auto industry

Carrying out development work for auto manufacturers is a challenge that the Automotive segment has actively embraced. Numerous order-related research and development projects were pursued in the reporting period. As well as new technical products, research work focused on investigations into the use of new materials and new production technologies. Automotive's material capabilities – for example in high-strength and ultra-high-strength steel, aluminum, magnesium and SMC – combined with its manufacturing capabilities in stamping, hydroforming, casting, forging and assembly, allow it to offer its customers new ideas and innovative products.

In the chassis area, development engineers are looking for ways to improve ride comfort and dynamics. One successful new development, already used in the Porsche Cayenne and the VW Touareg, is the so-called ORS© off-road stabilizer, a switchable stabilizer that guarantees optimum driving characteristics both on and off the road. This development won 2nd prize in the 2003 ThyssenKrupp Innovation Contest.

New suspension and damping systems were also developed, such as the DampMatic and DampTronic. Both systems offer the required anti-roll stability in all driving situations and provide greater comfort for both conservative and sporty driving. Our new high-strength tubular stabilizer bars for cars are 35% to 50% lighter than conventional parts.

For more information on the DampTronic system, turn to the section entitled "Shock absorbers. Made interactive." on the image pages 27–38.

“Capot actif” for greater safety in road traffic

The French company ThyssenKrupp Sofedit, which we acquired in the reporting period to strengthen our automotive capabilities, is particularly active in pedestrian and occupant protection. With its “Capot actif” technology – an active engine hood which automatically cushions the impact of a pedestrian in the event of an accident – Sofedit aims to significantly reduce the risk of pedestrian head injuries. The “Capot actif” device is only triggered in the event of a collision with pedestrians; in crashes with other vehicles or in the case of parking contacts the intelligent system remains switched off.

TWIN elevators: More capacity, less building space

In tall buildings with heavy traffic levels, elevators are often grouped together in banks, requiring numerous large shafts for the elevator guideways and lots of expensive building space. In recent years, development efforts have focused on increasing travel speeds and improving control systems to enhance performance. In the meantime, these possibilities are exhausted in many cases.

TWIN – 40% more passengers or 25% less building space.

The innovative TWIN elevator concept can help in situations like these. Implemented for the first time anywhere in the world by ThyssenKrupp, the concept uses two independent elevators in the same shaft using the same guideway. Compared with the conventional solution – one elevator cab per shaft – the new system in a bank of four elevators can transport 40% more passengers or save 25% building space, i.e. a complete shaft. This is made possible not least by the use of DSC (Destination Selection Control) from ThyssenKrupp and a new, four-stage safety concept that prevents the two cabs colliding. The first TWIN installation went into operation at Stuttgart University in December 2002. In buildings with travel heights of more than 50 meters, this concept is suitable both for modernizing existing elevators and for new installations. The successful TWIN development team won 1st prize in the 2003 ThyssenKrupp Innovation Contest.

The TWIN concept is explained in more detail in the section entitled “Elevators. Reinvented.” on the image pages 201–212

ISIS: New traction elevator for low buildings

Although machine room-less traction elevators dominate the market in other parts of the world, in North America hydraulic elevators still account for roughly 85% of the market. The reason for this lies in the large number of buildings up to three floors in height, in which hydraulic elevators have so far been much more cost-effective than traction elevators. We therefore made it our aim to develop a new elevator model offering the advantages of a traction drive for the price of a hydraulic drive. This involved breaking new ground in suspension technology. Instead of a steel cable we use a cable made of aramid fibers, which lasts longer and provides higher load-bearing capacity. Because of the lower weight, a smaller drive sheave made of plastic and a smaller motor can be used. Other technical refinements such as a light-weight design and better space utilization through a smaller footprint mean that "ISIS" elevators work out cheaper than hydraulic elevators, giving ThyssenKrupp Elevator an optimum alternative for low and medium rise buildings.

Increased industrial use of laser technology

In parallel with its ongoing projects into laser brazing and laser welding, our Technologies segment is building up further specific expertise in laser beam joining, investigating in particular the welding of high-strength steels, the corrosion resistance of such joints and design for laser processing. In a joint project entitled "Lightweight door", a new laser concept was investigated for welding aluminum car doors. A similar project is planned for steel doors. Other important R&D areas include hardening and surfacing using diode lasers.

In addition, the Production Systems unit of Technologies has developed a concept for a modular car door. The door consists of separate inner and outer parts which are only joined after painting and equipment installation. This means that the inner parts including equipment can be produced separately from the rest of the car in the future.

New progress in microreaction technology

The Plant Technology unit of the Technologies segment set an important milestone in the development of microreaction technology for chemical engineering in May 2003 when the newly developed DEMIS® pilot plant (Demonstration project for the Evaluation of Microreaction technology in Industrial Systems) began operation. The project is supported by the Federal Ministry for Education and Research.

Microreaction technology for gas phase processes has been investigated on a laboratory scale for around ten years and offers great promise for industrial use. In it, chemical gas phase reactions take place in very small characteristic structures of less than a millimeter. Known physical and chemical effects can be utilized for example to control reactions in which large amounts of heat are released. The pilot plant transfers this technology from the laboratory to an industrial scale for the first time. If this promising technology can be scaled up, many chemical plants could be built more cheaply and operated using fewer resources in the future.

The pilot plant for microreaction technology is running successfully.

Steel sheet pile walls counter floods

“Aqua-Damm” was one of the winners in the Innovation Contest.

To prevent major economic damage in the event of dike breaches and protect people permanently from floods, a company from the newly created Services segment has developed several systems which have also proven successful in port construction in recent years. For flood protection in particular we offer specialized machinery and pile-wall structures, the latter offering the advantage that they are easy to handle and can be integrated in the dike. Even if the front of the dike is washed away, the pile wall represents an insurmountable barrier for the water. If rising waters threaten to spill over the dike or quay wall, our retrofit dike-top systems can be used to temporarily increase the height of the water barrier. Depending on local conditions and flood situation, various systems are available to raise protection levels quickly and flexibly. The dike-top systems are either modular prefabricated steel elements mounted on top of an existing pile wall, or aluminum top structures which can also be retrofitted and provide protection up to a height of 2.40 meters above the dike. A special system called “Aqua-Damm” can even be erected as a temporary dam wall without the use of a crane. This development earned the project team joint 3rd prize in the 2003 ThyssenKrupp Innovation Contest.

The Group’s dike protection capabilities are also highlighted in the section “Dikes. Stronger than water.” on the image pages 111–120.

Auto bodies. Light relief.

Acceleration equals force divided by mass. The lower a vehicle's mass, the greater its agility and the lower its fuel consumption. But how can weight be reduced without sacrificing safety? ThyssenKrupp gave some thought to this problem and came up with an amazing solution.

For customers, progress. For people, a future.

+ 106,301[a]

a

Every day 106,301* new cars are registered worldwide. Mobility has become an international passion. But as the roads get fuller, safety and environmental aspects take on even greater importance.

*2002

b

- 24 % body weight =

- 670,464 t* carbon dioxide

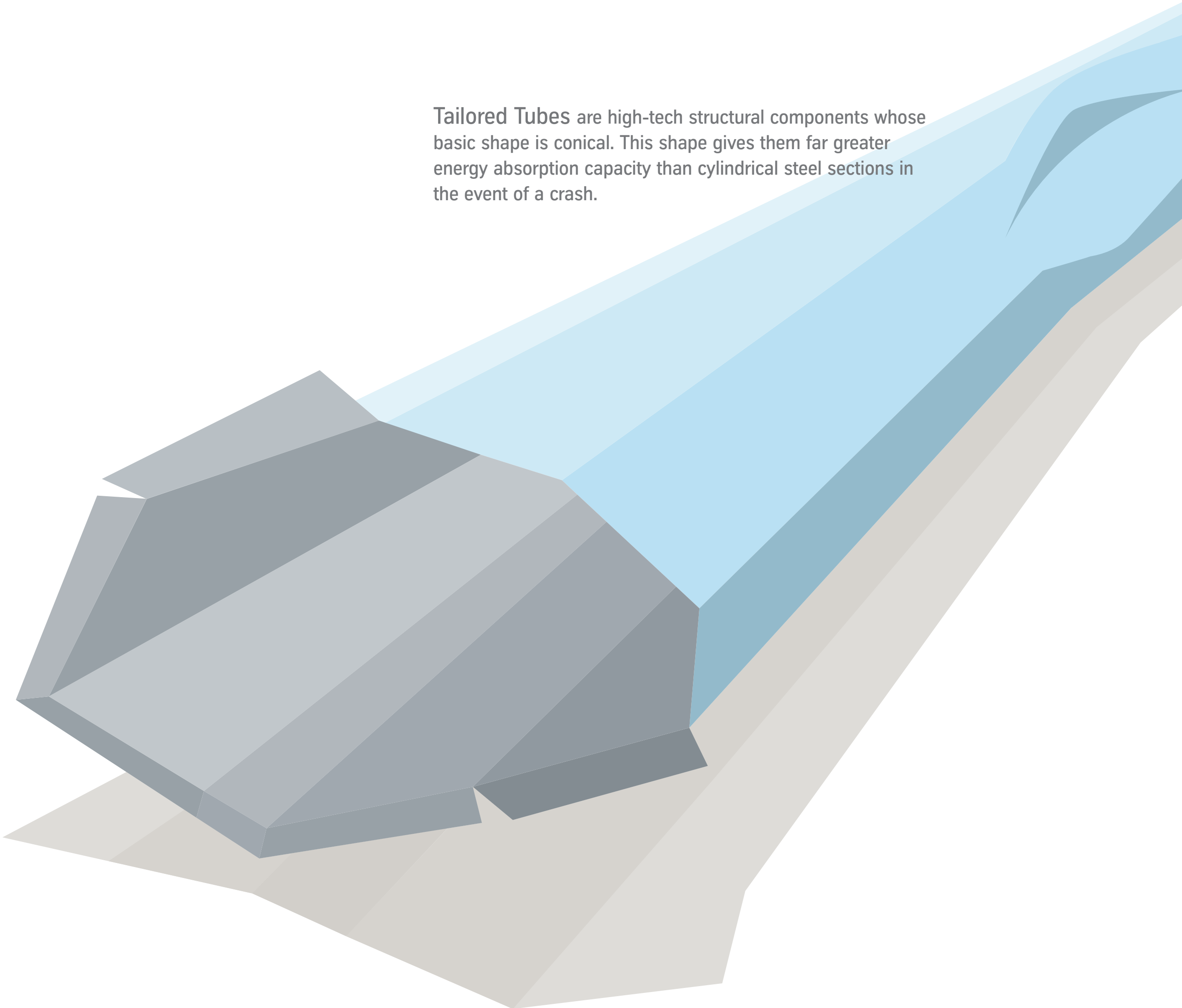
- 279,400,000 l* crude oil

+ 24 % driving enjoyment

b

24 % less can make a world of difference, both for the environment and for people. That's why ThyssenKrupp has developed an auto body that weighs 24 % less than conventional designs.

* This is the amount that could be saved in the first year if one in ten new cars worldwide had a 24% lighter body. Figures based on an average car with a conventional body weighing 400 kg, an average fuel consumption of 9 liters per 100 km and an average mileage of 15,000 km per year. Assumed fuel saving 0.5 liters per 100 km for every 100 kg weight reduction; assumed CO_2 emissions 2.4 kg per liter fuel consumption.



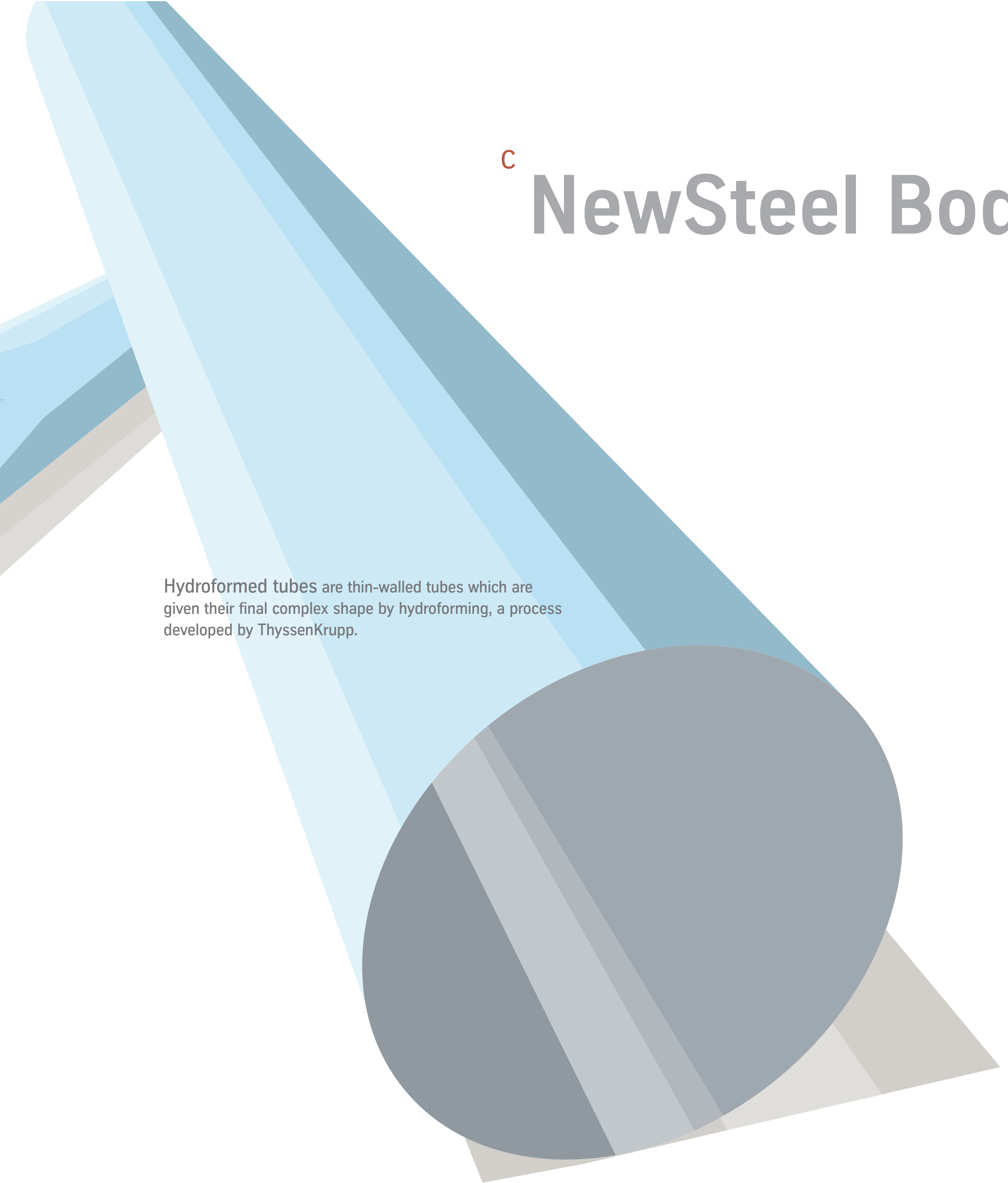
Tailored Tubes are high-tech structural components whose basic shape is conical. This shape gives them far greater energy absorption capacity than cylindrical steel sections in the event of a crash.

C

New thinking. As a system partner to the auto industry, ThyssenKrupp has been involved in the construction of auto bodies for many years. But for the Company to build a complete body itself for demonstration purposes is a new departure. NewSteel Body is the name of the weight-optimized steel auto body developed independently by ThyssenKrupp. The benchmark vehicle was a current production minivan which was awarded top ratings in crash tests. Although the NewSteel Body is 24% lighter, it matches or outperforms the benchmark's crash performance. The weight saving was mainly made possible by an intelligent mixture of conventional stampings and innovative tubular components (tailored tubes and hydroformed tubes).

C

NewSteel Body



Hydroformed tubes are thin-walled tubes which are given their final complex shape by hydroforming, a process developed by ThyssenKrupp.

d

Partnership for progress. Adopting an open source philosophy, ThyssenKrupp is offering the results of the NewSteel Body project – including production planning and calculation of material and production costs – to interested auto manufacturers for joint further development. The Company is therefore not just supplying ideas for alternative steel solutions but also ways to implement them in partnership. The fruits of this cooperation will be seen in production: as the system is modular, it can be introduced step by step into ongoing production operations using much of the existing production equipment.

Dipl. Ing. Thomas Blüchel, Adam Opel AG, with Dipl. Ing. Bernhard Osburg, NSB development project leader at ThyssenKrupp, and members of the ThyssenKrupp project team.

d

Production ready

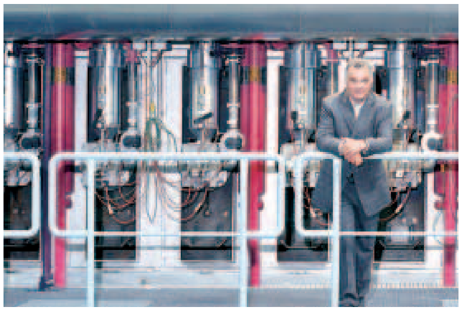

Showing vision. ThyssenKrupp

Business areas and segments

Business areas and segments

Three main business areas – Steel, Capital Goods and Services – with five segments – Steel, Automotive, Elevator, Technologies and Services – mark out the competencies of ThyssenKrupp. Added to this comes our Real Estate business. Focusing our activities in the segments ensures closeness to markets and customers, and guarantees that our Group strategy and tailored segment strategies are strictly implemented. All the segments are well positioned on the world market, but we intend to continue focusing them on their core businesses and expanding their technological lead. Cross-segment synergies are becoming increasingly key to success in the future.

Business areas and segments



Steel Steel is now the No. 1 industrial material, both innovative and intelligent. We concentrate on flat steel products with high added value – tailored and corrosion resistant.

Automotive Our vehicle components and systems feature in cars and trucks on all five continents. We collaborate with the world's auto manufacturers to develop new products for the cars of the future.

Elevator From New York to Moscow to Beijing, our elevators, escalators and passenger boarding bridges keep people moving. Many architects and building owners turn to our products when planning high-rise buildings or TV towers.

Technologies Outstanding engineering shapes our product range: high-performance ships, innovative machine building and complete plants, plus the Transrapid magnetic levitation train.

Services Materials capabilities and processing expertise combine to provide a round-the-clock service offering. Our services allow customers to concentrate on their own core business.

Steel

Innovative products and processes, strategic alliances with worldwide partners and intensive customer relations are key success factors of our Steel segment. The three business units – Carbon Steel, Stainless Steel and Special Materials – supply a comprehensive range of flat steel grades and special metallic materials. We aim to play an active role in the further consolidation of the international steel industry and defend our leading positions on the world market. Sales increased to €12.0 billion in 2002/2003.

Steel in figures

		2001/2002	2002/2003
Order intake	million €	11,732	11,888
Sales	million €	11,686	12,016
EBITDA	million €	1,032	1,249
Income*	million €	167	384
Employees (September 30)		50,184	49,286

* before taxes and minority interest

The Steel segment ranks no. 2 in Europe for carbon steel.

The segment is focused on products with high added value and strong growth prospects. Currently these higher-value products already account for 80% of sales in Carbon Steel and 90% in Stainless Steel. In terms of production volume, we are the second biggest producer of carbon flat steel in Europe and rank sixth worldwide. And in cold-rolled stainless steel and nickel-base alloy products, we are the world number one. We are also the leading international supplier of electrical steel and innovative tailored blanks.

Carbon Steel: Innovation leader with international network

The pioneering technological achievements of the Carbon Steel business unit were highlighted at the 2003 International Motor Show in Frankfurt with the presentation of its NSB® NewSteel Body development study. More information on this can be found in the section “Innovations: Developing the future” on page 82. The project provides further evidence of the advantages of modern, high-performance steel over competing materials.

Auto manufacturers and other producers of high-quality consumer goods are making increasing use of our tailored blanks and coated products. As a result, we will be significantly expanding our corresponding downstream activities over the next few years. The new capacities will be set up as close as possible to our customers’ international production locations to keep distances short and allow us to respond directly to their technology, quality and service requirements. We have now acquired full ownership of the Galmed hot-dip galvanizing operation, which will enable us to participate in the growth of the Spanish automobile market. In China we are building a new hot-dip galvanizing line at Dalian in the north of the country which will commence trial operation at the end of 2003. 80% of its output of 400,000 metric tons of sheet will be supplied to the Chinese automobile industry. A tailored blanks facility with a capacity of 1.8 million blanks has already been built in Wuhan and is set for further expansion in the future. Other production facilities are planned at new steel service centers to be built in Changchun, Shanghai and Guangdong. In all these projects we are cooperating with Chinese partners.

Our strategic alliance with Japanese steelmaker JFE to serve global automotive customers is being intensified by pooling common auto-related development activities. This cooperation is a good example of how we are systematically building up a strategic international network.

Stainless Steel: Service center network optimized

The Stainless Steel business unit is adjusting its European cold-rolled capacities moderately in line with anticipated market growth and optimizing its service center network. We aim to develop new market segments for our high-quality nickel-base alloys through investment. Outside Europe the focus is on completing the Shanghai Krupp Stainless cold strip mill. The capacity of the mill, which will supply the fast-growing Chinese stainless market, will be expanded more than five-fold from the current level of 72,000 metric tons to 390,000 tons in 2006. Our cooperation partner in this venture is China's biggest steel producer Baosteel.

Stainless Steel plans to increase production in Shanghai more than five-fold.

In the coming years, Stainless Steel will continue to expand its distribution network in both Europe and the fast-growing Chinese stainless steel market and further intensify relationships with end customers.

Special Materials: International cooperation in electrical steel

In the Special Materials business unit, ThyssenKrupp Electrical Steel intensified its cooperation with Japan's second largest producer Nippon Steel. In Europe the production of non-oriented electrical steel, used chiefly in generators and electric motors, was relocated from Terni in Italy to Bochum, Germany. The sustained improvement to the product portfolio and cost structure will enhance the competitiveness of the German plant.

As part of our portfolio optimization, best-owner solutions are to be sought for the other companies of this business unit, which manufacture stainless steel long products and nonferrous metal wire.

Significant productivity improvements

Through systematic portfolio optimization, profit-oriented investment policies and continuous performance enhancement, the Steel segment aims to achieve margin leadership in the European steel industry. The consolidation of our carbon steel production facilities in Duisburg in recent years has significantly improved productivity. To unlock further earnings potential, we will continue to optimize our production and control processes and focus even more closely on our core capabilities. The new customer-focused organizational structure of the Carbon Steel business unit has already proved a great success.

The Steel segment sees itself as a strong partner to its international customers. They rightly expect us to deliver technological competence, top quality and comprehensive service around the globe. Steel is prepared for these challenges. Ideal locations, advanced facilities and highly qualified employees will allow us to keep on delivering the innovative products our customers demand.

Automotive

Our Automotive segment works hand in hand with the international auto industry as a systems supplier, development partner and materials specialists. Working from some 130 locations in 17 countries, we develop and manufacture customized components, modules and systems for customers throughout the auto sector. Sales of €6.3 billion make us one of the world's biggest automotive supply companies.

Automotive in figures

		2001/2002	2002/2003
Order intake	million €	6,410	6,271
Sales	million €	6,337	6,295
EBITDA	million €	430	532
Income*	million €	64	188
Employees (September 30)		38,425	41,414

* before taxes and minority interest

Our product range is focused on high-quality components, modules and systems for body, chassis and powertrain applications. As a worldwide partner to the automobile industry, we hold leading positions in body parts, engine components (e.g. crankshafts and camshafts), steering systems, air suspension systems, and axle and chassis systems.

The Automotive segment has set itself ambitious strategic goals to ensure its future sustainability and strengthen its international market position:

- strategically enhance products and technologies by focusing on systems and component/module businesses in the Chassis, Body and Powertrain business units
- concentrate capital investments on components and systems delivering high earnings contributions
- expand presence in Asia, in particular China and Japan – including supplies to Japanese transplants in the USA and Europe
- streamline portfolio to concentrate more strongly on core business.

Organic growth and acquisitions will boost sales to over €10 billion.

The acquisition of the French automotive supplier Sofedit and a 60% share in Mercedes-Benz Lenkungen GmbH has given us access to new markets for our core activities, new customers and new, innovative areas of technology. The acquisitions added 5,000 employees to the headcount and boosted sales by some €900 million, representing a further step toward our sales target of over €10 billion, which we aim to achieve through further strategic acquisitions and organic growth.

Chassis: Growing systems business

Ramp-ups and production start-ups in the systems business – e.g. for the Porsche Cayenne and axle assembly for General Motors – and higher call-off orders for components significantly improved sales at the Chassis business unit. The new production lines in Brazil, France and the USA began operation successfully. To supply parts for new models, the business unit is building additional production lines in Germany and the UK. Orders from a German manufacturer for both solid and tubular stabilizer bars will give rise to further investment in production equipment. A new site for suspension strut and steering knuckle assembly is being set up in Mexico, while Ford and Mazda awarded us assembly orders in the USA. We will also be developing the full front and rear axle system for a successor model of a German manufacturer.

Body: Now a leader in France

A key event at the Body business unit was the takeover of Sofedit with plants in France, Spain, Poland and Brazil. At a stroke, this acquisition has given the segment a leading position on the French automotive supply market. Sofedit has established its credentials as a supplier of automotive stampings and assemblies for body and chassis applications. In addition to deep drawing, hydroforming, roll forming and stretch forming, the company also offers the newly developed hot stamping technology, a hot forming process for specific steel alloys. Components manufactured by this method are three to four times more fracture resistant than conventional parts of the same weight and shape. The business unit worked hard to gain additional business from the Japanese transplants in North America. Examples include orders to produce assemblies for sport utility vehicles. Our site in the Mexican city of Tijuana will start production of a pick-up box for a Japanese manufacturer in 2004.

The acquisition of Sofedit gives us a leading position in France.

Powertrain: Diesel boom continues unabated

The continuing boom in diesel vehicles in Germany and the resultant high demand for crankshafts helped boost sales at the Powertrain business unit. Demand also increased for our steering columns and systems, camshafts, precision forgings and die-cast components. The business unit expanded its crankshaft capacities in the USA and Brazil with further machining lines. Production is also being expanded in Germany, France and at two US locations to meet orders for steering systems, steering columns and assembled camshafts.

Quality and safety take precedence

High-quality developments, strong customer relations and dependability are features of Automotive's quality strategy. Through innovative production processes and the use of modern materials such as aluminum, magnesium and high-strength steels in component manufacture, we support vehicle manufacturers in their quest for weight reduction. But we also attach great importance to safety. A newly developed active engine hood can automatically dampen impacts in accidents involving pedestrians, reducing the risk of head injuries. For more information on this product, please turn to “Innovations: Developing the future” on page 84.

A global presence, innovative products, systems capabilities, productivity, well-trained and motivated staff – these are the strengths we offer the international automobile industry. This is augmented by cooperation with other Group segments, in particular Steel and Technologies, which frequently puts us in pole position when it comes to winning attractive orders. Our broad customer portfolio, the wide range of attractive models for which we provide supplies, and our technical and commercial expertise are the platform from which ThyssenKrupp Automotive will continue to keep the “future in motion”.

Elevator

Our Elevator segment is a competent partner for quality and technology worldwide: internationally our elevators and passenger boarding bridges, escalators and moving walks represent cutting edge technology; and our service teams keep elevators and escalators moving from Berlin to Beijing. We aim to expand our presence in Eastern Europe and Asia in particular. Sales decreased slightly to €3.4 billion in the past fiscal year.**

Elevator in figures

		2001/2002	2002/2003
Order intake	million €	3,615	3,367
Sales	million €	3,500	3,365
EBITDA	million €	418	426
Income*	million €	64	355
Employees (September 30)		28,768	29,689

* before taxes and minority interest

Top-quality products and increased customer retention

Innovative, high-quality products and services as well as strong customer loyalty are the main basis for growth in our Elevator segment. Our service business is also becoming increasingly important. The maintenance of elevators, escalators and moving walks accounts for around half of total sales, and this figure is rising. The production, modernization and maintenance of these people-moving systems, as well as passenger boarding bridges and stair and platform lifts, are the segment's core competencies.

Organizing the business units on regional lines has proved very successful in keeping us close to our customers and ensuring we speak the same language. We also have two centrally managed business units: Passenger Boarding Bridges and Accessibility (stair and platform lifts).

The acquisition in the reporting period alone of more than ten competitor companies of varying sizes in Germany, the United Kingdom, Korea, Hong Kong, India, Norway, Poland and Spain is an expression of how strongly Elevator – one of the top three in the world elevator market – is expanding. In addition to Eastern Europe, our expansion activities are focused on the growth region of Asia. All Asian business is managed from the new ThyssenKrupp Elevator headquarters in Shanghai, including the Korean Dongyang group, which we acquired in October 2003. The Dongyang group, in which we now hold a 75% interest, specializes mainly in high-rise elevators in the premium quality sector. Korea is the third most important market in Asia after China and Japan and comparable in size to the German market for new elevators and escalators.

In the Asian growth region, China is a key market for Elevator.

However, the technically demanding Chinese elevator sector remains the number one Asian market. We serve the entire Chinese market from four major service centers in Beijing, Shanghai, Guangzhou and Chongqing. We also produce around 2,000 elevators annually in our Chinese plants at Songjiang and Zhougshan. Here again, we live up to our reputation as quality leader.

In the USA and several other countries, we are increasingly taking on the service and maintenance of equipment manufactured by other companies. For this purpose, Elevator has set up its own technical customer service center in Dallas, Texas. The specialists there plan specific equipment repairs, prepare service manuals, and support and train technicians. If necessary, on-site technicians can send all data directly to our customer service center via mobile telephone and obtain real-time support. We intend to expand this successful business.

** Original wording changed on January 25, 2006.

Expanding our technology capabilities**

ThyssenKrupp's commitment to innovative technologies is of great importance for our customers both in Asia and elsewhere. New products such as the TWIN elevators, the machine room-less ISIS elevator and the accelerating moving walk underline our technological capabilities.** You can find out more about the TWIN system and the ISIS machine room-less traction elevator on page 84-85 in the chapter "Innovations: Developing the future". The newly developed accelerating moving walk enables passengers to step on and off at low speeds, while the middle section accelerates to enable longer distances, e.g. at airports and exhibition centers, to be covered more quickly and comfortably.

In order to further such developments, the segment has three international research centers – in Sophie-Antipolis near Nice, in San Diego, California and in Stuttgart – where scientists and technicians work on new ways and ideas for getting people to their destinations more quickly and comfortably via elevator, escalator or moving walk.

New products underline our technological capabilities.**

Current projects around the world

ThyssenKrupp Elevator is pursuing a number of major projects: in Las Vegas we won the contract to supply 90 elevators and four escalators for a new luxury hotel and casino, "La Reve". The Moscow television tower will be fitted with four new radio-controlled elevators with an innovative noncontacting power supply. In the Spanish city of Villarino close to the Portuguese border, an underground elevator descending to a depth of 441m is being modernized. We have been contracted to supply and install 13 elevators – including 8 freight elevators, each with a capacity of 6,900kg – to an aircraft manufacturer in Hamburg. In China, we have received orders for 29 passenger boarding bridges for Guangzhou International Airport and for 100 elevators and escalators for Dongguan Prosperity Plaza and Lianhu Plaza in Guangdong province. Both projects are large modern building complexes with offices, hotels, shops and apartments. Athletes and visitors to the 2004 Olympic Games in Athens will also be transported by our elevators in the new Taekwondo sports complex. In January 2003 we won the renowned "Elevator World Project of the Year Award" for our escalator concept in Toledo, Spain. Elevator has now won this prize four times in a row for different projects around the world.

** Original wording changed on January 25, 2006.

Technologies

Our Technologies segment manufactures products to high technical standards with a correspondingly high share of value added. From sophisticated assembly equipment and high-performance bearings to complete chemical plants and innovative ships – Technologies can rely on the expertise of its engineers, who are also responsible for the Transrapid magnetic train. The segment is organized in the four units Production Systems, Plant Technology, Marine and Mechanical Engineering. Sales in the reporting period declined to €5.4 billion.

Technologies in figures

		2001/2002	2002/2003
Order intake	million €	5,304	4,984
Sales	million €	5,806	5,382
EBITDA	million €	267	159
Income*	million €	112	42
Employees (September 30)		32,781	29,871

* before taxes and minority interest

Production Systems: Serving well-known sectors

Production Systems has established a reputation as a partner for system solutions.

The Production Systems unit has established itself as one of the world's biggest machine tool manufacturers. We build equipment and production lines which are then used by our international customers to manufacture their own high-tech products. While Metal Cutting is no longer regarded as a core activity at ThyssenKrupp, our Autobody Manufacturing Systems and Assembly Plant businesses hold leading positions worldwide and are being developed accordingly. They chiefly supply customized systems for complex production tasks such as complete body-in-white or automated engine assembly lines. Their expertise and strong engineering capabilities enable them to partner customers in the development of industrial system solutions from the earliest planning stages. Alongside the automotive industry, we also serve customers in sectors such as aerospace, instrumentation and controls, and specialty valves.

Plant Technology: From petrochemical to cement plants

Plant Technology pools our activities in specialized and large-scale plant engineering, focusing on the chemical and petrochemical, cement, materials handling and coke production sectors. Our aim is to further strengthen the leading positions we hold in these markets in processes and components, founded on a solid technological base. Closeness to customers, flexibility and outstanding technical solutions are the key to our success in this global business. After-sales activities such as maintenance, support and modernization are also growing in importance.

Marine: Holding a steady course

Marine's shipyards in Hamburg and Emden enjoyed another successful fiscal year. In the open international markets we hold leading positions in the construction of frigates, corvettes and – together with Howaldswerke-Deutsche Werft AG (HDW) – conventionally powered submarines. Our range is augmented by mega-yachts and Emden-built container ships. On the service front, our repair business plays a major part in our success with outstanding quality and deadline dependability. For more information on building a mega-yacht, please turn to the image pages 65–74.

Mechanical Engineering: Wind energy and Transrapid

Mechanical Engineering is home to component manufacturers who hold leading world market positions with their specialized products. Our international customers are mainly from the construction and general machine building sectors. For example, our large-diameter bearings are used the world over in wind turbines and many other applications where high loads need to be handled dependably and without major maintenance outlay.

Currently, Mechanical Engineering's best-known product is the Transrapid magnetic levitation train. A milestone for commercial maglev applications was reached in summer 2003 in Shanghai, when two Transrapid vehicles successfully passed each other traveling at speeds of 430 km/h. The regular traffic trials with three vehicles which started on August 18, 2003 pave the way for the entry into regular service of world's first commercial maglev line.

In Germany, the focus is currently on the Munich airport link project. The zoning procedure for this first German line started on September 19, 2003. Running from Munich central station to Franz-Josef Strauss Airport on the outskirts of the city, the line will help handle increasing passenger numbers and shorten journey times for travelers.

The zoning procedure has begun for the Transrapid line in Munich.

Restructurings and improvements boost productivity

Continuous restructuring and improvement programs have already significantly improved productivity in all business units of the Technologies segment. We will continue to pursue these measures and create additional value through active portfolio management.

Services

At the end of fiscal 2002/2003 the Serv and Materials segments combined to form the new Services segment. Launched on October 01, 2003, the segment employs some 38,000 people at around 600 locations worldwide. Services generates almost half of its €11 billion sales outside Germany. Over a third of its employees work abroad.

Services in figures *

		2001/2002	2002/2003
Order intake	million €	11,426	11,520
Sales	million €	11,424	11,276
EBITDA	million €	243	273
Income**	million €	124	32
Mitarbeiter (30.09.)		39,675	38,487

* combined figures of the former Materials and Serv segments, non-consolidated, unaudited
** before taxes and minority interest

Services aims to expand further on the Eastern European market.

The Services segment stands for a broad spectrum of process and supply services which give our customers in the manufacturing industry greater flexibility and leaner cost structures. Our capabilities include plant and equipment maintenance, a wide range of production-related services, scaffold services, and technical, infrastructural and commercial facility management. We also provide warehousing and logistics solutions, with a range of processing services for the materials supplied, and systems solutions such as full supply chain management for international customers.

The segment's main markets are Germany, Europe and the NAFTA region. In view of the backlog of demand for high-quality materials and industrial services in Eastern Europe, our attention will focus increasingly on this region in the future. Our business in Hungary and Poland is already showing great promise. In the Czech Republic we are working together with a local partner to provide maintenance services for the auto industry and have acquired the carbon and stainless steel distributor Ferrosta.

Materials Services with increased value added

The Services segment is one of the world's leading suppliers of carbon and stainless steel, tubes, non-ferrous metals and plastics with an exceptionally broad and deep range of products. To stay as close to our customers as possible, the materials trading business units are organized on a regional basis: Materials Services Europe and Materials Services North America. In Europe business is concentrated in Germany and neighboring countries. Our biggest German subsidiary ThyssenKrupp Schulte alone carries 125,000 items in stock, which can then be processed in line with customer requirements. Our capabilities include slitting, cutting to length, cutting, sawing, flame-cutting, milling, drilling, grinding, preserving and coating – all of which increase value added. Customers can also transfer their warehouse and inventory management to us. Each of the business unit's companies and branches can supply on a just-in-time basis if required. The key to getting goods to customers in the shortest possible time while keeping stocks as low as possible is our sophisticated warehouse, logistics and information logistics system with strategically located central and regional warehouses. In the past fiscal year we further improved the efficiency of this system.

We aim to expand our services beyond warehousing and processing. Outstanding examples of this are supply chain management contracts with major international companies based in the USA for which we handle the management of specific materials. This involves coordinating numerous sub-contractors and external processors, material tracking, warehousing, processing and just-in-time delivery as well as information logistics. In North America the goal is to further improve our strong market position in materials trading – Services is the second biggest supplier of stainless steel and nonferrous metals here.

Europe's leading provider of industrial services

The Industrial Services business unit sees itself as a problem solver for companies from a wide range of industries. Our customers are chiefly from the automobile, steel, chemicals and petrochemicals sectors, areas in which we have developed exceptional expertise over many years. The unit's key advantage is its unique range of services, which include maintenance and repair, assembly and shop services, operating logistics, scaffold services, coating technology, facility systems, and technical, infrastructural and commercial facility management. Thanks to flexible manpower deployment, we are also capable of handling major projects. In addition, we offer a full package of railway equipment services, extending from material supplies to technical consultancy for even the most challenging lines. The Services segment holds top market positions in industrial services: it is the number one maintenance provider in Germany and among the leaders in Europe; it is also the world number one in scaffolding assembly.

Industrial Services offers an exceptionally broad range of services.

Special Products for port construction and specialist civil engineering

The Special Products business unit has established itself as a full-service provider in port construction and specialist civil engineering. We offer planning, material supplies, logistics and technical consultancy for major civil engineering and port construction projects, such as the expansion of the port in the Russian city of Kaliningrad.

We are also a sought-after partner in the international back-to-back and trading business with carbon steel, stainless steel and tubes, as well as for alloys and nonferrous metals. Major customers in some 150 countries value our product and logistics expertise as well as our close links with renowned producers worldwide.

Real Estate

Anyone seeking an apartment, buying a house or setting up new business premises can count on ThyssenKrupp Real Estate. Our real estate experts manage 50,000 rented housing units and over 10,000 hectares of industrial and commercial property. Added to this is a wide range of property-related specialist services. In 2002/2003 Real Estate's turnover increased to €345 million.

Real Estate in figures

		2001/2002	**2002/2003**
Order intake	million €	320	345
Sales	million €	320	345
EBITDA	million €	141	118
Income*	million €	80	60
Employees (September 30)		745	638

* before taxes and minority interest

For the customers of our Real Estate business – private tenants and investors, property developers as well as Group and non-Group companies who own or require property – we have significantly improved our portfolio of services. The organizational combination of activities to form just two business units has proved very successful in this connection, enhancing the efficiency of operating and strategic cooperation. The Real Estate Management unit focuses on the utilization of commercial real estate, the management, letting, sale and purchase of land and buildings for commercial purposes. The unit also acts as project developer, building contractor, project manager, general contractor and architect. Residential property, on the other hand, is managed by the Residential Real Estate business which operates on the basis of an innovative management information system. With 50,000 housing units, ThyssenKrupp Immobilien, the Real Estate lead company, is one of Germany's biggest industry-based real estate companies. An intensive improvement and maintenance program safeguards the value of this property.

Our development business concentrates on the Group's real estate.

For value management, the optimized marketing and utilization of the Group's own real property is a high priority. Our development business concentrates on the development and marketing of the Group's real estate. Low-risk projects such as townhouses and duplexes in all price ranges as well as apartments at the luxury end of the market form the focus of activities.

In a Groupwide survey we prepared a central register of the real estate owned by all ThyssenKrupp companies outside Germany in the year under review. Regional portfolio analyses will now follow, first in Switzerland and the USA, after which regional clearing projects will be conducted taking in all occupied and vacant properties. These clearing projects will reduce the real estate costs of participating companies.

Dikes. Stronger than water.

On August 12, 2002, 1,158 mm of rain fell on Dresden in just 24 hours – more than double the previous record. The water swelled rivers, breached dikes and robbed many people of all they possessed. But why do dikes have to break? Can't we reinforce them to withstand even the worst of floods? And how quickly can such protection be put in place? ThyssenKrupp has the answer to these questions.

For customers, progress. For people, a future.

a Living by the water should be fun, not frightening. Meteorologists predict that extreme climatic events will be far more frequent in the future. Many dikes will be pushed to their limits. Or beyond.

Susanne Reimann, mother, Magdeburg/banks of the River Elbe

Safety

a

2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039
2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080 2081 2082 2083 2084 2085 2086 2087 2088 2089

b

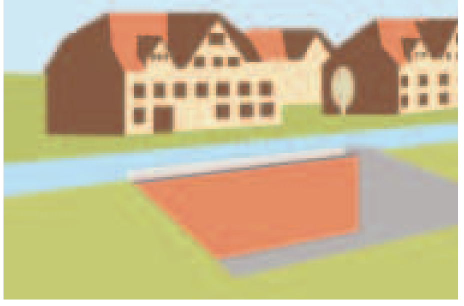
2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052
2090 2091 2092 2093 2094 2095 2096 2097 2098 2099 2100 2101 2102

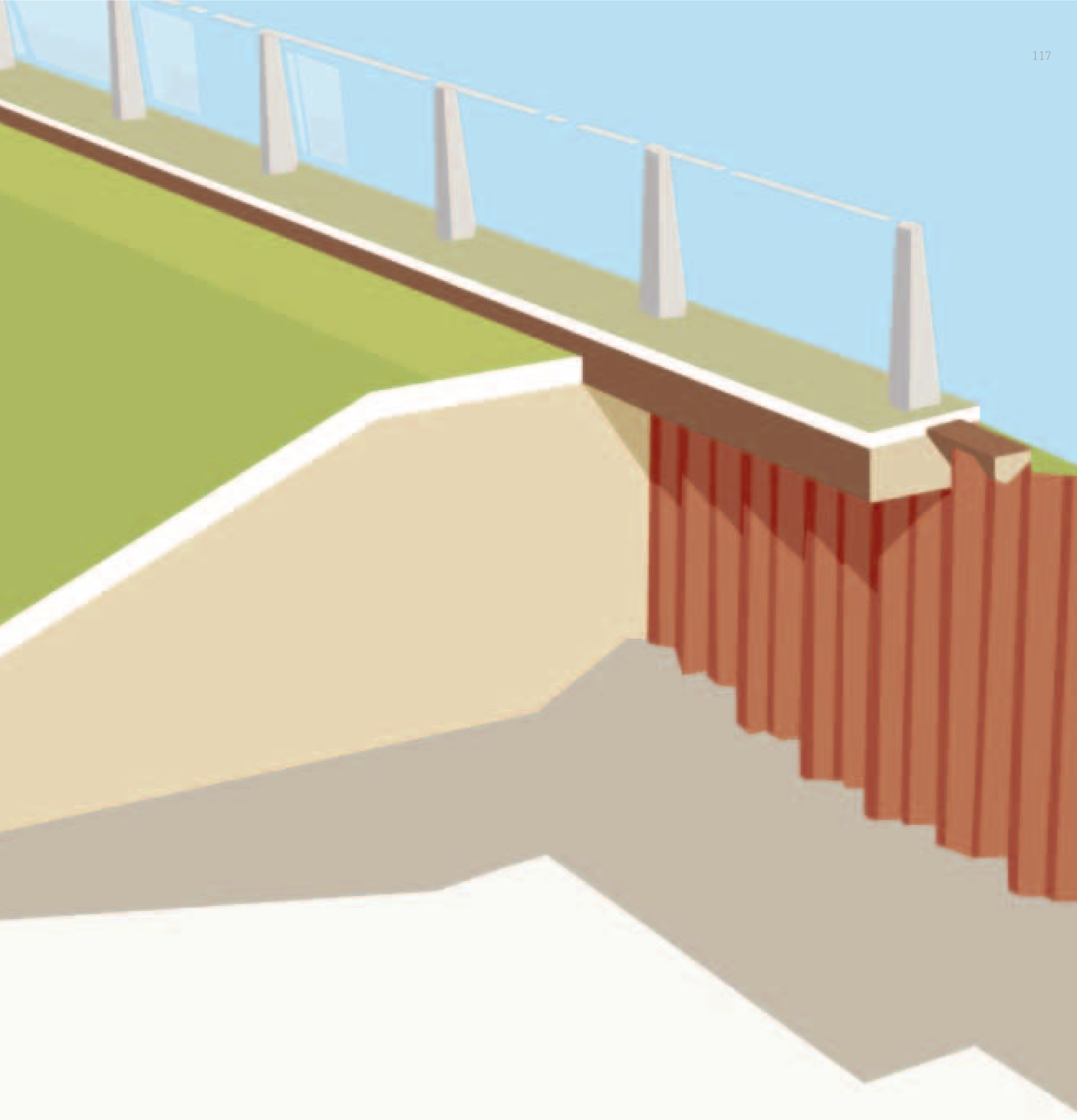
2103

b

There can be many floods in a hundred years. But the dike will hold strong.

C

water  tight



C

Soil is soft. Steel isn't. That's why we developed the expertise and the equipment to drive environment-friendly sheet piles into new and existing dikes and join them into a watertight steel wall. A wall sunk so deeply into the ground that it will still hold even if the entire river-side dike is washed away.

When waters rise, so does the wall. Sheet piling is quick to install, and even quicker to raise if the water level climbs higher than expected. That's not just easier than stacking sandbags, it's a whole lot more reliable.

Efficient dike protection is a kind of life insurance. That's why the authorities in Magdeburg on the River Elbe decided on the ThyssenKrupp sheet piling system to repair and reinforce their dikes. And at a fraction of the cost of building new, conventional dikes.

Roland Günther, flood protection and water management officer for the state of Saxony-Anhalt, with Christian Walter, Managing Director of ThyssenKrupp GfT Bautechnik.

d

Responsibility


Showing strength. ThyssenKrupp

Financial report

Fianancial Report

The competitive position, business performance, specialist knowledge and competency of a company are ultimately reflected in its numbers. ThyssenKrupp prepares its financial statements on the basis of US-GAAP and thereby creates a high level of transparency and comparability, a basic requirement of the international finance markets. We have significantly accelerated the preparation of this annual report. We want to inform you, our Stockholders and other interested parties, about the past year in as timely and comprehensive a way as possible. With transparency, speed and credibility, we want to gain your trust – in the Company and its future.

1. INCOME BEFORE INCOME TAXES AND MINORITY INTEREST / DIVIDEND

In fiscal 2002/2003, the ThyssenKrupp Group generated income before taxes and minority interest in the amount of €714 million as compared to €762 million in the previous year. As in the preceding year, earnings do not include amortization of goodwill. In contrast to the previous year, proceeds from disposal activities had an insignificant effect on income as recorded for fiscal 2002/2003. Disposal activities in 2002/2003 resulted in net losses of €20 million, compared to gains of €343 million from the disposal of companies and investments in fiscal 2001/2002. Normalizing these income components resulted in income before income taxes and minority interest of €734 million for fiscal 2002/2003, constituting a notable increase compared to €419 million in normalized income before income taxes and minority interest as recorded in the previous year. The acquisition of treasury stock had no affect on income.

Income* by segments in million €

	2001/2002	2002/2003
Steel	167	384
Automotive	64	188
Elevator	317	355
Technologies	112	42
Materials	72	90
Serv	52	(58)
Real Estate	80	60
Corporate	(90)	(332)
Consolidation	(12)	(15)
Group	**762**	**714**

* before income taxes and minority interest

Steel

The Steel segment in fiscal 2002/2003 increased its income by €217 million to €384 million. Included in this amount is €41 million which was generated through the disposal of the quatro plate activities of the Stainless Steel business unit. The improvement in income is primarily attributable to the Carbon Steel business unit.

Carbon Steel increased income compared to the previous year by €224 million to €229 million, largely attributable to larger shipment volumes, an increase in the average proceeds and the measures already implemented to improve operating performance. The significant price increase in raw materials traded in US dollars, such as coke and ore, were outweighed by the weakening of the US dollar. Increase in costs, particularly for energy, were balanced out through measures taken to improve efficiency. The Construction Elements unit posted significant losses due to a persistently sluggish building industry and the implementation of restructuring measures. The Tinplate activities increased its earnings considerably as a consequence of successful export transactions, thus making a major contribution to income. Both Tailored Blanks and Steel Service activities posted notable increases in income, and Medium-Wide-Strip also recorded a positive result after sustaining losses the previous year.

The Stainless Steel business unit improved its income compared to the previous year by €51 million, to €192 million. This includes a gain from the disposal of the quartro plate activities amounting to €41 million. High volumes and favorable price levels characterized the market for stainless flat products in Europe in the first eight months of the fiscal year. Due to the weakness of the US dollar exchange rate, increasingly stronger beginning in the third quarter, forcing them to cut production towards the end of the fiscal year. Regardless of this, normalized income increased by €10 million from the previous year. The Italian based AST posted profits below the level of the previous year due to the poor market conditions in the last quarter of the fiscal year. Even the initiated improvement measures failed to compensate for the decline in AST's earnings due to adverse market conditions. Nirosta in Germany, on the other hand, recorded an overall significant increase in income, largely aided by further enhancement of customer retention and continuous improvement of operating performance. Mexinox, the cold-rolling mill in Mexico, incurred a significant reduction in income resulting from poor demand in the NAFTA regions and price declines in the US market, aggravated further by the weak US dollar. In China, income was affected by an unfavorable price level in the Chinese market. Therefore, the Chinese cold-rolling activities sustained losses, despite strong technical performance. The strong decline in income suffered by the nickel-base alloy business was primarily due to the difficult situation in the aviation and space industry, the current weakness in electronics and plant construction as well as expenses incurred for the discontinuation of the minting business.

Special Materials recorded a loss of €29 million, compared to income of €27 million in the previous year. The losses sustained by the producers of stainless steel long products were caused by a larger share of products with lower margins and cost increases for scrap and electricity. Income was further affected by expenses incurred for initiated restructuring measures, amounting to €17 million. Electrical Steel suffering from strong price deterioration and shifts in the production program, recorded a loss. Initiated restructuring measures causing expenses of €3 million added to the losses. Berkenhoff managed to improve its income situation.

Automotive

ThyssenKrupp Automotive recorded income before taxes of €188 million, improving on the previous year's result by €124 million. Income of the previous year included €33 million in gains from the disposal of the Sinterstahl investment and the disposal of several casting activities, resulting in normalized income exceeding that of the previous year by €157 million. Restructuring measures resulted in expenses of €21 million in fiscal 2002/2003, after expenses of €149 million, mainly associated with the closure of the Philadelphia operations, had impacted income in the previous year. Higher expenses for pension payments and health care in the USA, the strengthening of the Euro against the major currencies and the persistent price and cost pressure in the reporting period added to the burden.

The Chassis business unit again experienced a remarkable improvement on the result of the previous year. This is, among other things, attributable to an improved operating income at the Kitchener plant in Canada, and extensive rationalization and efficiency programs in all activities. By contrast, results recorded by the US foundries as well as some European production plants for chassis components and assemblies showed a noticeable downturn due to declining demand.

The Body business unit succeeded in increasing its income compared to the previous year as a result of, among other things, lower restructuring expenses. The loss in the previous year was followed by a small profit in the reporting period. Increased personnel expenses due to pension and health care obligations in the USA were significantly offset by the effects of the cost reduction measures. The newly acquired French company Sofedit was consolidated as of July 01, 2003 and generated profits in the fourth quarter.

The Powertrain business unit in fiscal 2002/2003 continued as ThyssenKrupp Automotive's major contributor to income, improving on previous year's earnings yet again. Among other things, higher sales, new business in the motor components and steering systems and improved productivity, had a positive impact on the results.

Elevator

The Elevator segment posted income of €355 million, exceeding that of the previous year by €38 million. The European business units and the Accessibility business unit were the main contributors to this improvement. The activities of the Germany/Austria/Switzerland as well as the France/BeNeLux business units were impacted by major reorganisation programs in the reporting period. Despite the restructuring expenses, both business units managed to increase income considerably compared to the previous year. The Spain/Portugal/Latin America business unit was able to further increase income, particularly on account of the successful development of several infrastructure projects on the Iberian Peninsula. The North America/Australia business unit asserted itself in a much tougher competitive environment. Calculated in local currency, the business unit continued to improve its income significantly. As a consequence of lower market valuation of the US dollar against the Euro, however, income calculated in Euros reached the previous year's level. Income as recorded by the Other Countries business unit fell short of the previous year's, mainly due to less favorable margins in Britain and impairment expenses of operating assets in an East European country. Activities in Asia, by contrast, achieved a notable increase in income resulting from the expansion of activities in China. In the Passenger Boarding Bridges business unit the losses sustained by the North American activities, which were largely attributable to the downturn in the aviation industry, eroded profits in Europe resutling in a minor loss being recorded. The Accessibility business unit developed extremely successfully, with the positive effects of the restructuring programs taken in the preceding years becoming apparent. After suffering losses in the previous year, the business unit has experienced a strong income.

Technologies

The Technologies segment recognized income before taxes of €42 million, compared to €112 million in the previous year. The income figure of the previous year included €36 million in gains from the disposal of Berco Bautechnik. Without taking these gains, normalized income decreased by €34 million. In addition to the weak economic environment, restructuring costs, expenses for the processing of old contracts and rising pricing pressure under current projects had an unfavorable effect on income in the reporting period. Higher contract costs incurred by Transrapid Shanghai also led to a further setback in income. The disposals of Polymer, Henschel and Otto India of Mechanical Engineering did not result in significant gains, neither individually nor as a whole. Novoferm a component of Mechanical Engineering was sold on October 07, 2003.

Production Systems continued to record significant losses in the reporting period. The weak machine tool market in the USA, affecting the Metal Cutting business, a slow-down in the Systems business in Europe, follow-up production costs for old contracts and high restructuring expenses all had a negative impact on income. Autobody Manufacturing Systems succeeded in matching last year's income despite difficult market conditions. Assembly Plant returned to profitability after posting a loss for the previous year.

Plant Technologies, which consists of activities in special and plant construction, was able to considerably increase its income compared to the previous year. Uhde's Chemical Plant Construction in particular showed a significant upturn, favored by good capacity utilization and positive foreign currency effects. The production of cement production by Polysius also posted a substantial increase in income on account of lower restructuring costs, positive effects resulting from efficiency improvement measures and a solid order backlog. The Fördertechnik was able to increase income after completing the majority of the processing of a loss-making contract in Brazil. EnCoke, engaged in coal technology, in fiscal 2002/2003 was hindered by follow-up costs for the processing of old contracts as well as restructuring and recorded a loss equal to that of the previous year.

Marine income equaled that of the previous year.

Mechanical Engineering failed to reach the income level of the previous year, which was favored by gains from the disposal of Berco Bautechnik. Whereas the large-diameter bearing business at Rothe Erde and Industrial Technologies posted income levels reaching those of the previous year, higher contract costs at Transrapid in Shanghai and a decreased demand for power generation and aero engine applications, combined with restructuring expenses, put a heavy strain on the income situation. Berco, the manufacturer of construction equipment components, also posted income considerably lower than that of the previous year due to the weak demand for construction equipment and the decline of the US dollar against the Euro. Structural steelwork succeeded in recognizing a slightly positive result after sustaining severe losses in the previous years.

Materials

Materials recorded income of €90 million which is an increase of €18 million compared to the previous year. Despite the weak market conditions and restructuring expenses, the Materials Services Europe business unit posted income exceeding that of the previous year. Calculated in Euro, Materials Services North America failed to reach the income level of the previous year. Calculated in local currency, mainly in US dollar, however, the business unit nearly matched the previous year's result. Value allowances in the trading business were compensated for, to a large extent, by improving the warehousing and servicing business. The Special Products business unit once again recorded a considerable increase in income, and made the largest contribution to segment earnings.

Serv

After recognizing income of €52 million in the previous year, Serv posted losses of €58 million in fiscal 2002/2003 of which, €61 million were incurred from the disposal of the formwork and scaffolding activities of the Hünnebeck Group and the formwork activities in North America. The previous year's result, however, included €19 million in gains from disposal. Adjusted for these gains and losses from disposals, normalized income decreased from €33 million in the previous year to €3 million for fiscal 2002/2003. The Construction Services business unit, which was closed in conjunction with the disposal of the formwork and scaffolding activities in August, continued to record operating losses until the disposal of these activities in the fourth quarter. The income of Industrial Services significantly decreased due to weak economic conditions, strong competitive pressure as well as the strength of the Euro in relation to the Dollar. Nonetheless, the business unit remained the major income contributor of the segment. Although the income of Facilities Services improved as a result of restructuring measures, this business unit posted losses as it did in the previous year. The Information Services business unit nearly doubled its income, with the IT services business showing outstanding progress.

Real Estate

Real Estate posted income of €60 million compared to €80 million for the previous year. As in the past, the main contributor to income was the Residential Real Estate business unit. The management of Residential Real Estate remained very stable whereas proceeds from the disposal of housing units decreased. Although the Real Estate Management business unit recognized a profit, the disposal of land that is no longer used in operations generated gains significantly lower than those attained in the previous year.

Corporate

Corporate includes the Group administration functions, inclusive of financing companies and national holding companies. Also within Corporate are the inactive companies, such as Thyssen Stahl GmbH and Krupp Hoesch Stahl AG. Operating companies providing insurance services and equity investments are included in Corporate. In fiscal 2002/2003 Corporate recorded a loss of €332 million compared to €90 million in the previous year. The smaller loss sustained in the previous year was attributable to €255 million in gains from the disposal of the investments in Ruhrgas AG and the Kone shares. Excluding these gains, the loss of Corporate in the previous year would have totaled €345 million.

Of the current loss, €88 million is allocable to Corporate administration costs and €218 to pension costs, which primarily consist of payments to former employees of inactive subsidiaries. The interest income net, i.e. the balance of interest expense and interest income expense of the Corporate holding as well as the financing and national holding companies amounted to €(23) million compared to €(21) million in the previous year. Expenses assumed by Corporate for the Steel segment totaled €13 million compared to €14 million in the previous year.

Income taxes

Income taxes in 2002/2003 amounted to €152 million compared to €175 million in the previous year, resulting in a tax rate of 21%, compared to 23% in the previous year. Due to a revised estimate of tax risks, which followed the positive outcome of a precedent setting case in the federal tax court, an accrual for income tax risks was partially reversed. In the previous year, the tax rate had been influenced by low taxation on the gains from disposals as well as changes in permanent differences between the carrying amounts in the tax balance sheet and the consolidated financial statements.

Changes in accounting principles

In the reporting period, new regulations pertaining to the accounting for obligations from the disposal or retirement of long-lived assets (SFAS 143, “Accounting for Asset Retirement Obligations”) were adopted. The first-time application of these regulations resulted in a loss of €14 million before tax and €6 million net of tax. In the previous year, effects from the change in accounting principle had amounted to a loss of €347 million before tax and €338 million net of tax. This loss resulted from the impairment of goodwill caused by the first-time application of SFAS 142, “Goodwill and Other Intangible Assets”.

Net income/Earnings per share

After the deduction of minority interest in the amount of €44 million compared to €33 million in the previous year, net income amounted to €512 million compared to €216 million in the previous year. Earnings per share (EPS) is calculated by dividing consolidated net income by the number of shares outstanding as of the end of the reporting period. Should this number have decreased in the course of the fiscal year due to repurchase, consolidated net income is to be divided by the weighted average number of shares; this was 507,673,543, resulting in EPS of €1.01 compared to €0.42 in the prior year on the basis of 514,489,044 shares outstanding. Adjusting net income by the effects from the disposal of activities, the partial tax deductibility of payments for the acquisition of treasury stock and the “after-tax-effect” resulting from the change in accounting principals, resulted in normalized income per share of €0.89, a substantial increase compared to €0.48 in 2001/2002.

Dividend

A dividend in the amount of €0.50 per share, will be put forward to the Annual Stockholders’ Meeting for approval. This is an increase of €0.10 from the previous year. Of €257 million in unappropriated net income, an amount of €249 million will be proposed for dividend distribution on the 497,567,801 shares eligible for dividend payment as of September 30, 2003. The remaining €8 million shall be carried forward to the next year. Should the number of shares eligible for dividend distribution change due to a change in the number of shares held as treasury stock, the proposed dividend distribution shall be adjusted accordingly. The payout ratio of consolidated net income will be 49%, against 95% the previous year, subject to approval by the Annual Stockholders’ Meeting.

Dividend payment is legally based on the financial statements of ThyssenKrupp AG under German GAAP, reporting net income of €406 million, compared to €258 million in the previous year. In relation to ThyssenKrupp AG's net income, the payout ratio is 61% compared to 80% in the previous year. The undistributed portion of ThyssenKrupp AG's net income amounting to €149 million compared to €52 million in the previous year, will be used to increase retained earnings and the remaining amount of €8 million will be carried forward to next year.

2. ECONOMIC VALUE ADDED MANAGEMENT

The ThyssenKrupp Group is managed and controlled on the basis of an Economic Value Added ("EVA") management system. The key goal of this system is to maintain continuous increases in corporate value by focusing on business segments which – with respect to their performance – are among the best worldwide. To achieve this objective, an integrated controlling concept is applied. It allows for goal-driven controlling and coordination of activities of all segments, supports decentralized responsibility and promotes overall transparency.

By taking timely appropriate actions, the integrated controlling concept realizes the increase of corporate value by bridging operating and strategic gaps between the actual and target situation. The prerequisite for this concept is the existence of high-quality operational and strategic reporting systems for the accounting of actual and budgeted results as well as internal and external reporting. The values determined under US GAAP for each and every reporting unit form the basis for our reporting system.

In the ThyssenKrupp controlling concept, strategic and operational elements are linked to timely reporting which is accompanied by regular pro-active communication. The concrete elements of this strategy are: economic value added performance measures and active portfolio management.

The central performance measures are return on capital employed (ROCE) and Economic Value Added (EVA). These two ratios reflect the earning power of capital employed in the form of a relative quantity (ROCE) and an absolute value (EVA).

ROCE is calculated as follows:

$$\text{ROCE} = \frac{\text{income before income taxes, minority interest and interest}}{\text{capital employed}}$$

The numerator is composed of income before income taxes, minority interest, net interest income or expense, and an internally allocated interest expense associated with accrued pension liabilities. The capital employed denominator can be computed on the basis of either asset or liability items. For the calculation based on asset items, net fixed assets are added to working capital. Deferred tax assets and deferred tax liabilities are not included in the computation because the standard figures are determined on a pre-tax basis. Capital employed calculated based on the following liability items including the breakdown of the disposal group as disclosed in note (3) of the consolidated financial statements :

Group in million €

	Oct. 01, 2001	Sept. 30, 2002	Oct. 01, 2002	Sept. 30, 2003
Total Stockholders' Equity	8,786	8,287	8,287	7,631
+ Minority interest	363	297	297	318
+ Pension and similar obligations	6,908	7,065	7,065	7,401
+ Financial payables	7,665	5,683	5,683	4,948
./. Marketable securities/cash and cash equivalents	1,258	941	941	713
+ Deferred tax liabilities	1,161	556	556	753
./. Deferred tax assets	1,445	1,003	1,003	1,290
Total as of measurement date	22,180	19,944	19,944	19,048
Average	**21,062**		**19,496**	
Adjustment goodwill amortization	(61)		–	
Average (adjusted)	**21,001**		**19,496**	

The ROCE is compared to the weighted average costs (WACC) of capital employed. The cost of capital is determined on a pre-tax basis, as is the standard result used. On this basis, the weighted interest for the Group from equity (14.0%), financial payables (6.5%) and pension accruals (6.0%) amounts to 9.0%. This weighted cost of capital is maintained at a constant level in the medium term, in order to guarantee a relatively high degree of continuity over the periods. Therefore the interest rate is only adjusted if changes are material.

The segments' cost of capital are derived from the Group's cost of capital for equity, financial payables and pension accruals based on the relevant segments' capital structure. In addition segments' specific business risks were taken into account. Therefore, weighted and risk-adjusted segments' cost of capital amount to: Steel 10.0%, Automotive 9.5%, Elevator 9.0%, Technologies 10.0%, Materials 9.0%, Serv 9.0% and Real Estate 7.5% .

EVA is computed as the difference between ROCE and the cost of capital, multiplied by the capital employed. Additional value is created only if the ROCE exceeds the weighted cost of capital. Accordingly, cost of capital reflects the minimum acceptable rate of return. In addition, individual target profitability is agreed for individual activities, which are based either on the best competitor or on an inter-industry benchmark. This management and controlling system is linked to the bonus system in such a way that the amount of the performance-related remuneration is determined by the achieved EVA.

The following tables illustrate the development of the performance measures in the previous two fiscal years.

Year ending Sept. 2002*

	Income before interest **) (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (%-points)	EVA (million €)
Group	**1,477**	**21,001**	**7.0**	**9.0**	**(2.0)**	**(413)**
thereof:						
Steel	359	8,976	4.0	10.0	(6.0)	(538)
Automotive	159	3,122	5.1	9.5	(4.4)	(137)
Elevator	372	1,826	20.4	9.0	11.4	208
Technologies	151	1,297	11.7	10.0	1.7	22
Materials	136	2,468	5.5	9.0	(3.5)	(87)
Serv	82	1,071	7.7	9.0	(1.3)	(14)
Real Estate	100	1,842	5.4	7.5	(2.1)	(39)

* unaudited
** Income before income taxes, minority interest and interest (net interest income or expense incl. interest expense associated with accrued pension liabilities)

Year ending Sept. 2003*

	Income before interest **) (million €)	Capital Employed (million €)	ROCE (%)	WACC (%)	Spread (%-points)	EVA (million €)	Change in EVA (million €)
Group	**1,341**	**19,496**	**6.9**	**9.0**	**(2.1)**	**(413)**	**0**
thereof:							
Steel	564	8,743	6.5	10.0	(3.5)	(311)	227
Automotive	281	2,941	9.6	9.5	0.1	2	139
Elevator	389	1,647	23.6	9.0	14.6	241	33
Technologies	49	1,165	4.2	10.0	(5.8)	(68)	(90)
Materials	147	2,256	6.5	9.0	(2.5)	(56)	31
Serv	(28)	934	(3.0)	9.0	(12.0)	(112)	(98)
Real Estate	70	1,782	4.0	7.5	(3.5)	(63)	(24)

* unaudited
** Income before income taxes, minority interest and interest (net interest income or expense incl. interest expense associated with accrued pension liabilities)

Income before interest of the ThyssenKrupp Group in 2002/2003 decreased by €136 million to €1,341 million. This deterioration, however, was partly compensated for by the reduction of capital employed within the measurement of return on capital. Capital employed fell by €1,505 million to €19,496 million. The ROCE in 2002/2003 was 6.9%, compared to 7.0% in the previous year. Hence, the cost of capital relavant to the Group of 9.0% was not attained. The resulting Economic Value Added amounted to €(413) million which is consistent with the prior year.

In the Steel segment income before interest increased by €205 million to €564 million. The ROCE increased in 2002/2003 from 4.0% to 6.5% due to a slight decrease in Capital Employed. In spite of this improvement in ROCE, the cost of capital of 10.0% has not yet been achieved. The EVA amounted to €(311) million which is €227 million more than the prior year.

In the Automotive segment, income before interest increased. In 2002/2003 the amount increased to €281 million which is €122 million more than the prior year. With a decrease in Capital Employed the ROCE increased from 5.1% to 9.6% which is slightly greater than the cost of capital of 9.5%. After a negative EVA in the prior year, an EVA in the amount of €2 million was achieved in 2002/2003. This is an improvement of €139 million.

The Elevator segment posted an increase in the ROCE from 20.4% to 23.6%. This resulted from an increase of €17 million in income before interest as well as a decrease of €179 million in Capital Employed. With cost of capital of 9.0%, the EVA rose by €33 million to €241 million.

In 2002/2003, the Technologies segment recorded a decrease in income before interest by €102 million to €49 million. Responsible for this decrease, among other things, are the weak economic environment, restructuring costs and the higher contract costs related to Transrapid Shanghai. The resulting decrease in profitability was slightly offset by the reduction of Capital Employed, amounting to €132 million. The ROCE decreased from 11.7% to 4.2%, which is below the cost of capital of 10.0%. The EVA decreased from €22 million in the prior year to €(68) million in 2002/2003.

In the Materials segment income before interest increased by €11 million and the Capital Employed decreased by €212 million. The ROCE increased in 2002/2003 from 5.5% to 6.5% however continues to be below the cost of capital of 9%. Accordingly, a negative EVA is computed for 2002/2003 of €56 million; nevertheless this is an improvement of €31 million compared to the prior year.

Income before interest in the Serv segment decreased in 2002/2003 from €82 million to €(28) million which is primarily attributable to a loss on the sale of the formwork and scaffolding activities. As a result, the ROCE decreased from 7.7% to (3.0)%. The EVA was €(112) which is €98 million less than in the prior year.

Within Real Estate, the income before interest decreased from €100 million to €70 million primarily due to an increase in maintenance costs and a reduction in housing sales. This resulted in a decrease in the return on capital which could not be offset by the decrease in Capital Employed. The ROCE decreased from 5.4% to 4.0%. The EVA was calculated at €(63) million which was €24 million less than in the prior year.

ThyssenKrupp's active portfolio management directly follows the result of the analysis of the performance measures. It involves structural measures which are principally of a strategic nature, including the selection and expansion of business units with which the targeted increases in EVA or value are to be realized, as well as the timely and profitable withdrawal from activities which do not achieve adequate increases in EVA. These measures further aim at creating new operating activities through a favorable entry in evolving markets. For the Group as a whole these measures are of particular importance when it comes to establishing a balance between value generators and cash providers. This is a basic prerequisite for dividend continuity and sustained growth in core activities.

3. STATEMENTS OF CASH FLOWS

The statements of cash flows present the origin and use of cash flows during the fiscal years 2000/2001 through 2002/2003. It is of central importance for the evaluation of the financial position of the ThyssenKrupp Group.

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

The cash flows from investing activities and financing activities have been determined based on payments. In contrast, the cash flow from operating activities is determined indirectly by reconciling the Group’s net income to cash provided by operating activities. The changes in balance sheet items in connection with operating activities have been adjusted for the effects of foreign currency translations and changes in the scope of consolidation. Therefore, they do not directly conform to the corresponding changes based on the consolidated balance sheets.

Operating activities provided €2.0 billion during the fiscal year 2002/2003 compared to €2.4 billion during the previous year. Without regard to changes in net working capital, cash flows increased. Unlike during the previous year no additional cash inflows due to a reduction of net working capital were generated. In particular, this is due to a significant decrease of asset backed transactions in the amount of €0.3 billion.

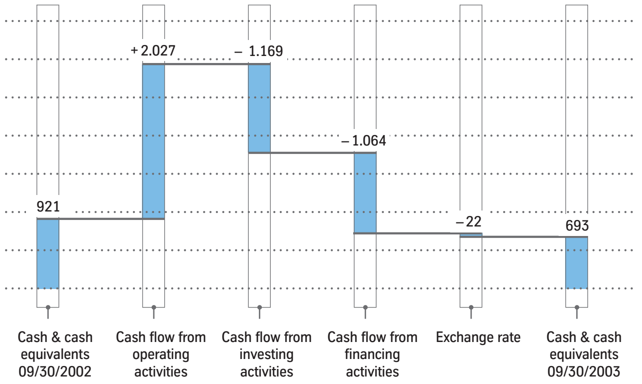
The cash flows used in investing activities increased by €0.6 billion to €(1.2) billion in the current reporting period. The increase is the result of a decrease in proceeds from disposals by €0.8 billion to €0.4 billion offset by a reduction in investment activities by €0.2 billion to €1.6 billion. The proceeds from disposals in the previous year were influenced especially by the disposal of the Ruhrgas participation (€0.5 billion), the disposal of the Kone shares (€0.1 billion) as well as by the sale of the car carrier activities (€0.1 billion). The corresponding amount in the current reporting period is €0.1 billion and relates to the sale of the Polymer activities in the Technologies segment and to the sale of the formwork and scaffolding activities in the Serv segment. Furthermore, portfolio adjustments of €0.1 billion (2001/2002: €0.2 billion) and the disposals of property, plant and equipment and intangible assets of €0.2 billion (2001/2002: €0.3 billion) led to a cash inflow totaling €0.3 billion (2001/2002: €0.5 billion).

Again the cash flows from operating activities in 2002/2003 were sufficient to completely cover net capital expenditures of €1.2 billion. The excess amount (free cash flow) of €0.8 billion (2001/2002: €1.9 billion) was used – after taking into account a decrease of net financial debt of €0.2 billion – for dividend payments of €0.2 billion and for the repurchase of ThyssenKrupp AG’s own shares from IFIC Holding AG, Düsseldorf, in the amount of €0.4 billion

Other cash flows presented within financing activities for fiscal year 2002/2003 include payments of €2 million (2001/2002: €25 million), resulting from Group overnight money transactions with non-consolidated subsidiaries, and cash receipts of €25 million (2001/2002: €(24) million payments) from short-term financial accounts receivable.

Changes in foreign exchange rates reduced cash and cash equivalents by €(22) million (2001/2002: €(44) million), which primarily is due to the further weakening of the US dollar during fiscal 2002/2003.

Change in cash and cash equivalents million €



The internal financing capability, defined as the ratio of cash flow from operating activities and cash flow from investing activities, has decreased to 1.7 (2001/2002: 4.5), primarily due to a decrease in proceeds from disposals and an increased commitment of funds to net working capital. The debt to cash flow ratio, which indicates the period during which net financial payables can be covered by the cash flow from operating activities, is approximately 2 years (2001/2002: 2 years).

4. BALANCE SHEET PRESENTATION

The balance sheet total as well as all significant balance sheet line items, particularly, fixed assets, stockholders' equity and net payables, declined considerably compared to September 30, 2002. This mainly resulted from the changed currency relation of the US dollar to the Euro, the rate of which increased from 0.98 USD/€ as of September 30, 2002 to 1.17 USD/€ as of September 30, 2003. Related to the balance sheet total, this currency effect accounted for €752 million of the €1,019 million overall decline. Trade accounts receivable remained virtually unchanged whereas deferred income tax assets and liabilities increased.

Fixed assets decreased by €711 million or 4.4%, to €15,544 million. Taking into account the negative currency effects of €621 million, fixed assets adjusted by these effects declined by merely €90 million, thus remaining nearly constant. Additions of €1,617 million exceeded depreciation of €1,549 million by €68 million. Disposals amounted to €378 million. Changes in the scope of consolidation, i.e. acquisition and divestitures of companies, increased the balance by €220 million. Major individual transactions consisted of the acquisition of Sofedit, the French automotive sub-supplier, Tepper, an elevator company, and the remaining interest in Galmed, resulting in an increase of €232 million. The divestitures of the Polymer business unit in the Technologies segment and the formwork and scaffolding activities in the Serv segment led to a decline of €148 million.

Inventories fell by €233 million to €5,768 million.

million €

	Sept. 30, 2002	Sept. 30, 2003	Change
Steel	2,546	2,685	139
Automotive	509	609	100
Elevator	246	249	3
Technologies	1,282	1,035	(247)
Materials	1,098	1,008	(90)
Serv	199	105	(94)
Real Estate	121	77	(44)
Total	**6,001**	**5,768**	**(233)**

The increase in the Steel segment resulted primarily from the first-time consolidation of Galmed and the acquisition of the stainless steel business activities of the Italian TAD Group. The growth in Automotive was largely attributable to the acquisition of Sofedit. Technologies was impacted by the disposal of activities and, most of all, the completion of projects in shipbuilding and plant engineering. Materials posted a decline in inventories due to currency differences and measures taken to reduce tied-up capital, whereas the decrease at Serv was primarily due to the disposal of formwork and scaffolding activities.

The trade accounts receivable as of September 30, 2003 were up by €9 million compared to September 30, 2002, thus remaining at the previous year's level. It should be noted that the amount of sold receivables as of September 30, 2003 fell short of that of the previous year by €340 million. The acquisition of Sofedit led to an increase in Automotive of €118 million. Moving in opposite directions were the resulted from currency differences and the disposal of various activities in the Technologies and Serv segments.

million €

	Sept. 30, 2002	Sept. 30, 2003	Change
Steel	1,201	1,226	25
Automotive	812	905	93
Elevator	719	697	(22)
Technologies	880	902	22
Materials	1,197	1,181	(16)
Serv	485	389	(96)
Real Estate	25	25	0
Corporate/Consolidation	34	37	3
Total	**5,353**	**5,362**	**9**

Deferred income tax assets and liabilities increased by €287 million and €197 million, respectively. These increases largely resulted from certain netting options no longer being possible as a consequence of a change in expiration of deferred income tax assets and liabilities.

Stockholders' equity fell short of the previous year's by €656 million, to €7,631 million. Major factors for this deterioration were the decline in accumulated other comprehensive income due to currency differences of €229 million and the recognition of accrued pensions and similar obligations of €345 million. The decrease in stockholders' equity caused by the recognition of accrued pensions and similar obligations resulted from the increase in additional minimum liabilities. Stockholders' equity was further affected by the reacquisition of treasury stock in the amount of €406 million.

Accrued pensions and similar obligations in the reporting period rose by €336 million to €7,401 million. Taking into account a currency effect of €(151) million, accrued pensions and similar obligations rose by €487 million. This drastic increase resulted largely from the lowering of the discount rate in all relevant currency zones – Euro, US dollar and GBP – as well as from the lower market value of plan assets of the funded pensions plans in the USA and UK as of the measurement date of July 01. Both factors led to additional minimum liabilities, adjusted by currency effects, of €489 million.

Trade accounts payable decreased slightly by €53 million. The growth in Automotive attributable to the first-time consolidation of Sofedit was offset primarily by currency-effect related declines in Steel as well as decreases in Serv due to the disposal of the formwork and scaffolding activities.

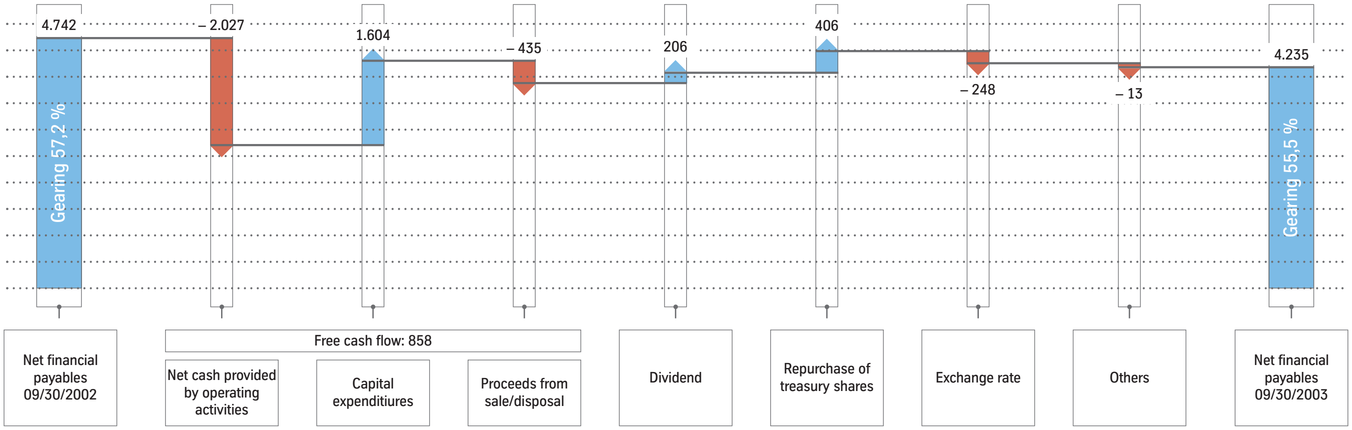
Other accrued liabilities were €88 million lower than at the end of the previous year, a decline primarily caused by changing currency relations.

million €

	Sept. 30, 2002	Sept. 30, 2003	Change
Steel	1,024	969	(55)
Automotive	576	666	90
Elevator	182	203	21
Technologies	590	543	(47)
Materials	512	511	(1)
Serv	216	143	(73)
Real Estate	23	24	1
Corporate/Consolidation	5	16	11
Total	**3,128**	**3,075**	**(53)**

Gross financial payables decreased by €735 million from €5,683 million as of September 30, 2002 to €4,948 million as of September 30, 2003. Net financial payables, i.e. gross financial payables less cash and cash equivalents and marketable securities, declined by €507 million from €4,742 million to €4,235 million. Currency differences contributed to this result in the amount of €(248) million. Cash flow from current operations led to a decrease of €2,027 million, whereas capital expenditure and disposals increased the balance by €1,169. The dividend payment for fiscal 2001/2002 and the reacquisition of treasury stock resulted in an increase of €206 million and €406 million, respectively. Gearing, i.e. the ratio of net financial payables to stockholders' equity, improved to 55.5% against 57.2% the previous year.

Net financial payables million €



5. CENTRAL FINANCING

The financing of the ThyssenKrupp Group is centrally managed and therefore, the parent company, ThyssenKrupp AG, assumes the obligation to maintain the liquidity of the Group companies. This is achieved via the availability of funds within Group financing, by negotiating and warranting loans or by the granting of financial support in the form of letters of comfort.

In order to cover financial requirements of foreign Group companies, ThyssenKrupp AG and its financing companies use selectively local credit and capital markets.

Central financing is the basis for implementing cost-effective capital procurement alternatives. This financing method permits a uniform and – with respect to higher volumes – a more significant presence in financial and capital markets. The negotiating position with credit institutions and other market participants is thus strengthened. Moreover, the Group has the alternative to operate in international capital markets with it’s own foreign financing companies.

The intercompany cash management system is conducive to reducing external financing and optimizing financial and capital investments of the ThyssenKrupp Group, which results in less interest expense. The cash management system, which controls intercompany financial and capital investments, takes advantage of the surplus funds of individual Group companies to cover internal financial requirements of other Group companies. Due to intercompany payments via intercompany financial accounts maintained by ThyssenKrupp AG, volumes on bank accounts are substantially reduced.

In addition to money market and equity market instruments, financing is accomplished through bilateral bank loans and syndicated credit facilities.

In order to maintain a presence in international financial and capital markets now and in the future, the Group continues to examine potential financing alternatives and will enter the market when favorable market conditions exist for the ThyssenKrupp Group.

Rating

Issuer ratings are necessary in order to utilize larger financing volumes through international capital markets. In 2001, ThyssenKrupp received an issuer rating from two rating agencies, Moody’s and Standard & Poor’s. In fiscal year 2002/2003, the Group’s ratings by Moody’s and Standard & Poor’s ratings were downgraded and a rating by Fitch was added. The issuer ratings and their development are pictured as follows:

	Long-term rating	Short-term rating	Outlook
Standard & Poor’s			
until 02/20/2003	BBB	A-2	stable
from 02/21/2003	BB+	B	stable
Moody’s			
until 07/30/2003	Baa1	Prime-2	negative
from 07/31/2003	Baa3	Prime-3	stable
Fitch			
from 05/16/2003	BBB-	F3	stable

The downgrade of the ThyssenKrupp Investment-Grade rating to a Non-Investment-Grade status by Standard & Poor’s in February 2003 was due to a change in methodology with regard to pension obligations. Different from the previous methodology, Standard & Poor’s now considers pension obligations as financial payables when calculating the balance sheet ratios.

On July 31, 2003, Moody’s downgraded its rating on ThyssenKrupp from Baa1 to Baa3. This reflects the agency’s concerns about the general market environment for ThyssenKrupp.

The rating downgrades had only temporary effects on the capital markets. Meanwhile ThyssenKrupp bonds are viewed more favorable in the market than before the downgrade. Nevertheless ThyssenKrupp is still working on a further reduction of its net financial payables in order to regain the Investment Grade status from Standard & Poor’s. We maintain our gearing target of 60%.

Interest rate risk management as a central task

Due to the international focus of the Group's business activities, the procurement of funds of the ThyssenKrupp Group in international financial and capital markets is conducted in different currencies – predominantly in Euro and US dollar – and with various maturities. The resulting liabilities are partially exposed to risks from changing interest rates. The goal of the Group's interest rate management is to minimize the risk from changing interest rates resulting from such liabilities. For this purpose, regular interest rate risk analyses are prepared in currencies that are significant to the Group's business activities. These analyses include scenario analyses and crash testing to more clearly identify the risk profile of a credit portfolio exposed to risks from changing interest rates. The regular reporting of the results of the interest rate risk analyses is a part of the Group's risk management system.

Foreign currency management of the Group

The international orientation of the Group's business activities entails numerous cash flows in different currencies – in particular in US dollar. Therefore, hedging of exchange rate risks is an essential part of our risk management.

Group-wide regulations form the basis for the centrally organized foreign currency management of the ThyssenKrupp Group. Principally, all companies of the ThyssenKrupp Group are obliged to hedge foreign currency positions at the time of their inception. All domestic companies are obliged to submit unhedged foreign currency positions from trade activities to the central clearing office. The positions submitted are summarized first by currency and then according to maturity; the resulting overall position is globally hedged on a daily basis by the execution of opposing positions at banks. Moreover, the central clearing office hedges derivatives of the Group's domestic subsidiaries that meet the requirements for hedge accounting according to SFAS 133 on a micro hedge level.

The hedging of financial transactions and the transactions undertaken by the Group's foreign subsidiaries are performed in close cooperation with central Group management. The general coordination requirement with central Group management, the definition of hedging budgets, the regular review of exchange rate hedging transactions executed by means of Group-wide surveys as well as a regular examination performed by the central internal auditing team ensure that currency risk management is in compliance with the Group's requirements.

6. RISK MANAGEMENT

The ThyssenKrupp Group's risk policy aims at systematically and continuously increasing corporate value and achieving our mid-term financial key performance targets within the scope of value-oriented management with active portfolio management. We knowingly accept reasonable and manageable risks associated with the establishment and utilization of the success potential of our core competencies. All other risks are assessed to see whether they may be transferred to third parties. Apart therefrom, rules of conduct have been set forth in policies and other directives to be observed throughout the Group. Measures of speculative character are inadmissible. Our conduct toward suppliers, customers and the Company is marked by fairness and a sense of responsibility.

The identification and optimization of risks and rewards is supported by systematic risk management.

Bearing full responsibility for risk management within the Group, the Executive Board of ThyssenKrupp AG has laid down the framework for efficient risk management by defining requirements to be met throughout the Group. Direct responsibility for early identification, control and communication of risks lies with the operating management of the risk holder; responsibility for monitoring lies with the next highest level.

Status and significant changes in major risks are communicated bottom up as part of the risk management system and within regular reporting, in line with the multi-layered corporate structure and with tiered threshold values. Apart therefrom, the segments inform the Executive Board about the current risk situation on a bi-weekly basis.

The central service provider ThyssenKrupp Versicherungsdienst GmbH in agreement with the Executive Board of ThyssenKrupp AG controls the transfer of risk to insurers using inter-company insurance contracts.

Optimizing Group financing and containing financial risks are the central responsibilities of ThyssenKrupp AG.

Subsidiaries' adherence to the risk management system and their risk control measures were examined by external auditors and Internal Auditing in Germany and abroad. The consequent findings serve to further improve early risk identification and control.

Risks of future developments

There continue to be substantial risks to sustainable growth in the world economy. Geopolitical developments may lead to rising raw material and energy prices. This would lead to an appreciable rise in procurement costs, while on the sales side an adverse effect on demand in the Group's important customer markets cannot be ruled out.

Considerable risks may arise from currency market developments. A strengthening of the euro reduces sales opportunities not only outside the euro zone. Competition also increases within the European currency union due to rising exchange rate-related import pressure from non-euro countries. The rising US trade imbalance and the federal deficit are seen as the cause of a strengthening of the euro against the US dollar. An increase in interest rates cannot be ruled out if there are difficulties with US budget financing. Higher interests rates would tend to slow economic growth in the USA.

Without a positive trend in the USA, Europe's most important economic partner, the European economy lacks an important boost. This would have a particularly negative impact on economic growth in Germany. Germany is also open to economic policy risks: should the urgently needed economic, social and tax policy reforms be further delayed or diluted, Germany's position as an industrial location would be further weakened.

Rising imports represent a special risk to the European steel market as new tariff quotas will allow non-EU countries to import duty-free for a specified period of time. Furthermore, the protectionist policy in the US steel industry forms a potential risk to free trade in steel. Mechanical engineering in Germany and Europe would be directly impacted by a weak capital goods market. With no sign of recovery in the residential and commercial property building market on the horizon due to continued high vacancy levels, the ongoing lack of demand from cities and communities is a further risk to the German construction industry.

ThyssenKrupp with its worldwide activities is therefore also exposed to the aforementioned risks.

ThyssenKrupp counteracts risks from foreign currency transactions, raw material price volatility and interest rate changes through the use of derivative financial instruments. Generally hedging of translation risks does not take place.

The disposal of real estate, companies or other business activities may entail certain processing risks. We have appropriately accounted for such risks that are likely to arise.

Assuring the safe processing of business transactions also requires continuous evaluation and adjustment of the information technologies in use. Considering the growing threat potential, among others due to the extensive integration of IT-supported business transactions among subsidiaries and with third parties, as well as the risks related thereto, measures used to improve information security are being developed continuously.

In order to maintain affordable insurance coverage of major risks and reduce the cost in cases of loss or damage, we have further intensified our prevention, including the creation and evaluation of damage analyses, thus countering the risk of increased deductibles.

Weak international stock markets lead to a significant rise in the expenses in particular of our North American subsidiaries due to the system of fully funded pension plans. In addition, expenses for health care measures have increased considerably. With constant prevailing conditions, these burdens on income are expected to continue in subsequent years.

The extent to which the German government's tax plans positively or negatively affect our earnings depends on the actual legal implementation.

Pending legal actions and compensation claims are dealt with in detail in the note (26) to the consolidated financial statements.

In addition to preventive measures, appropriate liabilities are accrued to counteract contaminated sites, mining subsidence and other risks arising from the ownership of real estate. Beyond this, rising standards in environmental protection and conservation of resources are causing increased expense in other areas. On the other hand, the use of modern plant and equipment has reduced rates and energy costs. The growing number of subsidiaries with certified environmental management systems has reduced environmental risks.

The volatility of steel prices and the dependency on the economic situation in the automotive industry may have a significant influence on the economic development of the Group. However, the widespread business portfolio, both product-wise and geographically, has a stabilizing effect. Therefore, from the Group's point of view, risks arising from individual subsidiaries or segments concentrating on specific industries, customers or countries are limited.

Despite a further deterioration in economic conditions, we continue to successfully achieve our goal of reducing financial payables.

The competencies and commitment of the management within the Group are decisive factors for the development of ThyssenKrupp as well as the recognition and successful management of risks. We shall further position ThyssenKrupp as an attractive employer and strive for long-term retention of senior executives in the Group to assure and consolidate these factors. Systematic management development includes, among others, the creation of perspectives, target group-oriented mentoring, the early identification and promotion of potential executives and an attractive incentive system for senior executives.

The Steel segment counters the risks arising from cyclical trends in the steel business by optimizing costs, adjusting production in a timely manner and concentrating on exacting market segments. To counteract financial risk through increased insurer's premiums, the Steel segment has integrated property insurance-related economic and technical risk monitoring into the risk management process.

There are market risks in particular regarding sales and procurement for the Carbon Steel business unit. Beyond this there are risks from loss of production and increased expenditure for repairs following equipment breakdowns, as well as currency exchange rate fluctuations.

The business unit reduces the risk of limited core markets through globalization of manufacturing in downstream activities and enhanced internationalization of sales. The strategy of enhanced internationalization of sales is constrained by US and Canadian import restrictions due to antidumping or penal tariffs. ThyssenKrupp Stahl AG counteracts the high competitive intensity in the market for carbon flat steel products through its innovation strategy, allowing competitive advantages to be attained. The risk of rising raw material prices can only be counteracted to a limited extent by alternative procurement sources. Preventive maintenance, modernization and investments work against the risk of an unplanned production standstill.

The Stainless business unit is confronted with risks arising from market developments, particularly in Europe, due to temporary overcapacity in stainless production, exacerbated by changes in worldwide supply flows through access barriers to major markets outside Europe. The subsidiaries of this business unit curtail such risks through measures of distribution, capacity and production control. Rising competitive pressure is countered by the development of new applications for stainless steels and nickel-base materials and innovative products from these applications, as well as modern and cost-saving process technologies. Beyond this, all subsidiaries are strengthening their customer relationships through customer-centric service offerings, further quality improvements and better delivery performance.

The risks arising from the availability and the price development of raw materials, especially for nickel and alloyed scrap, are minimized by means of adequate contracts and assurance mechanisms.

In the Automotive segment, the risk of negative developments in automobile demand in certain markets is lowered by an increasing global presence, in particular in growth regions such as Asia and Latin America. Regardless thereof, the Automotive segment, due to the current sales structure, is particularly reliant on further developments in North America. The development in this region was characterized by declining sales figures overall. Downturns were also recorded on the German and Western European markets.

A segment-wide cost reduction program has been introduced in response to current market developments and to compensate for increasing price pressure from automotive manufacturers. The effects of these measures will be strengthened by improvements in earnings from restructuring measures introduced in the previous year.

Sales and earnings in the past fiscal year were affected by the strengthening of the euro against the US dollar and the Brazilian real. This development is expected to continue for the time being.

The structural market development was characterized by concentration trends on the part of automobile manufacturers and competitors. ThyssenKrupp Automotive counteracts such trends through dynamic internal and external, quantitative and qualitative growth. In this context, the acquisition of the French supplier Sofedit and the phased takeover of Mercedes-Benz Lenkungen GmbH should, among others, be mentioned.

Automotive will strengthen its market position as a system vendor. Automotive is countering possible risks arising from the discontinuation of existing manufactured automotive products through research and development and, if necessary, cooperation with partners or acquisition of participations. Major consideration is given to the increased use of alternative materials and the use of electric/electronic systems to replace mechanical solutions. At the same time, however, the increasing complexity of products as well as underlying production processes in some cases carries the risks of higher start-up costs and a strained income situation.

The Elevator segment managed to further consolidate its worldwide market position in the past year. The segment is profiting from the stable growth, which, in contrast to the situation in Europe and America, can currently be observed in Asia – particularly in the construction sector.

While the operating performance of the segment's new installation business is dependent on the situation in the construction sector, this is not the case with the modernization, service and repair business, which therefore has a stabilizing effect on earnings. For this reason, the service business is being systematically expanded. The operating risks are seen as relatively low due to the strongly decentralized organization of the segment with over 800 branches and the associated high level of diversification.

Although approx. 45% of business volume is realized in USD, the currency risks are limited as sales and costs are largely accounted for in the same currency, due to the highly regional nature of activities. The remaining transaction risks are minimized through consistent hedging.

The acquisition of companies to expand business is also a relevant part of ThyssenKrupp Elevator's strategy. The risks associated with the integration of new acquisitions are minimized through comprehensive "business integration" measures.

ThyssenKrupp Technologies comprises business units of different risk structures due to the vast diversity of product ranges.

The risk at Production Systems of over-dependence on only a few large customers is being counteracted by a re-organization of sales and the development of new customer segments. Changes during project processing will be countered with greater flexibility and the search for alternative projects.

Plant Technology curbs costing risks and risks arising from the processing of long-term contracts through concentration on mastered technologies as well as intensive project management and controlling in consultation with external advisers.

At Marine, the cooperation agreements concluded between Howaldtswerke Deutsche Werft AG (HDW) and ThyssenKrupp Werften, which are still subject to regulatory approval, regulate the exclusive cooperation in the surface and underwater marine shipbuilding sector. Risks in connection with an underutilization within the marine shipbuilding sector are counteracted by activities in commercial shipbuilding. Beyond this, project management and controlling systems will be further extended to limit order processing risks.

At Mechanical Engineering, declining exchange rates and falling demand in the construction machinery industry (Berco) will be cushioned by increased billing in euros, price increases and cost reductions.

Regarding the Transrapid, the feasibility study for the Munich airport link reached a positive conclusion; currently the zoning procedure for this route has started. ThyssenKrupp is involved in the government-financed Transrapid development program with its main focus Munich. The commissioning of the Shanghai route is running according to plan with the aim of starting commercial operations at the beginning of 2004, even though a cable replacement due to damage to the coating of the electric cables for the linear motor has been agreed with the customer, which will have a negative impact on the segment's earnings. The efficiency of the propulsion system and the system as a whole was not affected by the damage at any time.

Due to its business structure, the Materials segment is mainly exposed to the risks of adverse price and inventory developments as well as uncollectible receivables, none of which, however, jeopardize its existence.

Further extension of the centralized warehousing concept as well as constant advancement of the logistics control systems reduce inventories, thus buffering the effects of short-term price volatility even further.

In order to further lower the dependency on cyclical price developments, ThyssenKrupp Materials has been expanding its service business, which does not depend on the price development of materials. Moreover, experience has shown that decreases in income due to falling prices are compensated for by the positive effects of price recovery phases.

Overall, ThyssenKrupp Materials is able to mitigate the risk of uncollectible receivables. Apart from the use of hedging instruments, a broad customer portfolio and worldwide business activities ensure extensive risk "diversification".

As a consequence of the negative situation in the construction industry and as part of further concentration on industrial services, the Serv segment has disposed of the formwork and scaffold business. Further customer and supplier bankruptcies are expected in the sector due to the ongoing negative developments. In the area of the business unit Facilities Services, which is dependent on the construction industry, the market situation is counteracted by capacity adjustments. The Information Services business unit is no longer part of the segment's core business and will therefore be disposed of, despite positive performance.

The Real Estate segment at present is not faced with any major risks arising from structural or legal changes or other external influences. The risk of vacancy will be limited for residential property in particular through optimized customer service; project management and project controlling will be increased for industrial property and project development in general. Moreover the portfolio of the segment is under constant control regarding needs of optimizing.

Overall, it can be noted that the Company is affected principally by market risks; this includes economic price and volume developments in particular, as well as the dependency on the development of major customers and industries. Performance processes are well controlled in general and, therefore, are less subject to risks. The overall evaluation of the risk situation in the ThyssenKrupp Group has shown that the risks are contained and manageable and do not pose a threat to the existence of the company. Nor are any risks discernible that may jeopardize the existence of the Company in the future.

Report of the Executive Board

The Executive Board of ThyssenKrupp AG is responsible for the compilation, completeness and accuracy of the Group annual consolidated financial statements, the description of the economic development and the management's discussion and analysis as well as the other information presented in the annual report. The Group annual consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") and, wherever necessary, objective estimates have been made by Management. The description of the economic development and the management' s discussion and analysis contain an analysis of the assets, financial and earnings situation of the Group together with further explanations required by the regulations of the German Commercial Code.

To ensure the reliability of the information used in preparing the Group annual consolidated financial statements, inclusive of the description of the economic development and the management's discussion and analysis, and internal reporting, an effective internal "steering" and control system exists. It involves group-wide uniform guidelines for accounting and risk management in accordance with the German Act regarding the Control and Transparency of Company Divisions (KonTraG) as well as an integrated controlling concept as part of the value-oriented management approach and audits by the Group's internal audit department. This system enables the Executive Board to recognize major risks at an early stage and to initiate countermeasures.

Pursuant to the resolution of the annual stockholders' meeting, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main has been appointed by the Supervisory Board after being elected by the stockholders as independent annual consolidated financial statements auditors for the fiscal year 2002/2003 of ThyssenKrupp AG. They have audited the Group annual consolidated financial statements prepared in accordance with US GAAP and they confirm that all of the requirements under Art. 292a of the German Commercial Code, which relieve the Company from the obligation of preparing financial statements under German GAAP, have been fulfilled. The auditors have issued the following auditors' report.

The Group annual consolidated financial statements, the description of the economic development and the management's discussion and analysis, auditors' report and risk management system have been discussed in depth with the auditors in both the Audit Committee of the Supervisory Board, and in the annual consolidated financial statement meeting of the entire Supervisory Board.

Prof. Dr. Ekkehard D. Schulz   Dr. A. Stefan Kirsten

Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the statement of income, the statement of stockholders' equity and the statement of cash flows as well as the Notes to the financial statements prepared by ThyssenKrupp AG, Duisburg and Essen, for the business year from October 1, 2002 to September 30, 2003. The preparation and the content of the consolidated financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institute of Auditors (Institut der Wirtschaftsprüfer - IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with Accounting Principles Generally Accepted in the United States of America.

Our audit, which also extends to the Group management report prepared by the Company's Management for the business year from October 1, 2002 to September 30, 2003, has not led to any reservations. In our opinion on the whole the Group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the Group management report for the business year from October 1, 2002 to September 30, 2003 satisfy the conditions required for the Group's exemption from its duty to prepare consolidated financial statements and the Group management report in accordance with German law.

Düsseldorf, November 17, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Reinke	Nunnenkamp
German public auditor	German public auditor

ThyssenKrupp AG
Consolidated Statements of Income

million €, earnings per share in €

	Note	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Net sales	29	38,008	36,698	36,137
Cost of sales		(30,972)	(30,222)	(29,714)
Gross margin		**7,036**	**6,476**	**6,423**
Selling expenses	4	(3,102)	(2,960)	(2,857)
General and administrative expenses		(2,679)	(2,526)	(2,428)
Other operating income	5	514	541	360
Other operating expenses	6	(824)	(809)	(574)
Gain on the disposal of subsidiaries, net		343	41	(53)
Income from operations		**1,288**	**763**	**871**
Financial expense, net	7	(412)	(1)	(157)
Income before income taxes, minority interest and cumulative effects of changes in accounting principles		**876**	**762**	**714**
Provisions for income taxes	8	(193)	(175)	(152)
Minority interest		4	(33)	(44)
Income from operations before cumulative effects of changes in accounting principles		**687**	**554**	**518**
Cumulative effects of changes in accounting principles (net of tax)	1, 20	(22)	(338)	(6)
Net income		**665**	**216**	**512**
Basic earnings per share	32	**1.29**	**0.42**	**1.01**
Adjusted earnings per share (before goodwill amortization)	9	**1.76**	**0.42**	**1.01**

See accompanying notes to consolidated financial statements.

ThyssenKrupp AG
Consolidated Balance Sheets

Assets million €

	Note	Sept. 30, 2002	Sept. 30, 2003
Intangible assets, net	9	3,691	3,473
Property, plant and equipment, net	9, 10	11,609	10,919
Financial assets, net	9, 15	955	1,002
Fixed assets	9	**16,255**	**15,394**
Inventories	11	6,001	5,720
Trade accounts receivable, net	12, 14	5,353	5,301
Other receivables and other assets, net	13, 14	1,357	1,242
Marketable securities	15	20	20
Cash and cash equivalents		921	690
Operating assets		**13,652**	**12,973**
Deferred income taxes	8	**1,003**	**1,290**
Prepaid expenses and deferred charges	16	**250**	**204**
Assets held for sale	3	**0**	**280**
Total assets **(current amount is €13,766 and €13,275 million respectively)**		**31,160**	**30,141**

Stockholders' Equity and Liabilities million €

	Note	Sept. 30, 2002	Sept. 30, 2003
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		2,484	2,790
Accumulated other comprehensive income		(198)	(754)
Treasury shares		0	(406)
Total Stockholders' Equity	17	**8,287**	**7,631**
Minority interest		**297**	**318**
Accrued pension and similar obligations	19	7,065	7,387
Other accrued liabilities	20	3,066	2,959
Accrued liabilities **(current amount is €3,180 and €2,999 million respectively)**		**10,131**	**10,346**
Financial payables	21	5,683	4,944
Trade accounts payable	22	3,128	3,051
Other payables	23	3,013	2,917
Payables **(current amount is €6,610 and €6,435 million respectively)**		**11,824**	**10,912**
Deferred income taxes **(current amount is €333 and €403 million respectively)**	8	**556**	**732**
Deferred income **(current amount is €61 and €106 million respectively)**	24	**65**	**108**
Liabilities associated with assets held for sale	3	**0**	**94**
Total Stockholders' Equity and Liabilities		**31,160**	**30,141**

See accompanying notes to consolidated financial statements.

ThyssenKrupp AG
Consolidated Statements of Cash Flows

million €

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Operating:			
Net income	665	216	512
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes (net)	33	(18)	37
Minority interest	(4)	33	44
Depreciation and amortization of fixed assets	1,918	1,949	1,549
(Earnings)/losses from companies valued at equity, net of dividends received	(26)	8	(52)
(Gain)/loss from disposal of assets	(342)	(364)	59
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
- inventories	105	520	167
- trade accounts receivable	479	365	(93)
- other assets not related to investing or financing activities	(420)	198	132
- accrued pensions and similar obligations	(58)	1	29
- other accrued liabilities	(62)	30	27
- trade accounts payable	50	(122)	(14)
- other liabilities not related to investing or financing activities	(93)	(362)	(370)
Net cash provided by operating activities	**2,245**	**2,454**	**2,027**
Investing:			
Purchase of financial assets and businesses (excluding securities)	(116)	(236)	(314)
Cash acquired from acquisitions	20	9	15
Purchase of securities presented as financial assets	(6)	(6)	(8)
Capital expenditures for property, plant and equipment	(2,084)	(1,453)	(1,186)
Capital expenditures for intangible assets	(121)	(82)	(96)
Proceeds from the sale of financial assets and businesses (excluding securities)	768	780	218
Cash of disposed businesses	(39)	0	(8)
Proceeds from the sale of securities presented as financial assets	35	159	9
Proceeds from disposals of property, plant and equipment	238	277	188
Proceeds from disposals of intangible assets	6	6	13
Net cash used in investing activities	**(1,299)**	**(546)**	**(1,169)**
Financing:			
Proceeds from issuance of bonds	500	500	0
Repayment of bonds	(9)	(7)	(207)
Proceeds from payables to financial institutions	560	334	1,228
Repayments of payables to financial institutions	(1,217)	(2,508)	(1,428)
Repayments on notes payable and other loans	(72)	(88)	(32)
Decrease in bills of exchange	(21)	(20)	(14)
Decrease in securities classified as operating assets	38	4	0
Payments to repurchase shares	0	0	(406)
Payment of ThyssenKrupp AG dividend from the preceding year	(386)	(309)	(206)
Profit distributions to entities outside the Group	(24)	(34)	(23)
Other financing activities	(3)	(49)	24
Net cash used in financing activities	**(634)**	**(2,177)**	**(1,064)**
Effect of exchange rate changes on cash and cash equivalents	(41)	(44)	(22)
Net increase/(decrease) in cash and cash equivalents	**271**	**(313)**	**(228)**
Cash and cash equivalents at beginning of year	963	1,234	921
Cash and cash equivalents at end of year	**1,234**	**921**	**693**
[thereof cash and cash equivalents within the disposal group]	–	–	[3]

See accompanying notes to consolidated financial statements.

ThyssenKrupp AG
Consolidated Statements of Stockholders' Equity

million €, except number of shares

	Number of shares outstanding	Capital stock	
Balance as of Sept. 30, 2000	**514,460,084**	**1,317**	
Net income			
Other comprehensive income			
Total comprehensive income			
Capital increase at subsidiaries			
Dividend payment			
Treasury stock purchased	(860,318)		
Treasury stock issued	864,118		
Balance as of Sept. 30, 2001	**514,463,884**	**1,317**	
Net income			
Other comprehensive income			
Total comprehensive income			
Dividend payment			
Treasury stock issued	4,140		
Balance as of Sept. 30, 2002	**514,468,024**	**1,317**	
Net income			
Other comprehensive income			
Total comprehensive income			
Dividend payment			
Treasury stock purchased	(16,921,243)		
Treasury stock issued	210		
Balance as of Sept. 30, 2003	**497,546,991**	**1,317**	

See accompanying notes to consolidated financial statements

Additional paid in capital	Retained earnings	Accumulated other comprehensive income				Treasury stock	Total
		Cumulative translation adjustment	Available-for-sale securities	Minimum pension liability	Derivative financial instruments		
4,673	**2,298**	**485**	**38**	**(14)**	**0**	**0**	**8,797**
	665						665
		(230)	(7)	(34)	(30)		(301)
							364
10							10
	(386)						(386)
						(14)	(14)
1						14	15
4,684	**2,577**	**255**	**31**	**(48)**	**(30)**	**0**	**8,786**
	216						216
		(223)	(30)	(132)	(21)		(406)
							(190)
	(309)						(309)
0							0
4,684	**2,484**	**32**	**1**	**(180)**	**(51)**	**0**	**8,287**
	512						512
		(229)	0	(345)	18		(556)
							(44)
	(206)						(206)
						(406)	(406)
0							0
4,684	**2,790**	**(197)**	**1**	**(525)**	**(33)**	**(406)**	**7,631**

BASIS OF PRESENTATION

1 Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of ThyssenKrupp Aktiengesellschaft ("ThyssenKrupp AG") and all material controlled entities, collectively the "Group". Included in the Group financial statements are 299 (2001/2002: 331) domestic and 441 (2001/2002: 460) foreign controlled entities that are consolidated. During fiscal year 2002/2003, 61 entities were consolidated for the first time. During the same period, the scope of consolidation was reduced by 112 entities, of which 78 resulted from the internal merging of Group entities.

Material equity investments are accounted for using the equity method whenever significant influence can be exerted; this is principally in instances whereby the Group holds between 20% and 50% of the voting rights ("Associated Companies"). All other equity investments are carried on the balance sheet at cost. The Group has 201 (2001/2002: 246) controlled subsidiaries that are not consolidated because their combined influence on the net assets, net income, and net cash flows of the Group is not material. Their net sales amount to 0.5%, their net loss amounts to (0.9)% and their Stockholders' Equity amounts to 0.2% of the Group's respective balances. These non-consolidated subsidiaries are classified as financial assets and are presented under the "Investments in non-consolidated subsidiaries" line item. The Group has 57 (2001/2002: 66) Associated Companies that are accounted for under the equity method. Another 78 (2001/2002: 95) Associated Companies are accounted for under the cost method because their combined results are not material to the Group. Their net income/loss, attributable to the Group, amounts to 1.6% and their Stockholders' Equity amounts to 2.0% of the Group's respective balances. These 78 (2001/2002: 95) Associated Companies are classified as financial assets and are presented under the "Other investments" line item.

In consolidating investments in subsidiaries, the purchase price has been allocated to the fair market value of the interest held in the net assets of the consolidated subsidiaries at the time of acquisition. Any excess purchase price is capitalized as goodwill. SFAS 142, "Goodwill and Other Intangible Assets" requires that goodwill is no longer amortized over its estimated useful life, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142.

For the non-consolidated subsidiaries and Associated Companies accounted for under the equity method, the excess of cost of the stock of those companies over the Group's share of their net assets as of the acquisition date is treated as embedded goodwill and tested for impairment in accordance with APB Opinion 18, "The Equity Method of Accounting for Investments in Common Stock". Similar to consolidated subsidiaries, SFAS 142 requires that goodwill from equity method investments is no longer amortized over its estimated useful life. Subsequent changes to the value of this balance resulting from the Group's share of income or losses including impairment of the embedded goodwill are included in "Income from equity investments" of the consolidated statement of income.

Intercompany accounts and transactions have been eliminated.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the current exchange rate at the time of the transaction and adjusted to the current exchange rate at each balance sheet date; any resulting currency fluctuations are recognized in the statement of income.

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

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

The exchange rates of those currencies significant to the Group and located outside the European Economic and Currency Union have developed as follows:

Currencies

	Exchange rate as of (Basis €1)		Annual average exchange rate for the year ending (Basis €1)		
	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2003
US Dollar	0.98	1.17	0.89	0.92	1.08
Canadian Dollar	1.55	1.58	1.36	1.44	1.58
Pound Sterling	0.63	0.70	0.62	0.62	0.68
Brasilian Real	3.81	3.42	1.94	2.43	3.52

Revenue recognition

Sales are generated via the delivery of products, the rendering of services, and from rental and lease agreements. Sales are recognized net of applicable provisions for discounts and allowances, when realized or realizable and earned. This is usually the case when there is clear evidence of an agreement, the risk of ownership has been transferred or the service has been rendered, the price has been agreed upon, and there is adequate assurance that collection will be made.

In addition to the above, a significant portion of the Group's sales (10%) are derived from long-term manufacturing agreements which are accounted for under the percentage-of-completion method. Such agreements are prominent in the Automotive, Elevator, Technologies and Serv segments.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements" which summarized the staff's views regarding the application of generally accepted accounting principles to the recognition, presentation and disclosure of revenue in financial statements. The adoption of SAB No. 101 on October 01, 2000 resulted in an expense of €34 million (€21 million net of tax) or €0.04 per share, reported as a cumulative effect of a change in accounting principle in fiscal 2000/2001.

Long-term contracts

Sales and profits from long-term contracts are recognized using the percentage-of-completion method of accounting. Long-term contracts are defined as contracts for which performance will take place over a period of at least 12 months, beginning from the effective date of the contract to the date on which the contract is substantially completed. Contracts where the Group acts in the capacity of general contractor or provides engineering services are also considered to be long-term contracts.

The percentage-of-completion is measured by the percentage of costs incurred to date to total estimated cost for each contract after giving effect to the most recent estimates of total cost. All anticipated losses from long-term contracts are recognized in the fiscal year in which such losses are identified.

Long-term contracts under the percentage-of-completion method are measured at manufacturing cost plus profits earned based on the percentage of the contract completed.

Research and development costs

Research and development costs are expensed as incurred.

Earnings per share

Basic earnings per share is computed by dividing the Group's net income by the weighted average number of shares outstanding. Shares issued during the period and shares reacquired during the period shall be weighted for the portion of the period that they were outstanding. In the reporting period 2002/2003 the Group repurchased treasury shares (see note (17)). There were no dilutive securities in the periods presented.

Intangible assets

Purchased intangible assets with definite useful lives are capitalized and amortized on a straight-line basis over their estimated useful lives. For identifiable internally developed intangible assets, only the direct external costs incurred in generating these assets are capitalized and amortized on a straight-line basis over their estimated useful life. The Group reviews its intangible assets with estimable useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount of its assets may not be recoverable.

Costs incurred in connection with the acquisition and self-development of internally used computer software, inclusive of the costs for transforming such software into an operational condition, are capitalized and amortized on a straight-line basis over its estimated useful life, usually 3 to 5 years.

Costs incurred during the preliminary stage of internal use computer software projects are expensed as incurred.

As of October 01, 2001, the Group adopted SFAS 142 which requires goodwill and indefinite lived intangible assets to no longer be amortized to expense over their estimated useful lives. The Group evaluates goodwill and indefinite lived intangible assets for impairment on an annual basis and between annual test dates if events or changes in circumstances indicate that the asset may be impaired. The adoption of SFAS 142 resulted in a goodwill impairment of €347 million (€338 million net of tax) or €0.66 per share, which has been reported as a change in accounting principle in fiscal year 2001/2002.

Prior to the adoption of SFAS 142, goodwill, which represents the excess of purchase price over fair value of net assets acquired, was amortized on a straight-line basis over the expected periods to be benefited, and assessed for recoverability by determining whether the amortization of the goodwill balance over its remaining life could be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, was measured based on projected discounted future operating cash flows using a discount rate reflecting the Group's average cost of capital.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or production cost less accumulated depreciation. Capitalized production costs for internally developed assets include material, direct labor costs, and allocable material and manufacturing overhead costs. When production activities are performed over an extended period, interest costs incurred during production are capitalized. Administrative costs are capitalized only if such costs are directly related to production. Maintenance and repair costs are expensed as incurred. Costs for activities that lead to the prolongation of useful life or to expand future use capabilities of an asset are capitalized.

Property, plant and equipment are primarily depreciated using the straight-line method on a pro rata basis. Items which cost less than €2,500 (€5,000 for the Steel segment), are written-off in the year acquired. Upon sale or retirement, the acquisition or production cost and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in the consolidated statement of income.

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

Useful lives property, plant and equipment

Buildings	10 to 50 years
Building and land improvements	15 to 25 years
Technical machinery and equipment	8 to 25 years
Factory and office equipment	3 to 10 years

Leases

Leases are classified as either capital or operating. Leasing transactions whereby the Group is the lessee and bears all substantial risks and rewards from use of the leased item are accounted for as capital leases. Accordingly, the Group capitalizes the leased asset and records the corresponding lease obligation on the balance sheet. All other leasing agreements entered into by the Group, as a lessee, are accounted for as operating leases whereby the lease payments are expensed as incurred.

Leasing transactions whereby the Group is the lessor and transfers substantially all of the benefits and risks incident to the ownership of property, are accounted for as a sale or financing of the leased asset. All other lease agreements entered into by the Group, as a lessor, are accounted for as operating leases whereby the leased asset remains on the Group's balance sheet and is depreciated. Scheduled lease payments are recorded as income when earned.

Long-lived asset impairment (including definite-lived intangible assets)

The carrying values of long-lived assets such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for possible impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the carrying amount of any long-lived asset may be impaired, an evaluation of recoverability would be performed whereby the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to fair value is required. The remaining useful life of the asset is evaluated accordingly. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

Operating assets

Operating assets represent the Group's inventories, receivables, securities and cash and cash equivalents, including amounts expected to be realized in excess of one year. The portion of assets expected to be realized or settled within one year have been disclosed in the Notes.

Inventories other than percentage-of-completion contracts

Inventories are stated at the lower of acquistion/manufacturing cost or market. In the Steel segment, the inventory cost of similar inventories is determined predominately using the last-in, first-out (LIFO) method. In the other segments the valuation of similar inventories is dominated by the average cost method.

The elements of costs include direct material, labor and allocable material and manufacturing overhead.

Receivables

Receivables are stated at net realizable value. If receivables are uncollectible or deemed uncollectible, bad debt expense and a corresponding allowance for doubtful accounts is recorded. Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortized to interest income over the term of the receivable.

The Group sells undivided interests in certain trade accounts and notes receivable both on an ongoing and one-time basis to qualifying special purpose entities or other lending institutions. Effective April 1, 2001, the Group accounts for such transactions in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125". Financial assets sold under these arrangements are excluded from accounts receivable in the Group's balance sheet at the time of sale.

Cash and cash equivalents

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

Marketable securities

All marketable securities in which the Group invests are classified as available-for-sale and valued at market prices as of the balance sheet date. Any unrealized gains and losses, net of deferred income taxes, are reported as a component of the "Accumulated other comprehensive income" line item within equity. An other than temporary loss of value is realized in the statement of income.

Deferred income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities reflect both net loss carry forwards and the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are measured using the currently enacted tax rates in effect during the years in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax law is recognized in the period that the law is enacted. Deferred tax assets, net of valuation allowances, are recognized only to the extent that it is more likely than not that the related tax benefits will be realized.

Accumulated other comprehensive income

Accumulated other comprehensive income includes changes in the equity of the Group that were not recognized in the income statement of the period, except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive income includes foreign currency translation adjustments, unrealized holding gains and losses on available-for-sale securities and on derivative financial instruments, as well as additional pension liabilities not yet recognized as net periodic pension cost.

Accrued pension and similar obligations

Accrued pension obligations as well as provisions for health care obligations are valued according to the actuarial projected benefit obligation method (or “projected unit credit method”). Plan assets and pension obligations are measured as of July 01 of each year (“early measurement”). For some pension obligations, an additional minimum pension liability exists. A portion of the additional minimum pension liability is offset by an intangible asset to the extent of unrecognized prior service cost with the remainder charged against Stockholders’ Equity. Unrecognized prior service cost results from a net transition obligation of the former Thyssen companies. Unrecognized gains and losses are generally amortized over no more than the average remaining service lives or the average remaining life expectancies of the employees entitled to receive benefits.

Other accrued liabilities

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Recoveries from third parties that are probable of realization, are separately recorded, and are not offset against the related accrued liability. Provisions for contingent losses are calculated using full production cost. Provisions for product warranties depends on the type of goods sold. In the case of single-item production the provisions are calculated for each product using the full production costs. An accrued liability will be recognized only if it is probable that a claim will be asserted. By contrast, the provisions for product warranties in serial or large-scale production entities are calculated using a percentage of total sales or are based on average historical payments from past claims. If possible, risks from product liabilities (product defect) are covered by insurance contracts. For all other cases an accrued liability is recognized.

Stock-based compensation

The Group accounts for its management incentive plans under FASB Interpretation No. 28 “Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans – an interpretation of APB Opinions No. 15 and 25”. Accordingly, a pro-rata liability is accrued for the stock appreciation rights/stock rights issued, reflecting the estimated intrinsic value of the stock appreciation rights/stock rights as of the measurement date. Pursuant to SFAS 123 “Accounting for Stock-Based Compensation” incentive plans with settlement in cash are accounted for using the intrinsic value method for calculating the compensation expense prior to the settlement of the award. Therefore the amounts recognized according to APB 25 / FIN 28 are the same as those amounts that would be recognized under SFAS 123. As a result, no pro forma information is provided.

Financial instruments

According to SFAS 133 “Accounting for Derivative Instruments and Hedging Activities” all derivative financial instruments are recorded at fair value as either assets or liabilities on the balance sheet. This standard also requires the accounting for derivative financial instruments that are embedded within other contractual agreements. In general, the Group recognizes the changes in fair value of all derivative financial instruments directly in earnings. However, the

Group records the changes in fair value of foreign currency derivatives used to hedge anticipated foreign currency denominated cash flows on firm commitments and forecasted transactions in accumulated other comprehensive income on the balance sheet when the requirements of the standard to apply cash flow hedge accounting are met. The reclassification from accumulated other comprehensive income into earnings occurs in the same period as the underlying transaction affects earnings. The ThyssenKrupp Group disregards the fair value changes that are due to time value changes when measuring the effectiveness between the underlying hedged transaction and the hedging instrument. This amount is considered the ineffective portion of the hedge and is therefore recognized in earnings immediately.

The fair value changes of interest rate derivatives designated to hedge long-term liabilities subject to interest rate fluctuations are also recognized in accumulated other comprehensive income if they meet the requirements to apply cash flow hedge accounting. These amounts in other comprehensive income will be offset against related asset or liability accounts in the future as fair values fluctuate. When the cash flow hedging model is applied, changes in market rates will not impact future interest expense positions.

Financial statement classification

Certain line items in the consolidated statement of income and on the consolidated balance sheet have been combined. These items are disclosed separately in the Notes to the consolidated financial statements. Certain reclassifications have been made to the prior years presentations to conform to that of the current year.

The consolidated statements of income and the consolidated balance sheets are presented in accordance with the 4th and 7th directive of the EU. Additional disclosures required by US GAAP are included in the Notes to the consolidated financial statements.

Use of estimates

The preparation of the Group consolidated financial statements requires Management to make estimates and assumptions that affect the reported carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements

Recently adopted accounting standards

In June 2001, the FASB issued SFAS 143, “Accounting for Asset Retirement Obligations”. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Group adopted SFAS 143 as of October 01, 2002. However, at the end of the first quarter ending December 31, 2002, the Group had not finally completed the first-time implementation of the new Standard, therefore recorded the required transition adjustments in its second quarter interim financial information retrospectively.

In August 2001, the FASB issued SFAS 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 retains the requirement in Opinion 30 to report separately discontinued operations and extends that reporting from a “segment of a business” to a “component of an entity”. The adoption of SFAS 144 as of October 01, 2002 did not have a material impact on the results of operations or the financial position of the Group.

In June 2002, the FASB issued SFAS 146, “Accounting for Costs Associated with Exit or Disposal Activities”. SFAS 146 requires entities to recognize costs associated with exit or disposal activities only when liabilities for these costs are incurred (subsequent to a commitment to a plan) rather than at the date of a commitment to an exit or disposal plan. The provisions of SFAS 146 are to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS 146 did not have an material impact on the Group’s financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others”. The Interpretation clarifies that a guarantor should recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in providing the guarantee. The initial recognition and measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. For the enhanced footnote disclosure requirements see note (25). The adoption of FIN 45 did not have a material impact on the results of operations or the financial position of the Group.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement 123". The Standard does not effect the measurement of the Groups' management incentive plans.

In December 2002, the FASB's Emerging Issues Task Force (EITF) published Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables", a final Consensus on when and how to allocate revenue from sales undertakings to deliver more than one product or service. The Consensus is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No. 00-21 did not have a material impact on the results of operations or the financial position of the Group.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities". By applying the guidance of the Interpretation, the Group will be required to consolidate entities in which its variable interests in the entity are at a level significant enough to be considered the Primary Beneficiary. The Interpretation is fully applicable to all entities created after January 31, 2003. The guidance in this Interpretation is applicable to preexisting variable interest entities of the Group as of July 01, 2003. See note (25) for a description of the Group's current involvement in variable interest entities.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends the accounting and reporting for derivative instruments under SFAS 133 including certain derivative instruments embedded in other contracts. The Statement also impacts the accounting and reporting for hedging activities under SFAS 133. Generally, this Statement is effective for contracts entered into or modified after June 30, 2003 and should be applied on a prospective basis. The adoption of SFAS 149 did not have a material impact on the results of operations or the financial position of the Group.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity, for example mandatorily redeemable preferred stock. The adoption of SFAS 150 did not have a material impact on the results of operations or the financial position of the Group.

In May 2003, the EITF reached a consensus on EITF Issue No. 01-8, "Determining Whether an Arrangement Contains a Lease", which applies prospectively to new or modified arrangements in fiscal periods beginning after May 28, 2003. Guidance in the Consensus requires that both parties to an arrangement determine whether a service or supply contract includes a lease within the scope of FASB Statement No. 13, whereby the right to use property, plant and equipment is conveyed to the purchaser. The application of the Consensus does not have a significant impact on the Group's current accounting for relevant arrangements entered into subsequent to July 01, 2003.

2 Acquisitions and divestitures

During the fiscal years 2002/2003 and 2001/2002 the Group completed the following transactions:

Year ending September 30, 2003

On April 01, ThyssenKrupp acquired 100% of the shares of Tepper Aufzüge GmbH & Co. KG, located in Münster, Germany ("Tepper"), in the Elevator segment, for a purchase price of €42 million, paid in cash. Tepper is a manufacturer and service provider for elevators and with the acquisition ThyssenKrupp will strengthen its market position in Germany. The results of these operations have been included in the consolidated financial statements since April 01, 2003.

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

million €

	April 01, 2003
Intangible assets	25
Goodwill arising on the purchase	16
Property, plant and equipment	4
Operating assets	7
Deferred income taxes	1
Total assets acquired	**53**
Accrued liabilities	3
Payables	4
Deferred income taxes	4
Total liabilities assumed	**11**
Net assets acquired	**42**

Substantially all of the intangible assets were assigned to service contracts which are subject to amortization and have a weighted average useful life of approximately 25 years. The preliminary purchase price allocation resulted in goodwill of €16 million which was been assigned entirely to the Elevator segment. No goodwill is deductible for tax purposes.

On April 01, 2003, ThyssenKrupp acquired the remaining 75.5% of the shares of Galmed in the Steel segment for €51 million. The acquisition of the hot dip galvanizer, located in Sagunto (Spain), brings the Group's ownership percentage to 100%. ThyssenKrupp believes that full ownership will give it direct access to the high-growth Spanish automobile market and the acquisition is a further step in the strategy of internationalizing the downstream activities. The results of Galmed have been included in the consolidated financial statements since that date.

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

million €

	April 01, 2003
Goodwill arising on the purchase	9
Property, plant and equipment	30
Operating assets	17
Total assets acquired	**56**
Payables	2
Deferred income	3
Total liabilities assumed	**5**
Net assets acquired	**51**

The final purchase price allocation resulted in goodwill of €9 million which was been assigned entirely to the Steel segment. No goodwill is deductible for tax purposes.

On July 25, 2003, ThyssenKrupp acquired 100% of the shares of Sofedit S.A., located in Versailles, France ("Sofedit"), in the Automotive segment, for a purchase price of €66 million consisting of €14 million in cash and the assumption of debt of €52 million. Sofedit produces automotive stampings and assemblies as well as chassis, body and cockpit modules in France, Brazil, Poland and Spain. The acquisition will strengthen ThyssenKrupp Automotive's leading positions in the Body and Chassis businesses. The results of these operations have been included in the consolidated financial statements since July 01, 2003.

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

million €

	July 01, 2003
Intangible assets	6
Goodwill arising on the purchase	12
Property, plant and equipment	112
Operating assets	112
Deferred income taxes	7
Total assets acquired	**249**
Accrued pension and similar obligations	5
Other accrued liabilities	6
Financial payables	52
Other payables	171
Deferred income	1
Total liabilities assumed	**235**
Net assets acquired	**14**

Substantially all of the intangible assets were assigned to software which is subject to amortization and have a weighted average useful life of approximately 7 years.The preliminary purchase price allocation resulted in goodwill of €12 million which was been assigned entirely to the Automotive segment. No goodwill is deductible for tax purposes.

On August 31, 2003, the ThyssenKrupp finalized the sale of the formwork and scaffolding activities of the Business Unit Construction Services in the Serv segment as part if its portfolio realignment. On the sale the Group realized cash in the amount of €47 million and vendor loans in the value of €28 million. The sale resulted in a loss of €61 million.

Year ending September 30, 2002

On November 14, 2001, ThyssenKrupp acquired 100% of the South American activities of Kone Oy in Brazil, Argentinia and Venezuela in the Elevator segment. The results of these operations have been included in the consolidated financial statements since November 01, 2001. The aquired companies of Kone Oy are manufacturer and service providers for elevators and escalators. The main reason for this transaction was to enhance the ThyssenKrupp Elevator's strategic position in the South American markets, in particular to significantly strengthen its services business in Brazil. ThyssenKrupp paid €39 million in cash for this acquisition.

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

million €

	Nov. 01, 2001
Intangible assets	20
Goodwill arising on the purchase	20
Property, plant and equipment	2
Operating assets	13
Deferred income taxes	3
Total assets acquired	**58**
Accrued liabilities	9
Payables	8
Deferred income taxes	2
Total liabilities assumed	**19**
Net assets acquired	**39**

All intangible assets were assigned to service contracts. They are subject to amortization and have a weighted average useful life of approximately 10 years. The final purchase price allocation resulted in goodwill of €20 million which was assigned entirely to the Elevator segment. Goodwill in the amount of €4 million is expected to be deductible for tax purposes.

On December 13, 2001, ThyssenKrupp acquired the remaining 10% of the outstanding common shares of Acciai Speciali Terni S.p.A. (AST) in the Steel segment. The results of AST's operations from the additional 10% ownership have been included in the consolidated financial statements since that date. AST is a producer of stainless steel flat products. Exercising the option received in the original purchase of 90% of AST, ThyssenKrupp owns 100% of the outstanding common shares of AST, (which was the main reason for the transaction). ThyssenKrupp paid €42 million in cash for this acquisition.

The following table summarizes the estimated fair value of the assets aquired and liabilities assumed at the date of acquisition.

million €

	Dec. 13, 2001
Intangible assets	2
Goodwill arising on the purchase	6
Property, plant and equipment	45
Operating assets	52
Total assets acquired	**105**
Accrued liabilities	13
Payables	46
Deferred income taxes	4
Total liabilities assumed	**63**
Net assets acquired	**42**

The €6 million of goodwill was assigned entirely to the Steel segment. None of the goodwill is expected to be deductible for tax purposes.

In addition in fiscal year 2001/2002, ThyssenKrupp acquired additional consolidated companies or a percentage of ownership interest therein for a total cost of €161 million which was paid entirely in cash and is primarily attributable to the following transactions:

- 10% of Valmet Automotive Inc., based in Turku (Finland), manufacturer of prototypes and motorcars which are produced in small series (Automotive segment). As a part of this acquisition, ThyssenKrupp received an option to purchase the remaining 90% interest during the next two years. If the option expires unexercised, ThyssenKrupp is obliged to resell its 10% interest to the original owner at a fixed price.

- Xuzhou Rothe Erde Slewing Bearing Co. Ltd., based in Xuzhou (China), developer and producer of slewing bearings and steel balls (Technologies segment).

- DG Immobilien Facility Management GmbH, based in Frankfurt (Germany), management of buildings (Serv segment).

- Remaining 10% minority share of the ThyssenKrupp Gerlach GmbH, based in Homburg/Saar (Germany), manufacturer of crankshafts (Automotive segment).

- 50% of ANSC-TKS Galvanizing Co. Ltd., based in Dalian (China), producer of hot dip galvanized products , in particular for the automobile industry (Steel segment).

In fiscal year 2001/2002, ThyssenKrupp sold all or a portion of additional companies at a total cost of €939 million, primarily attributable to the following transactions:

- Sale of the 50% equity method investment in the Eurawasser Group (Serv segment) to Ondeo Services, Paris, a company of the Suez Group. The selling price amounted to €38 million, resulting in profit before taxes in the amount of €19 million.

- The put option to sell the 50% equity method investment in Sinterstahl (Automotive segment) was exercised. The transfer of the shares was on March 01, 2002. The selling price amounted to €36 million, resulting in profit before taxes in the amount of €21 million.

- Sale and deconsolidation of Krupp Berco Bautechnik GmbH in the Technologies segment. The final selling price amounted to €55 million, resulting in profit before taxes in the amount of €36 million.

- Sales of various casting activities outside of the Automotive segment. The selling price amounted to €30 million, resulting in profit before taxes in the amount of €11 million.

- Sale of the Group's 13.48% investment in Bergemann GmbH, which is the owner of 34.76% of the shares of Ruhrgas AG. The transaction is not pending further legal actions. The selling price amounted to €486 million, resulting in profit before taxes in the amount of €191 million.

- Sale of car carrier activities in Corporate. The selling price amounted to €105 million, resulting in a loss before taxes in the amount of €10 million.

3 Disposal group

Within Mechanical Engineering of the Technologies segment, Novoferm, is to be offered for sale as part of the Group's realignment. Novoferm is a supplier of doors, frames and operators for domestic, commercial and industrial use. This transaction is considered to be a "disposal group" in accordance with SFAS 144. The statement requires the assets and liabilities of the disposal group to be disclosed separately in the current reporting period and are presesented as "assets held for sale and liabilities associated with assets held for sale" in the balance sheet as separate line items. The income statement remains unaffected by the separate presentation. Revenues and expenses will continue to be shown as income from continuing operations until the date of the disposal.

The following table shows the main assets and liabilities of the disposal group:

million €

	Sept. 30, 2003
Intangible assets	61
Property, plant and equipment	79
Financial assets	10
Inventories	48
Trade accounts receivable, net	61
Cash and cash equivalents	3
Other operating assets	18
Assets held for sale	**280**
Accrued pension and similar obligations	14
Other accrued liabilities	19
Financial payables	4
Other payables	35
Deferred income taxes	21
Deferred income	1
Liabilities associated with assets held for sale	**94**

The above mentioned "assets held for sale and liabilities associated with assets held for sale" are included in the amounts disclosed in the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME

4 Selling expenses

Selling expenses include direct shipping and handling cost including related insurance premiums in the amount of €724 million (2001/2002: €675 million; 2000/2001: €687 million).

5 Other operating income

Other operating income includes gain on the disposal of property, plant and equipment and intangible assets in the amount of €45 million (2001/2002: €76 million; 2000/2001: €70 million) and insurance compensation in the amount of €27 million (2001/2002: €115 million; 2000/2001: €126 million).

6 Other operating expenses

Other operating expenses include losses on the disposal of property, plant and equipment and intangible assets in the amount of €54 million (2001/2002: €62 million; 2000/2001: €84 million), restructuring charges in the amount of €104 million (2001/2002: €186 million; 2000/2001: €21 million) and provisions for accruals (excluding restructuring) in the amount of €14 million (2001/2002: €64 million; 2000/2001: €43 million). Additional expenses in connection with non-customer related research activities are shown here in the amount of €183 million (2001/2002: €191 million; 2000/2001: €180 million).

After discontinuing goodwill amortization as of October 01, 2001, no goodwill amortization expense is included in other operating expenses. While no goodwill impairment was identified in the current fiscal year, goodwill impairment resulting from the initial goodwill impairment test in 2001/2002 in the amount of €347 million is reported net of tax as a change in accounting principle in the amount of €338 million.

7 Financial expense, net

Income from equity investments in 2002/2003 decreased significantly compared to 2001/2002 because the prior year amount included a gain of €191 million from the sale of the Ruhrgas investment.

The improvement of the net interest expense is a consequence of a decline in net financial payables (see note (21)) and in interest rates. Interest capitalized in connection with long-term construction activities resulted in a decrease of interest expense in the amount of €7 million (2001/2002: €8 million; 2000/2001: €22 million).

Other financial income/loss decreased compared to 2001/2002 due to the prior year amount “Gain from disposals of loans and securities” including a €74 million gain from the sale of Kone shares. The current year amount is impacted by an improvement of “Miscellaneous” resulting from increased income in the amount of €18 million from the valuation of foreign currency items as of the closing date.

million €

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	**Year ending Sept. 30, 2003**
Income from profit and loss sharing agreements	1	1	1
Losses from profit and loss sharing agreements	(3)	(1)	(2)
Income from companies accounted for at equity	62	18	57
Income from investments accounted for at cost	22	14	9
amount thereof from non-consolidated subsidiaries	*1*	*3*	*2*
Gains/(losses), net from disposals of investments in non-consolidated companies and other investments	9	233	(1)
Write-down of investments in non-consolidated companies and other investments	(17)	(2)	(6)
Income from equity investments	**74**	**263**	**58**
Income from other securities and loans classified as financial assets	17	7	8
amount thereof from non-consolidated subsidiaries	*1*	*0*	*0*
Other interest and similar income	102	116	111
amount thereof from non-consolidated subsidiaries	*6*	*2*	*1*
Interest and similar costs	(592)	(407)	(310)
amount thereof from non-consolidated subsidiaries	*(4)*	*(2)*	*(1)*
Interest expense, net	**(473)**	**(284)**	**(191)**
Gains from disposals of loans and securities, net	10	75	3
Write-down of loans and securities	(1)	(30)	(19)
Miscellaneous, net	(22)	(25)	(8)
Other financial income/(loss), net	**(13)**	**20**	**(24)**
Total	**(412)**	**(1)**	**(157)**

8 Income taxes

In the fiscal year ending September 30, 2003, 30% (2002: 52%; 2001: 73%) of income before income taxes and minority interest was attributable to Germany and 70% (2002: 48%; 2001: 27%) to foreign countries. In fiscal year 2000/2001 the gain from the sale of the Brazilian iron ore mining corporation Ferteco was included in the German portion.

Income tax expense (benefit) for the year ending September 30, 2003 and the two previous years consists of the following:

million €

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Current income taxes			
Germany	62	27	(23)
Foreign	98	166	138
Deferred income taxes			
Germany	(49)	(51)	(22)
Foreign	82	33	59
Total	**193**	**175**	**152**

The German corporate income tax law applicable for 2002/2003 sets a statutory income tax rate of 26.5% (2001/2002: 25%; 2000/2001: 40% for retained earnings and 30% for distributed profits) plus a solidarity surcharge of 5.5%. On average, the Group's German companies are subject to a trade tax rate of 12.75% (2001/2002: 13.04%; 2000/2001: 10.20%).

In 2003, the statutory corporate income tax rate was increased to 26.5% in order to help support the victims of last year's flood in East Germany. Beginning in 2004, the applicable tax rate is again 25% (plus a solidarity surcharge of 5.5%). At year-end September 30, 2002, the deferred tax assets and liabilities of German companies which were expected to be realized or settled within the next year were calculated with a combined income tax rate of 40.71% (including 12.75% trade tax rate). For other deferred taxes of German companies, a combined tax rate of 39.42% (including 13.04% trade tax rate) was applied. At year-end September 30, 2003, all deferred taxes are again calculated with a combined income tax rate of 39.42% which was first applied at year-end September 30, 2001. The temporary increase in the corporate income tax rate resulted in deferred tax benefit in the amount of €6 million in 2002/2003 (2001/2002: €9 million deferred tax expense). The impact of the 2001 tax reform in fiscal 2000/2001 was a reduction in income tax expense by €124 million. For foreign companies, the respective country-specific tax rates have been used.

The following table reconciles the statutory income tax expense to the actual income tax expense presented in the financial statements. For calculating the statutory income tax expense, in fiscal year 2002/2003, the combined income tax rate of 40.71% (2001/2002: 39.42%; 2000/2001: 52.40%) was applied to income before taxes and minority interest.

million €

	Year ending Sept. 30, 2001	in %	Year ending Sept. 30, 2002	in %	Year ending Sept. 30, 2003	in %
Expected income tax	459	52.4	300	39.4	291	40.7
Changes in German tax law	(124)	(14.2)	9	1.2	(6)	(0.8)
Foreign tax rate differential	2	0.2	55	7.2	(7)	(1.0)
Tax consequences of disposal of businesses	(99)	(11.3)	(102)	(13.4)	13	1.8
Non-deductible expenses	26	3.0	13	1.7	6	0.8
Amortization of non-tax-deductible goodwill	76	8.7	0	0.0	0	0.0
Change in valuation allowance	5	0.6	70	9.2	27	3.8
Reversal and adjustment of tax positions	(153)	(17.5)	(172)	(22.6)	(146)	(20.4)
Income from companies accounted for at equity	(18)	(2.1)	(3)	(0.4)	(20)	(2.8)
Other, net	19	2.2	5	0.7	(6)	(0.8)
Actual income tax expense	**193**	**22.0**	**175**	**23.0**	**152**	**21.3**

As of September 30, 2003, tax loss carryforwards amount to €3,181 million (2002: €3,125 million). According to tax legislation as of September 30, 2003, tax losses in the amount of €2,787 million (2002: €2,678 million) may be carried forward indefinitely and in unlimited amounts. An amount of €394 million (2002: €447 million) of the tax loss carryforwards will expire over the period through 2023 if not utilized.

For deferred tax assets, a valuation allowance of €276 million (2002: €254 million) is reported primarily related to the tax loss carryforwards. In general, deferred tax assets are recognized to the extent it is considered more likely than not that such benefits will be realized in future years. Management believes that, based on a number of factors, the available evidence creates sufficient uncertainty regarding the ability to realize particular tax benefits. In determining this valuation allowance, all positive and negative factors, also including prospective results, were taken into consideration in determining whether sufficient income would be generated to realize deferred tax assets.

Significant components of the deferred tax assets and liabilities are as follows:

million €

	Sept. 30, 2002	Sept. 30, 2003
Intangible assets	25	35
Property, plant and equipment	465	445
Financial assets	7	14
Inventories	59	78
Other assets	182	141
Tax loss carryforwards	1,093	1,118
Accrued pension and similar obligations	678	770
Other accrued liabilities	379	337
Other liabilities	692	729
	3,580	**3,667**
Valuation allowance	(254)	(276)
Deferred tax assets	**3,326**	**3,391**
Intangible assets	124	153
Property, plant and equipment	1,401	1,332
Financial assets	42	43
Inventories	537	442
Other assets	333	485
Accrued pension and similar obligations	8	2
Other accrued liabilities	198	163
Other liabilities	236	234
Deferred tax liabilities	**2,879**	**2,854**
Net deferred tax assets	**447**	**537**

The classification of the deferred tax assets and liabilities is as follows:

million €

	Sept. 30, 2002	Non current portion	Sept. 30, 2003	Non current portion
Deferred tax assets	1,003	909	1,290	1,130
Deferred tax liabilities	556	223	753	350
Net deferred tax assets	**447**	**686**	**537**	**780**

Deferred tax liabilities on undistributed profits of foreign subsidiaries were not recorded, as such profits are to remain invested on a permanent basis. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The components of income tax expense are as follows:

million €

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Income tax expense as presented on the income statement	193	175	152
Income tax benefit for "other comprehensive income"	(55)	(119)	(147)
Income tax benefit on the cumulative effects of changes in accounting principles	(14)	(9)	(8)
Total	**124**	**47**	**(3)**

NOTES TO THE CONSOLIDATED BALANCE SHEETS

9 Fixed assets

Changes in the Group's fixed assets are presented in the Consolidated Fixed Assets Schedule on pages 160–161.

Goodwill and other intangible assets

Amortization expense related to goodwill was €241 million for the year ending September 30, 2001. The following table reconciles reported income before income taxes and minority interest to adjusted income before income taxes and minority interest and net income to adjusted net income, which is exclusive of amortization expense related to goodwill, as if the provisions of SFAS 142 were in effect in fiscal year 2000/2001.

	Note	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Total in million €:				
Reported income before income taxes and minority interest		876	762	714
Add back: Goodwill amortization*		241	0	0
Adjusted income before income taxes and minority interest	29	**1,117**	**762**	**714**
Total in million €:				
Reported net income		665	216	512
Add back: Goodwill amortization*		241	0	0
Adjusted net income		**906**	**216**	**512**
Earnings per share in €:				
Reported net income		1.29	0.42	1.01
Goodwill amortization*		0.47	0.00	0.00
Adjusted net income		**1.76**	**0.42**	**1.01**

* including goodwill of equity method investments

Intangible assets

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

In addition to the below mentioned amortized intangible assets the Group has an unamortized intangible asset resulting from a company name with a net book value of €9 million (2002: €9 million).

million €

	Gross values		**Accumulated amortization**		**Net values**	
	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003
Brand names and trademarks	1	0	0	0	1	0
Customer base and relationship	23	23	15	17	8	6
Prohibition to compete	1	1	1	1	0	0
Licences and franchises	153	138	79	82	74	56
Patents, copyrights and similar	13	8	9	4	4	4
Service contracts	133	190	39	51	94	139
Other contractual positions	10	11	5	8	5	3
Acquired software and website	271	316	197	220	74	96
Internally developed software and website	39	64	17	31	22	33
Intangible assets subject to amortization	**644**	**751**	**362**	**414**	**282**	**337**

The aggregate amortization expense related to the before mentioned intangible assets for the fiscal year ending September 30, 2003 was €90 million. Estimated amortization expense for the next five years is: €86 million in 2003/2004, €87 million in 2004/2005, €82 million in 2005/2006, and €74 million in 2006/2007, €74 million in 2007/2008.

Consolidated Fixed Assets Schedule

million €

	Gross values					
	Sept. 30, 2002	Currencies differences	Acquisitions/ divestitures of businesses	Additions	Transfers	
Intangible assets						
Franchises, trademarks and similar rights and values as well as licenses thereto	653	(27)	59	85	27	
Goodwill	4,260	(331)	64	0	0	
Advance payments on intangible assets	30	0	0	14	(24)	
Intangible pension asset	72	(5)	0	15	0	
	5,015	**(363)**	**123**	**114**	**3**	
Property, plant and equipment						
Land, leasehold rights and buildings including buildings on third-party land	7,696	(140)	59	176	47	
Technical machinery and equipment	14,199	(329)	(13)	494	356	
Other equipment, factory and office equipment	2,542	(71)	(159)	218	9	
Assets under capital lease	310	(2)	35	27	(2)	
Advance payments on property, plant and equipment	589	(20)	3	338	(413)	
	25,336	**(562)**	**(75)**	**1,253**	**(3)**	
Financial assets						
Investments in non-consolidated subsidiaries	120	0	(25)	14	15	
Loans to non-consolidated subsidiaries	3	0	0	3	0	
Associated Companies valued at equity	782	(7)	(2)	91	(458)	
Other investments	105	0	(1)	11	443	
Loans to Associated Companies and other investees	12	0	0	0	0	
Securities classified as financial assets	17	(2)	0	9	0	
Other loans	116	(1)	1	122	0	
	1,155	**(10)**	**(27)**	**250**	**0**	
Total	**31,506**	**(935)**	**21**	**1,617**	**0**	

Gross values		Amortization/Depreciation/Impairment							Net values	
Disposals	Sept. 30, 2003	Sept. 30, 2002	Currencies differences	Acquisitions/ divestitures of businesses	Additions	Transfers	Disposals	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003
37	760	362	(11)	(1)	90	0	26	414	291	346
3	3,990	962	(85)	(6)	0	0	0	871	3,298	3,119
1	19	0	0	0	0	0	0	0	30	19
32	50	0	0	0	0	0	0	0	72	50
73	**4,819**	**1,324**	**(96)**	**(7)**	**90**	**0**	**26**	**1,285**	**3,691**	**3,534**
138	7,700	2,816	(36)	(18)	231	8	46	2,955	4,880	4,745
346	14,361	9,066	(149)	(65)	922	(9)	304	9,461	5,133	4,900
251	2,288	1,710	(32)	(101)	239	1	195	1,622	832	666
39	329	133	(1)	(7)	43	0	37	131	177	198
6	491	2	0	0	0	0	0	2	587	489
780	**25,169**	**13,727**	**(218)**	**(191)**	**1,435**	**0**	**582**	**14,171**	**11,609**	**10,998**
7	117	89	0	0	4	0	4	89	31	28
0	6	0	0	0	0	0	0	0	3	6
97	309	0	0	0	0	0	0	0	782	309
8	550	63	0	(1)	2	0	0	64	42	486
3	9	6	0	0	0	0	2	4	6	5
8	16	0	0	0	0	0	0	0	17	16
54	184	42	0	0	18	0	38	22	74	162
177	**1,191**	**200**	**0**	**(1)**	**24**	**0**	**44**	**179**	**955**	**1,012**
1,030	**31,179**	**15,251**	**(314)**	**(199)**	**1,549**	**0**	**652**	**15,635**	**16,255**	**15,544**

Goodwill

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

Furthermore, the intangible asset position in the balance sheet includes advance payments on intangible assets and intangible pension assets in the amount of €69 million (2002: €102 million).

million €

	Steel	Automotive	Elevator	Technologies	Materials	Serv	Real Estate	Corporate	Total*
Balance as of Sept. 30, 2001	**827**	**386**	**1,271**	**807**	**239**	**234**	**1**	**15**	**3,780**
Currency changes	(15)	(22)	(103)	(13)	(10)	(1)	0	0	(164)
Acquisitions/(divestitures)	13	6	22	(33)	2	32	0	0	42
Transfers	0	0	(2)	0	0	(4)	0	0	(6)
Impairment	0	0	0	(266)	(15)	(66)	0	0	(347)
Disposals	0	(2)	(3)	0	0	0	(1)	(1)	(7)
Balance as of Sept. 30, 2002	**825**	**368**	**1,185**	**495**	**216**	**195**	**0**	**14**	**3,298**
Currency changes	(30)	(16)	(151)	(21)	(23)	(5)	0	0	(246)
Acquisitions/(divestitures)	12	12	33	(9)	6	14	0	2	70
Disposals	0	0	(2)	(1)	0	0	0	0	(3)
Balance as of Sept. 30, 2003	**807**	**364**	**1,065**	**464**	**199**	**204**	**0**	**16**	**3,119**

* excluding goodwill of equity method investments

Property, plant and equipment and financial assets

Property, plant and equipment include leased buildings, technical machinery and equipment and other equipment that have been capitalized, where the terms of the lease require the Group, as lessee, to assume substantially all of the benefits and risks of use of the leased asset.

million €

	Gross values		Accumulated amortization		Net values	
	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003
Land, leasehold rights and buildings including buildings on third-party land	125	136	31	34	94	102
Technical machinery and equipment	59	69	26	23	33	46
Other equipment, factory and office equipment	126	124	76	74	50	50
Assets under capital lease	**310**	**329**	**133**	**131**	**177**	**198**

In fiscal 2002/2003, the Group recorded impairments pursuant to SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" in the total amount of €20 million. The impairments primarily relate to the property, plant and equipment in which the fair market value has been determined to be below the book value or the asset will be abandoned because it is no longer used in operations. Fair market values have been determined as the present value of future cash flows and when available third party appraisals. All assets for which an impairment charge has been recorded have been classified as "held and used" and were located in the the Steel (€2 million), Automotive (€3 million), Technologies (€8 million), Materials (€4 million) and Real Estate (€3 million) segments.

In fiscal 2001/2002, the Group recorded impairments pursuant to SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" in the total amount of €16 million (2000/2001: €38 million). Of this amount, €12 million (2000/2001: €23 million) represents impairments of long-lived assets to be held and used in the Steel and Automotive segments. Impairments of € 4 million (2000/2001: €15 million) relate to long-lived assets to be disposed of within the next fiscal year, relating mainly to the Automotive segment.

For Associated Companies and non-consolidated subsidiaries accounted for under the equity method, the difference between the carrying amount and the amount of underlying equity in net assets totals €37 million (2002: €108 million) and is treated as embedded goodwill.

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

As of September 30, 2002, included in Associated Companies valued at equity was the above mentioned 20.6% interest in RAG Aktiengesellschaft. The carrying amount of RAG Aktiengesellschaft was €395 million. The difference between the carrying amount and underlying net assets amounted to €50 million, which was treated as embedded goodwill and amortized until September 30, 2001.

10 Operating lease as lessor

The Group is the lessor of various residential and commercial real estate under operating lease agreements. The gross value of the assets under lease is €2,298 million (2002: €2,234 million) and accumulated depreciation is €638 million (2001/2002: €594 million).

As of September 30, 2003, the future minimum lease payments to be received on non-cancelable operating leases are as follows:

million €

(for fiscal year)	
2003/2004	67
2004/2005	18
2005/2006	15
2006/2007	15
2007/2008	6
thereafter	29
Total	**150**

The amounts reflected as future minimum lease payments do not contain any contingent rentals. Contingent rentals in the amount of less than €100,000 (2001/2002: €1 million; 2000/2001: €1 million) have been recognized in the consolidated statements of income.

11 Inventories

million €

	Sept. 30, 2002	Sept. 30, 2003
Raw materials	1,017	1,097
Supplies	416	378
Work in process	2,211	2,060
amount thereof relating to percentage-of-completion contracts	*564*	*407*
amount thereof relating to completed contracts	*10*	*0*
Finished products	1,973	1,858
Merchandise	775	826
Advance payments to suppliers	413	351
	6,805	**6,570**
Less customer advance payments received	(804)	(802)
Total	**6,001**	**5,768**

Inventories in the amount of €1,954 million are valued according to the LIFO method. The current market value is €33 million in excess of the LIFO value.

12 Trade accounts receivable

million €

	Sept. 30, 2002	Sept. 30, 2003
Receivables from sales of goods and services (excluding long-term contracts)	5,286	5,253
Unbilled receivables from long-term contracts, less customer deposits received	417	446
	5,703	**5,699**
Less allowance for doubtful accounts	(350)	(337)
Total	**5,353**	**5,362**

Receivables from the sales of goods and services in the amount of €40 million (2002: €48 million) have a remaining term of more than 1 year.

The Group regularly sells receivables under securitization programs and other programs which are accounted for in accordance with SFAS 140. The amount of receivables and notes sold and still outstanding as of September 30, 2003, was €941 million (2002: €1,281 million), resulting in net proceeds in the amount of €913 million (2001/2002: €1,203 million). The risk of loss associated with discounted notes receivable is €34 million (2002: €113 million). In some cases, when the Group sells receivables it retains servicing provisions and retained interests in the sold receivables. Due to the nature of the receivables sold, the retained interests in those receivables approximates cost. The value of the retained interests in sold receivables was €79 million as of September 30, 2003 (2002: €120 million), mainly consisting of cash reserve accounts held by the buyer. Costs associated with the sale of receivables, net of servicing fees received, primarily for discounts and other expenses related to the receivables sold, was €31 million (2001/2002: €36 million; 2000/2001: €24 million), and are included in "Financial expenses, net" in the consolidated statements of income.

The following table summarizes certain cash flow movements related to the securitization programs:

million €

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Net proceeds from accounts receivable sales	5,134	6,455	6,606
Servicing fees received	31	22	21

13 Other receivables and other assets

million €

	Sept. 30, 2002	Sept. 30, 2003
Receivables due from non-consolidated subsidiaries	95	84
Receivables due from Associated Companies and other investees	154	180
Other assets	1,307	1,217
	1,556	**1,481**
Less allowance for doubtful accounts	(199)	(222)
Total	**1,357**	**1,259**

Other assets include tax refund claims in the amount of €255 million (2002: €280 million) as well as the positive fair market values of foreign currency derivatives including embedded derivatives, interest rate and commodity derivatives in the amount of €207 million (2002: €119 million) (see also note (27)).

Other receivables and other assets in the amount of €135 million (2002: €170 million) have a remaining term of more than 1 year.

14 Allowance for doubtful accounts

million €

	Trade accounts receivable	Other receivables and other assets
Balance as of Sept. 30, 2001	**371**	**203**
Acquisitions/(divestitures)	18	0
Additional charges	127	20
Amounts utilized	(119)	(14)
Amounts reversed	(41)	(9)
Other changes	(6)	(1)
Balance as of Sept. 30, 2002	**350**	**199**
Acquisitions/(divestitures)	(24)	14
Additional charges	104	27
Amounts utilized	(56)	(10)
Amounts reversed	(30)	(7)
Other changes	(7)	(1)
Balance as of Sept. 30, 2003	**337**	**222**

15 Marketable securities classified as financial and operating assets

All securities presented in the consolidated balance sheet classified as either a component of financial assets or operating assets are available-for-sale securities:

million €

	Sept. 30, 2002	Sept. 30, 2003	Current portion	Non current portion
Securities presented as financial assets	17	16	0	16
Securities presented as operating assets	20	20	20	0
Total	**37**	**36**	**20**	**16**

The amortized cost, gross unrealized holding gain and fair value of available-for-sale securities by major security type and class of security were as follows:

million €

	Cost, amortized cost	Gross unrealized holding gain	Fair value
Balance as of Sept. 30, 2002			
Shares	0	1	1
Foreign government bond certificates	2	0	2
Debt based securities	7	0	7
Other marketable securities	27	0	27
Total	**36**	**1**	**37**

million €

Balance as of Sept. 30, 2003	Cost, amortized cost	Gross unrealized holding gain	Fair value
Shares	1	1	2
Foreign government bond certificates	6	0	6
Debt based securities	6	0	6
Other marketable securities	22	0	22
Total	**35**	**1**	**36**

The contractual maturities of debt securities available-for-sale as of September 30, 2003, regardless of their balance sheet classifications, are as follows:

Fair values in million €

	Sept. 30, 2003
Due within one year	18
Due between 1 and 5 years	8
Due between 5 and 10 years	2
Due after 10 years	0
Total	**28**

Proceeds from the sale of available-for-sale securities amounted to €7 million (2001/2002: €226 million; 2000/2001 €67 million). Gains of €1 million (2001/2002: €75 million; 2000/2001: €11 million) and losses of €0 million (2001/2002: €0 million; 2000/2001: €1 million) were realized. These amounts were determined using the specific identification method.

16 Prepaid expenses and deferred charges

million €

	Sept. 30, 2002	Sept. 30, 2003
Prepaid pension costs	84	58
Other prepaid expenses and deferred charges	166	147
Total	**250**	**205**

Prepaid expenses and deferred charges in the amount of €17 million (2002: €12 million) have a remaining term of more than 1 year.

17 Stockholders' Equity

Capital stock

The capital stock of ThyssenKrupp AG consists of 514,489,044 no-par-value bearer shares of common stock, all of which have been issued, with 497,546,991, 514,468,024 and 514,463,884 outstanding as of September 30, 2003, 2002 and 2001, respectively. Each share of common stock has a stated value of €2.56.

Principal owner

The Alfried Krupp von Bohlen und Halbach Foundation holds 20.00% of the shares of ThyssenKrupp AG as of September 30, 2003. It is a "principal owner" according to SFAS 57 "Related Party Disclosures".

Treasury stock

In May 2003, ThyssenKrupp AG repurchased 16,921,243 of its own no-par-value bearer shares of common stock from IFIC Holding AG, which represents €43,318,382.08 or approximately 3.29% of the capital stock of ThyssenKrupp AG. The purchase price per share was €24, resulting in a total purchase price of approximately €406 million.

The purpose of this share repurchase was to reduce IFIC Holding AG shareholding in ThyssenKrupp AG from 7.79% to less than 5%. IFIC Holding AG is indirectly owned by the Islamic Republic of Iran. The repurchase of shares from the government of Iran by ThyssenKrupp AG was necessary to avert severe and imminent damage to the Company (Art. 71 par. 1 no. 1 Stock Corporation Act (AktG)):

- Under US legislation (10 U.S.C. Art. 2327 and related provisions), the US ministry of defense and its departments are prohibited from awarding contracts to companies when a foreign government owns or controls a significant, i.e. greater than 5%, share of the company and that government has been determined by the US Secretary of State to be of a country that has repeatedly provided support for acts of terrorism. Companies concerned are disqualified from bidding for government contracts and placed on a public list issued by the U.S. General Services Administration, Office of Acquisition Policy (Listing).

- US companies, specifically automobile manufacturers, typically demand assurances from suppliers that they are unconditionally qualified to conclude government contracts. The legislation applies to contracts greater than US dollar 100,000 and subcontracts greater than US dollar 25,000.

- In view of the over 5% interest of IFIC Holding AG in ThyssenKrupp AG, at the end of April 2003, the Office of the United States Undersecretary of Defense announced that it would place the Group on the public list unless the interest held by IFIC Holding AG was reduced and a deadline of only a few days was set for confirmation of compliance. Previously, ThyssenKrupp AG had been requested to ensure that ThyssenKrupp subsidiaries would not bid for contracts above the legislative limits. All efforts by

ThyssenKrupp AG to obtain a waiver or an amendment to the US legislation had failed and alternative, less drastic measures were not available. Through the repurchase of ThyssenKrupp AG shares from IFIC Holding AG, the imminent public listing and subsequent serious damage to ThyssenKrupp AG's business activities in the USA were avoided.

- ThyssenKrupp AG and its subsidiaries generate sales of just under 8 billion US dollar in the USA. A Listing would have jeopardized a significant portion of these sales – with a corresponding negative impact on income and jobs. This determination is based on damage as a result of the infringement/termination of existing contracts as well as consequential damage due to the loss of future contracts and damage to the Group's reputation.

As no additional assets were acquired as part of the share purchase transaction and the minority shareholder did not enter into any further agreements with ThyssenKrupp AG, the cost of the shares acquired was accounted for as a reduction of Stockholders' Equity.

During 2000/2001, the Group offered its eligible members of the domestic workforce the right to participate in the ThyssenKrupp employee share purchase program. In connection with this program, eligible employees were offered the opportunity to participate in the purchase of up to seventeen ThyssenKrupp shares. In order to fulfill this program, 860,318 shares of treasury stock were purchased from the market at cost of €14 million in compliance with Art. 71 Para. 1 No. 2 of the Stock Corporation Act (AktG) and issued to the employees at a price of €8.95 per share. The issuance of these shares to the employees resulted in compensation expense of €9 million (see note (18)).

In 1998/1999, ThyssenKrupp AG acquired 5,477,000 of its own stock in compliance with Art. 71 Para. 1 No. 3 of the Stock Corporation Act (AktG) for the purpose of being exchanged for the remaining outstanding shares of the former stockholders of Thyssen Industrie AG in accordance with Art. 320 of the Stock Corporations Act. As of September 30, 2003, ThyssenKrupp AG held 20,810 of its own shares at a book value €0.2 million, which is a decrease of 210 shares compared to September 30, 2002.

Additional paid in capital

As of September 30, 2001, additional paid in capital was increased €10 million as a result of the capital increase by subsidiaries and €1 million as a result of the employee share purchase plan.

Other comprehensive income

The following table shows the components of "Other comprehensive income", net of tax effects:

million €

	Year ending Sept. 30, 2001			Year ending Sept. 30, 2002			**Year ending Sept. 30, 2003**		
	Pre tax	Tax effect	Net	Pre tax	Tax effect	Net	**Pre tax**	**Tax effect**	**Net**
Foreign currency translation adjustment:									
Change in unrealized gains/(losses), net	(202)	0	(202)	(241)	0	(241)	(231)	0	(231)
Net realized (gains)/losses	(28)	0	(28)	18	0	18	2	0	2
Net unrealized gains/(losses)	**(230)**	**0**	**(230)**	**(223)**	**0**	**(223)**	**(229)**	**0**	**(229)**
Unrealized gains/(losses) from market valuation of securities:									
Change in unrealized holding gains/(losses), net	(2)	1	(1)	0	0	0	0	0	0
Net realized (gains)/losses	(11)	5	(6)	(63)	33	(30)	0	0	0
Net unrealized holding gains/(losses)	**(13)**	**6**	**(7)**	**(63)**	**33**	**(30)**	**0**	**0**	**0**
Minimum pension liability adjustment	**(61)**	**27**	**(34)**	**(207)**	**75**	**(132)**	**(505)**	**160**	**(345)**
Unrealized gains/(losses) on derivative instruments:									
Change in unrealized gains/(losses), net	(53)	22	(31)	(28)	10	(18)	25	(10)	15
Net realized (gains)/losses	1	0	1	(4)	1	(3)	6	(3)	3
Net unrealized gains/(losses)	**(52)**	**22**	**(30)**	**(32)**	**11**	**(21)**	**31**	**(13)**	**18**
Other comprehensive income	**(356)**	**55**	**(301)**	**(525)**	**119**	**(406)**	**(703)**	**147**	**(556)**

Dividend proposal

Executive Board and Supervisory Board have agreed to propose to the stockholders' meeting a dividend in the amount of €0,50 per each share entitled to dividend to be distributed from unappropriated net income of the stand-alone entity ThyssenKrupp AG for fiscal 2002/2003 as determined in conformity with the principles of the German Commercial Code (HGB).

18 Management incentive plans

On December 3, 1999, ThyssenKrupp AG introduced a long-term management incentive plan with a term of five years. The plan is a performance-based model in which the amount of compensation, if any, is not determined until the end of the performance period.

After issuance of the first installment of the incentive plan with 224 selected participants, each of the other four installments was expanded by approximately 400 participants. Included in this expanded group are - apart from members of the executive board and the management of Group companies - managerial employees in Germany and comparable executive employees from foreign countries. The beneficiaries of the plan are granted appreciation rights ("phantom stocks") on the basis of annual commitments which upon fulfillment of certain prerequisites will be remunerated in cash at the end of the particular performance period. The decision to expand the number of plan participants in the second year of the incentive plan, resulted in an increase of the total number of appreciation rights from 9.5 million to 14 million. As of September 30, 2003, 2.9 million appreciation rights were granted to 581 beneficiaries in the third installment, 2.9 million appreciation rights were granted to 587 beneficiaries in the fourth installment and 2.8 million appreciation rights were granted to 583 beneficiaries in the fifth installment. The 1.8 million appreciation rights which were granted within the framework of the first installment as well as the 2.9 million appreciation rights which were granted within the framework of the second installment expired in 2001/2002 and in 2002/2003 without any payment because at the end of the relevant performance-period neither of the two below mentioned performance hurdles were met.

A prerequisite for remuneration of the appreciation rights is the achievement of at least one of the two following performance hurdles at the end of a particular performance period. For the first installment the performance period was from December 3, 1999 until the regular stockholders' meeting in 2002 and for the second installment the performance period was from May 25, 2000 until the regular stockholders' meeting in 2003. The performance periods for the third, fourth and fifth installments are from March 05, 2001 until the regular stockholders' meeting in 2004, from March 04, 2002 until the regular stockholders' meeting in 2005 and from February 24, 2003 until the regular stockholders' meeting in 2006, respectively. The performance hurdles to be measured at the end of the respective performance periods are:

- either the stock market price of the ThyssenKrupp stock must have developed better than the DJ STOXX index, or
- the stock market price of ThyssenKrupp stock must have increased by at least 15%.

In a stock option program the beneficiary is given the right to purchase shares at a certain exercise price. The difference between the exercise price and the current share price represents the benefit. In the long-term management incentive plan, in place of stock options, appreciation rights are granted which lead to a cash payment. The amount of the payment corresponds to the gain the beneficiary could achieve under a stock option program.

Accordingly, the amount of the remuneration is calculated based on the difference between the current stock market rate and the base price, with the remuneration per appreciation right being limited to €25. The base price is derived from the current share price from which the following two deductions must be made:

- The market price/index performance deduction, which takes into consideration the change in value of ThyssenKrupp stock in relation to that of the DJ STOXX in a particular performance period,
- and the price change deduction, which takes into consideration the absolute change in stock price of ThyssenKrupp stock in the particular performance period.

The current share price is the average of the current stock market rate of the ThyssenKrupp stock on the first five days of trading after the regular stockholders' meeting with which the respective installment of the incentive plan occurs.

The market price/index performance deduction is determined by multiplying the percentage of the outperformance or underperformance of the ThyssenKrupp stock in relation to the DJ STOXX by the current share price. The price change deduction corresponds to half of the absolute appreciation of the share. The two deductions are combined and then deducted from the current share price to obtain the base price.

Insofar as the sum of the two deductions is not so high as to reduce the base price below the minimum of €2.56 and does not exceed €25.00, the sum of the deductions is equal to the payout per appreciation right.

To exclude measurement-date influences,the ThyssenKrupp price and the DJ STOXX are based on averages both for the start and the end of the reference period of the performance period. At the start of the reference period of the already expired first installment, the average value of the share price was €23.91, and the average value of the DJ STOXX was 425.43, while at the end of the reference period the respective values were only €17.98 and 377.10. For the also expired second installment, the average value of the share price was €18.33, and the average value of the DJ STOXX was 491.02 at the start of the reference period, while at the end of the reference period the respective values were only €11.72 and 252.20. For the installments which are still running for the start reference period of the third installment, the average value of the share price was €16.88, and the average value of the DJ STOXX was 416.02, for the start reference period of the fourth installment, the average value of the share price was €17.89, and the average value of the DJ STOXX was 393.03 and for the start reference period of the fifth installment, the average value of the share price was €8.06 and the average value of the DJ STOXX was 239.51. The comparable values as of September 30, 2003 are €13.97 for ThyssenKrupp's share price applicable to the third installment (adjusted by the dividend payment for the 2000/2001 fiscal year and 2001/2002 fiscal year), €13.37 for the fourth installment (adjusted by the dividend payment for the 2001/2002 fiscal year) and €12.97 for the fifth installment. The comparable value of the DJ STOXX as of September 30, 2003 was 298.73.

As of September 30, 2003 the performance hurdles for the fifth installment of the Group's long-term management incentive plan were met. As a result, the Group recorded compensation expense from the plan in the amount of €3.9 million in 2002/2003.

In April 2003, ThyssenKrupp implemented a mid-term incentive plan. The plan is a performance-based model in which the amount of compensation, if any, is not determined until the end of the three-year performance period. All Executive Board members of ThyssenKrupp AG are eligible to participate in the plan. ThyssenKrupp initially granted a total of 123,381 stock rights to the Executive Board members. The number of stock rights will be adjusted at the end of the performance period based on the average economic value added (EVA) over the three-year performance period (fiscal years 2002/2003 to 2004/2005) set against the average EVA over the previous three fiscal years (1999/2000 to 2001/2002). At the end of the performance period the stock rights will be settled in cash based on the average price of ThyssenKrupp stock during the period from October 01 to December 31, 2005.

In 2002/2003, ThyssenKrupp recorded compensation expense of €0.5 million for obligations under this plan.

19 Accrued pension and similar obligations

million €

	Sept. 30, 2002	Sept. 30, 2003
Accrued pension liability	6,223	6,597
Accrued postretirement obligations other than pensions	567	517
Other accrued pension-related obligations	275	287
Total	**7,065**	**7,401**

Pensions and similar obligations in the amount of €6,922 million (2002: €6,581 million) have a remaining term of more than 1 year.

Pension plans

The Group provides pension benefits to substantially all employees in Germany. A majority of the employees in the USA, Canada and the United Kingdom also receive pension benefits. In Italy, statutory rules require eligible employees to receive retirement benefits. In other countries, some employees receive benefits in accordance with the respective local requirements.

The benefits in Germany generally take the form of pension payments. Benefits for some senior staff are based on years of service and salary during a reference period, which is generally three years prior to retirement. Other employees receive benefits based on years of service. The law requires pension payments in Germany to be indexed for inflation. In Germany ThyssenKrupp AG grants defined benefits to employees for the deferral of compensation which earn interest at a rate of 6.00% per year.

In the USA and Canada, hourly paid employees receive benefits based on years of service. Benefits for salaried employees are based on years of service and salary. Benefits for employees in the United Kingdom are based on years of service and an employee's final salary before retirement.

The benefit obligations in Germany and Italy are unfunded. In the USA, Canada, the United Kingdom and the Netherlands assets have been transferred to fund the pension plans (plan assets). The plan assets consist of national and international stocks, fixed-interest government and non-government securities and real estate. The funding of the plans in the USA and Canada is governed by statutory requirements and, additionally in the case of some large plans, by trade union agreements. The plans in the United Kingdom are funded on the basis of actuarial calculations taking the statutory minimum funding amounts into consideration.

Within the framework of the transition to US GAAP, the valuation of plans not previously accounted for according to SFAS 87, "Employers' Accounting for Pensions", was changed, effective

October 01, 1998, as though these plans had previously been valued according to SFAS 87 since October 01, 1989. October 01, 1989 is the date on which Thyssen would have been required to implement SFAS 87 for its plans outside the USA, had a US GAAP valuation been used at that time. This retrospective restatement results in a transitional deficit for the pension benefit obligations in Germany. The transitional deficit was computed on the basis of the valuation assumptions as of October 01, 1998 and hypothetically carried forward to the October 01, 1998 effective date. The plans in the USA and Canada were already valued pursuant to SFAS 87 before October 01, 1998. Therefore, the existing historical valuations were not altered.

A reconciliation of the changes in the plans' benefit obligations and fair value of plan assets in the Group's unfunded and funded plans follows. The obligations presented in the unfunded category relate primarily to pension obligations in Germany and to a lesser extent, the benefit obligations in Italy and similar pension obligations in other countries. The obligations presented in the funded plan category relate to the USA, Canada, the United Kingdom and the Netherlands.

The development of the pension obligations and related fund assets is as follows:

million €

	Sept. 30, 2002		**Sept. 30, 2003**	
	Funded plans	Unfunded Plans	**Funded plans**	**Unfunded Plans**
Change in projected benefit obligations (PBO):				
PBO at beginning of fiscal year	1,875	5,906	1,924	5,900
Service cost	50	64	44	63
Interest cost	130	336	119	336
Participant contributions	6	0	5	0
Plan amendments	3	0	3	0
Actuarial loss	54	32	236	174
Acquisitions/(divestitures)	0	6	(5)	(14)
Curtailments	36	0	(24)	0
Currency changes	(111)	0	(251)	0
Benefit payments	(119)	(444)	(112)	(435)
PBO at end of fiscal year	**1,924**	**5,900**	**1,939**	**6,024**
Change in plan assets:				
Fair value of plan assets at beginning of fiscal year	1,907		1,616	
Actual return on plan assets	(127)		(12)	
Acquisitions/(divestitures)	0		(5)	
Employer contributions	42		58	
Participant contributions	6		5	
Currency changes	(93)		(194)	
Benefit payments	(119)		(112)	
Fair value of plan assets at end of fiscal year	**1,616**		**1,356**	

The following represents the funded status of these plans:

million €

	Sept. 30, 2002		Sept. 30, 2003	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Funded status at end of fiscal year	(308)	(5,900)	(583)	(6,024)
Unrecognized net obligation at initial date of application of SFAS 87	(3)	88	(1)	50
Unrecognized prior service cost	36	0	24	1
Unrecognized actuarial (gain)/loss	327	(28)	634	145
Net amount recognized	**52**	**(5,840)**	**74**	**(5,828)**
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid benefit cost	84	0	58	0
Accrued pension liability	(263)	(5,960)	(563)	(6,034)
Intangible asset	34	38	25	25
Accumulated other comprehensive income*	197	82	554	181
Net amount recognized	**52**	**(5,840)**	**74**	**(5,828)**

* including minorities

The valuation of the post-retirement benefits in Germany is based on the 1998 Heubeck tables. The benefit obligations in Italy are recognized at the undiscounted value of the vested rights, which is in conformity with EITF 88-1 "Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan".

Pension plans for which the aggregated projected benefit obligation exceeds the plan assets relate to projected benefit obligations in the amount of €1,929 million (2002: €1,695 million) versus plan assets in the amount of €1,347 million (2002: €1,389 million). Pension plans for which the aggregated accumulated benefit obligation exceeds the plan assets relate to accumulated benefit obligations in the amount of €1,841 million (2002: €1,317 million) versus plan assets in the amount of €1,340 million (2002: €1,094 million).

The assumptions for discount rates and the rates of compensation increase on which the calculation of the obligations is based were derived in accordance with standard principles and established for each country as a function of their respective economic conditions. The assumptions on expected return on plan assets are based on the economic circumstances in the country concerned. The Group applied the following weighted average assumptions:

in %

	Year ending Sept. 30, 2001		Year ending Sept. 30, 2002		Year ending Sept. 30, 2003	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Weighted-average assumptions as of July 01:						
Discount rate	7.15	5.88*	6.91	5.90*	5.84	5.17*
Expected return on plan assets	9.22	–	9.03	–	8.16	–
Rate of compensation increase	4.31	3.00	4.22	3.00	3.86	2.50

* Germany: 2000/2001: 6.00 %; 2001/2002: 6.00 %; 2002/2003: 5.25 %

The net periodic pension costs for the defined benefit plans were as follows:

million €

	Year ending Sept. 30, 2001		Year ending Sept. 30, 2002		Year ending Sept. 30, 2003	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Service cost	51	58	50	64	44	63
Interest cost	142	343	130	336	119	336
Expected return on plan assets	(201)	0	(185)	0	(145)	0
Amortization of transition obligations	(2)	38	(2)	37	(1)	38
Amortization of prior service cost	12	0	12	0	9	0
Amortization of actuarial (gain)/loss	(39)	(6)	(21)	0	1	0
Settlement and curtailment (gain)/loss	(1)	0	39	0	4	0
Net periodic pension cost	**(38)**	**433**	**23**	**437**	**31**	**437**

Some company plans require the Group to make contributions on behalf of employees' defined contribution plans. The total cost of such contributions in the current fiscal year was €31 million (2001/2002: €24 million; 2000/2001: €17 million).

Postretirement obligations other than pension

The changes in accumulated postretirement benefit obligations are as follows:

million €

	Sept. 30, 2002 US/Canadian plans	Sept. 30, 2003 US/Canadian plans
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of fiscal year	614	872
Service cost	10	13
Interest cost	44	57
Plan amendments	1	0
Actuarial loss	298	266
Curtailments	35	0
Currency changes	(65)	(149)
Benefit payments	(65)	(51)
Accumulated postretirement benefit obligation at end of fiscal year	**872**	**1,008**

Postretirement health care coverage and life insurance is provided by some companies in the USA and Canada to former full time employees who meet certain minimum requirements regarding age and length of service. The plans primarily relate to the ThyssenKrupp Budd Company and are mainly unfunded.

The following represents the unfunded status of these plans:

million €

	Sept. 30, 2002 US/Canadian plans	Sept. 30, 2003 US/Canadian plans
Unfunded status at end of fiscal year	(872)	(1,008)
Unrecognized prior service cost	(22)	(17)
Unrecognized actuarial loss	327	508
Net amount recognized for postretirement obligations other than pensions	**(567)**	**(517)**

The determination of the accumulated postretirement benefit obligations is based on the following weighted average assumptions:

in %

Weighted-average assumptions as of July 01	Year ending Sept. 30, 2001 US/Canadian plans	Year ending Sept. 30, 2002 US/Canadian plans	Year ending Sept. 30, 2003 US/Canadian plans
Discount rate	7.45	7.23	6.00
Health care cost trend rate for the following year	5.67	11.63	10.88
Ultimate health care cost trend rate	5.46	5.46	5.46

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

million €

	Year ending Sept. 30, 2001 US/Canadian plans	Year ending Sept. 30, 2002 US/Canadian plans	Year ending Sept. 30, 2003 US/Canadian plans
Service cost	12	10	13
Interest cost	46	44	57
Amortization of prior service cost	(3)	(3)	(2)
Amortization of actuarial loss	1	3	18
Curtailment loss	0	29	0
Net periodic postretirement benefit cost	**56**	**83**	**86**

The effects of a one-percentage-point increase or decrease in the assumed health care cost trend rates are as follows:

million €

	one-percentage-point	
	Increase	Decrease
Effect on service and interest cost components	11	(9)
Effect on postretirement benefit obligation	153	(123)

Other pension related obligations

Some companies of the Steel segment and Corporate grant termination benefits to employees on a contractual basis. The termination benefits comprise severance payments that vest based on a formula that considers years of service and certain allowances that are paid to older employees between termination of employment and retirement age. The majority of the obligations relate to the closing of the Dortmund steel plants. The measurement of the plans was determined on an actuarial basis. The liability reflects benefits earned by the employees from the inception of employment. Future service cost is allocated to the periods in which it is incurred. The discount rate is 3.0% and 4.0% as of September 30, 2003 and September 30, 2002, respectively. A rate of compensation increase of 2.6% has been assumed.

The accured liability of the plans has developed as follows:

million €

	Sept. 30, 2002	Sept. 30, 2003
Accrued liability at beginning of fiscal year	119	90
Service cost	17	8
Interest cost	3	2
Actuarial loss	3	4
Benefit payments	(52)	(49)
Reversals	0	(2)
Accrued liability at end of fiscal year	**90**	**53**

Some German companies have obligations resulting from partial retirement agreements. Under these agreements, employees work additional time prior to retirement, which is subsequently paid for in installments after retirement. For these obligations, accruals in the amount of €119 million (2002: €90 million) were recognized in accordance with SFAS 112 “Employers’ Accounting for Postemployment Benefits”. Other pension-related obligations also include the obligations for existing employees of French companies in the amount of €27 million (2002: €21 million).

20 Other accrued liabilities

million €

	Sept. 30, 2002	Sept. 30, 2003
Accrued income taxes and other taxes (for current taxes)	**594**	**511**
Other provisions		
Product warranties and product defects	321	304
Other accrued contractual costs	481	425
Derivative financial instruments	147	171
Accrued compensation and benefit costs	738	766
Restructuring activities	117	129
Asset retirement obligations	193	243
Environmental obligations	56	32
Other miscellaneous accruals	419	397
	2,472	**2,467**
Other accrued liabilities	**3,066**	**2,978**

Accrued income taxes and other taxes in the amount of €13 million (2002: €13 million) and other provisions in the amount of €445 million (2002: €357 million) have a remaining term of more than 1 year.

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

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

million €

Balance as of Sept. 30, 2002	**321**
Currency changes	(21)
Acquisitions/(divestitures)	(9)
Amounts utilized	(89)
Changes from product warranties issued in 12 months of 2002/2003	136
Changes from prior periods product warranties and product defects issued	(34)
Balance as of Sept. 30, 2003	**304**

Other accrued contractual costs represent pending losses from uncompleted contracts.

Accrued liabilities for derivative financial instruments refer to the negative fair market values of foreign currency derivatives including embedded derivatives, interest rate derivatives and commodity derivatives (see also note (27)).

Accrued compensation and benefit costs represent employment anniversary bonuses and accrued vacation, while social plan and related costs pertaining to personnel-related structural measures are reflected in the accrual for restructuring activities. Pension-related obligations for partial retirement agreements and early retirement programs are part of the accrual for pensions and similar obligations.

The restructuring accrual is subdivided into accruals for employee termination benefits and exit costs which have been established by operating divisions for costs incurred in connection with activities which do not generate any future economic benefits for the Group.

Restructuring measures are being carried out in all segments. The accrued balance as of September 30, 2003, consists mainly of €25 million within the Steel segment, €54 million within the Automotive segment and €20 million within the Technologies segment. Of the total expense (net of additional charges and reversals) for fiscal 2002/2003 in the amount of €104 million, €24 million is within the Steel segment, €21 million is within the Automotive segment and €30 million is within the Technologies segment. The change in the accrual balance is as follows:

million €

	Involuntary employee termination benefits and relocation costs	Exit costs	Total
Balance as of Sept. 30, 2001	**42**	**25**	**67**
Acquisitions/(divestitures)	(1)	0	(1)
Additional charges	152	54	206
Amounts utilized	(111)	(19)	(130)
Reversals	(8)	(12)	(20)
Currency changes	(2)	(3)	(5)
Balance as of Sept. 30, 2002	**72**	**45**	**117**
Acquisitions/(divestitures)	(2)	1	(1)
Additional charges	96	16	112
Amounts utilized	(63)	(18)	(81)
Reversals	(7)	(1)	(8)
Currency changes	(4)	(6)	(10)
Balance as of Sept. 30, 2003	**92**	**37**	**129**

Of the total amount of restructuring accruals as of September 30, 2003, €6 million (2002: €2 million) relate to restructuring charges in connection with acquisitions.

The accrued liability for asset retirement obligations mainly consists of obligations associated with mining activities and recultivating landfills. In most cases the associated asset was already fully depreciated at the time of the adoption of the Standard, so an adjustment to any existing liability resulting from the adoption of SFAS 143 was income-effective and shown as a cumulative effect of change in accounting principles.

As a result of adopting SFAS 143, expense of €14 million (expense of €6 million net of tax) has been recorded as cumulative effect of a change in accounting principle in fiscal year 2002/2003. Included in the €14 million cumulative effect adjustment is €29 million (€21 million net of tax) of income from the first time application of SFAS 143 as of January 01, 2003 by a significant equity method investee. Had SFAS 143 been applied as of September 30, 2002, September 30, 2001 and October 01, 2000, the impact on the liability recorded, net income and earnings per share would not have been material.

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

million €

Balance as of Sept. 30, 2002	**193**
Additions	57
Accretion	5
Amounts utilized	(9)
Revisions in estimates and reversals	(3)
Balance as of Sept. 30, 2003	**243**

Provisions for environmental obligations refer primarily to rehabilitating contaminated sites, redevelopment and water protection measures.

21 Financial payables

Book values in million €

	Sept. 30, 2002	amount thereof with remaining term more than 1 year	Sept. 30, 2003	amount thereof with remaining term of up to 1 year	amount thereof with remaining term of more than 1 year	amount thereof with remaining term of amount thereof more than 5 years
Bonds	1,513	1,306	1,306	0	1,306	497
Notes payable	296	286	285	10	275	0
Payables to financial institutions	3,432	2,775	3,041	912	2,129	1,222
Acceptance payables	29	0	15	15	0	0
Capital lease obligations	240	193	231	68	163	82
Other loans	173	48	70	31	39	21
Financial payables	**5,683**	**4,608**	**4,948**	**1,036**	**3,912**	**1,822**

Financial payables in the amount of €527 million (2002: €650 million) are collateralized by real estate. Of these collateralized payables, €198 million (2002: €271 million) are related to mortgage loans of Real Estate.

As of September 30, 2003, the financial payables reflect a total discount in the amount of €7 million (2002: €9 million), which is offset by a total premium in the amount of €1 million (2002: €2 million). Amortization of discounts and premiums of financial payables are included in “Interest expense, net”.

“Other loans” include loans payable to Associated Companies and other investees in the amount of €0 million (2002: €4 million).

Bonds, Notes payable

	Book value in million € Sept. 30, 2002	Book value in million € Sept. 30, 2003	Nominal value in million € Sept. 30, 2003	Interest rate in %	Fair value in million € Sept. 30, 2003	Maturity Date
ThyssenKrupp Finance Nederland B.V. bond (DM 400 million) 96/03	206	–	–	–	–	06/13/2003
ThyssenKrupp Finance Nederland B.V. bond (DM 600 million) 98/06	310	309	307	5.25	318	07/14/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 01/06	500	500	500	5.75	521	04/05/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 02/09	497	497	500	7.00	543	03/19/2009
Giddings & Lewis note loan (USD 100 million) 95/05	6	5	5	7.50	5	10/01/2005
ThyssenKrupp Stahl AG note loan (DM 200 million) 98/05	41	31	31	7.05	34	10/15/2005
ThyssenKrupp AG note loan (€100 million) 00/07	99	99	100	6.00	110	02/21/2007
ThyssenKrupp AG note loan (€50 million) 00/07	50	50	50	5.80	54	03/16/2007
ThyssenKrupp AG note loan (€100 million) 01/07	100	100	100	5.45	108	10/25/2007
Total	**1,809**	**1,591**	**1,593**		**1,693**	

ThyssenKrupp AG has assumed the unconditional and irrevocable guarantee for the due payments pursuant to the terms and conditions of these and all other bonds of ThyssenKrupp Finance Nederland B.V.

The DM 400 million bond of ThyssenKrupp Finance Nederland B.V. issued in 1996 was repayed at its maturity date on June 13, 2003.

Apart from the note loan of ThyssenKrupp Stahl AG, which is to be repaid in annual installments of €10.2 million, all bonds and note loans are interest only with principle due at maturity.

As of September 30, 2003, the financing structure of payables to financial institutions and other loans comprise the following:

Payables to financial institutions, Other loans

	Book value in million € Sept. 30, 2002	Book value in million € Sept. 30, 2003	Amount thereof in €	Weighted average interest rate % Sept. 30, 2003	Amount thereof in USD	Weighted average interest rate % Sept. 30, 2003	Amount thereof in other currencies	Fair value in million € Sept. 30, 2003
Revolving bilateral bank loans (at variable interest rates)	918	879	411	2.75	468	1.63	–	879
Other loans at variable interest rates	2,082	1,700	281	2.85	1,030	1.82	389	1,700
At fixed interest rates (excluding real estate credits)	368	332	325	5.55	3	6.18	4	348
Real estate credits at fixed interest rates	237	200	200	4.11	–	–	–	216
Total	**3,605**	**3,111**	**1,217**	**3.75**	**1,501**	**1.77**	**393**	**3,143**

As of September 30, 2003, ThyssenKrupp has available two USD 1.5 billion (appx. €1.3 billion) syndicated joint credit multi-currency-facility agreements. The agreement fixed in November 2000 expires on November 29, 2005. The agreement fixed in August, 2002 is divided into tranche A in the amount of USD 0.5 billion expiring August 19, 2004, and tranche B in the amount of USD 1.0 billion expiring August 20, 2007. Neither facility agreement was utilized as of the balance sheet date.

Another component of financial payables at variable interest rates are revolving credit agreements with banking institutions whereby ThyssenKrupp AG, ThyssenKrupp USA, Inc. or ThyssenKrupp Finance Nederland B.V. can borrow in Euros, U.S. dollar or in British pounds Sterling up to approximately €1,836 million. Of the €1,836 million facilities, 62% have a remaining term of more than 5 years and 38% a remaining term of up to 5 years. As of September 30, 2003, €879 million were outstanding. The amount consists of USD 547 million (appx. €468 million) at a weighted average interest rate of 1.63% and €411 million at a weighted average interest rate of 2.75%.

A component of the fixed-interest real estate credits is either interest free or below market rate. They amount to €112 million (2002: €176 million). Such subsidized loans were obtained by Real Estate to finance projects in social welfare housing. In turn, the company is subject to rental price control limitations.

For capital lease obligations, the future minimum lease payments as of September 30, 2003 amount to:

million €

(for fiscal year)	
2003/2004	87
2004/2005	48
2005/2006	34
2006/2007	29
2007/2008	25
thereafter	124
Total future minimum payments	**347**
less executory costs	(62)
less interest	(54)
Present value of future minimum lease payments (= payables from capital lease)	**231**

Maturities of financial payables are as follows:

million €

(for fiscal year)	Total financial payables	thereof: Payables to financial institutions
2003/2004	1,036	912
2004/2005	240	190
2005/2006	1,210	364
2006/2007	351	180
2007/2008	289	173
thereafter	1,822	1,222
Total	**4,948**	**3,041**

22 Trade accounts payable

million €

	Sept. 30, 2002	amount thereof with remaining term	Sept. 30, 2003	amount thereof with remaining term of		
		more than 1 year		up to 1 year	more than 1 year	amount thereof more than 5 years
Trade accounts payable	3,128	29	3,075	3,046	29	0

23 Other payables

million €

	Sept. 30, 2002	amount thereof with remaining term	Sept. 30, 2003	amount thereof with remaining term of		
		more than 1 year		up to 1 year	more than 1 year	amount thereof more than 5 years
Payables to non-consolidated subsidiaries	37	2	35	35	0	0
Payables to Associated Companies and other investees	124	0	120	117	3	0
Payables from orders in progress (POC)	1,344	518	1,350	857	493	0
Miscellaneous payables	1,508	57	1,423	1,344	79	15
amount thereof for taxes	*276*	*0*	*300*	*287*	*13*	*10*
amount thereof for social security	*225*	*0*	*220*	*220*	*0*	*0*
Other payables	**3,013**	**577**	**2,928**	**2,353**	**575**	**15**

Other payables in the amount of €5 million (2002: €8 million) are collateralized by real property.

The payables to non-consolidated subsidiaries originated mainly from intercompany financing and from profit and tax sharing.

Miscellaneous payables also include payables obliations to the employees in the amount of €389 million (2002: €414 million).

24 Deferred income

Deferred income in the amount of €3 million (2002: €4 million) has a remaining term of more than 1 year.

25 Commitments and contingencies

Guarantees

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

million €

	Maximum potential amount of future payments as of Sept. 30, 2003	Accrued liability as of Sept. 30, 2003
Advance payment bonds	12	0
Performance bonds	176	0
Third party credit guarantee	140	0
Letters of comfort	132	0
Residual value guarantees	56	1
Other guarantees	129	5
Total	**645**	**6**

The terms of these guarantees depend on the type of guarantee and may range from three months to ten years (e.g. rental payment guarantees).

The basis for possible payments under the guarantees is always the non-performance of the primary obligor under a contractual agreement, e.g. late delivery, delivery of non-conforming goods under a contract, non-performance with respect to the warranted quality or default under a loan agreement.

All guarantees issued by ThyssenKrupp AG or the segment lead companies are based on requests from third parties who are subject to recourse provisions in case of default. In some cases the Group, as the guarantor, has received cash under a collateralization agreement to partially cover a potential loss from our performance under such guarantee.

ThyssenKrupp has no third party debt collateralized by real property in 2003 (2002: €4 million). Additionally, the Group bears joint and several liability as a member of certain civil law partnerships, ordinary partnerships and consortiums.

Variable interest entities

ThyssenKrupp has leased facilities used in the production of coke and transloading of coal from entities which have characteristics of variable interest entities as described in the FASB Interpretation No. 46, “Consolidation of Variable Interest Entities”. The application of the rules of this Interpretation to the companies acting as operators of these facilities has resulted in the consolidation of these variable interest entities as of July 01, 2003. The consolidation of these companies does not have a material effect on the results of operations or the financial position of the Group. In addition, upon review of the owner companies of the leased facilities, that are also variable interest entities under the scope of the Interpretation, it was determined that the Group is not the primary beneficiary of those companies and consequently will not be included in the consolidated financial statements. The obligations of the Group existing under the leasing and purchasing agreements are included in the future minimum lease payments from operating lease as disclosed below. The Group’s theoretical maximum exposure to loss from both facilities amounts to approximately €55 million and results from the residual value guarantees for the assets at the end of the lease and purchasing agreements, respectively. Moreover, according to the rules of FASB Interpretation No. 46 a minority interest is included in the Group’s consolidated financial statements due to the contingent fixed price purchase obligation of the other shareholders’ interests upon the occurrence of certain future events.

Commitments

The Group is the lessee to property, plant and equipment classified as operating leases. Rental expense in the amount of €177 million (2001/2002: €173 million; 2000/2001: €174 million) resulting from rental contracts, long-term leases and leasing contracts classified as operating leases was incurred in fiscal 2002/2003. It comprises as follows:

million €

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Minimum rental payments	174	174	178
Contingent rental payments	2	0	0
less income from sublease agreements	(2)	(1)	(1)
Total	**174**	**173**	**177**

The future minimum rental payments, excluding accrued interest from such non-cancelable contracts that have an initial or remaining term of more than one year as of September 30, 2003, are (at face amounts):

million €

(for fiscal year)	
2003/2004	191
2004/2005	166
2005/2006	142
2006/2007	123
2007/2008	113
thereafter	812
Total	**1,547**

The future minimum rental income from non-cancelable sublease contracts in the amount of €16 million (2001/2002: €16 million; 2000/2001: €23 million) is not included in the total of future minimum rental payments.

The commitment to enter into investment projects amounts to €221 million (2002: €257 million) and relates mainly to the Steel segment.

Payment commitments and obligations to make further contributions to corporations and cooperative associations exist in the total amount of €3 million (2002: €3 million). In addition, other financial commitments exist in the amount of €302 million (2002: €475 million), primarily from the commitment to purchase iron ore under a long term contract in the Steel segment and a payment commitment for the Stainless Steel Cold Rolling Mill in Shanghai.

The Group (Steel segment) has entered into an agreement for the availability of raw material (energy) for use in their production process. In connection with this agreement, ThyssenKrupp Stahl AG has entered into a long-term ground lease (an “inheritable building right”) with the energy company, who has committed to construct a power plant thereon. In addition to the ground lease, ThyssenKrupp Stahl AG will provide certain media and common infrastructure facilities to the energy company. ThyssenKrupp Stahl AG is obligated under a 25-year “take-or-pay” power purchase contract.

26 Pending lawsuits and claims for damages

Former stockholders of Thyssen and of Krupp have petitioned per Art. 305 UmwG (Reorganization Act) for a judicial review of the share exchange ratios used in the merger of Thyssen AG and Fried. Krupp AG Hoesch-Krupp to form ThyssenKrupp AG. The proceedings are pending with the Düsseldorf Regional Court. Should a ruling be made in favor of the petitioners, the Court would require settlement to be made via an additional cash payment plus interest. The additional payment also would be required to all affected stockholders, even if they were not petitioners in the judicial proceedings. However, the Group believes, based on the facts of the case, that an unfavorable outcome is unlikely.

As a result of the integration of Thyssen Industrie AG into Thyssen AG, the Group is defendant to court proceedings from minority stockholders of Thyssen Industrie AG to examine the appropriateness of the merger consideration received. If the court rules that the consideration offered was inappropriate, the increased consideration will be granted to all outside stockholders by an additional cash payment.

ThyssenKrupp AG also expects that the ultimate disposition of lawsuits resulting from the merger of Hoesch AG into Fried. Krupp AG Hoesch-Krupp, as well as, the incorporation of Krupp Stahl AG into Fried Krupp AG Hoesch-Krupp, which have been pending since 1993, will not have material adverse impact on financial positions or results of operations.

Regarding the last two aforementioned lawsuits, the proceedings have been settled on the lower court level and have proceeded to the next level.

The Group is involved in pending and threatened litigation in connection with the sale of certain companies, which may lead to partial repayment of purchase price or to the award of damages. In addition, damage claims may be payable to customers and subcontractors under performance contracts. Certain of these claims have proven unfounded or have expired under the statute of limitations. The Group believes, based upon consultation with relevant legal counsel, that the ultimate outcome of these pending and threatened lawsuits will not result in a material impact on the Group´s financial condition or results of operations.

ThyssenKrupp subsidiaries resident in the U.S. import certain carbon and stainless steel products into the U.S. The U.S. Department of Commerce (D.O.C.) imposed import tariffs on several steel products (Sec. 201 Trade Act) but due to an appeal ThyssenKrupp received an exemption for a significant portion of the imports. The U.S. Department of Commerce (D.O.C.) is also reviewing the imports for antidumping regulations. As a result of customs levies, importers must tender antidumping duty cash deposits with the U.S. Customs Service. Such deposits are not recoverable unless challenged by requesting an administrative review through the D.O.C.

The Group has filed a complaint with the European Court against the issuance of a fine by the EU Commission relating to alleged cartel agreements with entities of the Stainless Business Unit. The result of this complaint was a reduction in the amount of the fine. The Group appealed this decision and expect an additional reduction of the imposed fine.

The Group is subject to various other lawsuits, claims and proceedings related to matters incidental to its business. Based upon the best knowledge of Management, the Group does not believe that the ultimate outcome of such other pending matters will have a material effect on the financial condition or results of operations of ThyssenKrupp AG or its subsidiaries.

27 Other financial instruments

Besides the non-derivative financial instruments the Group uses a variety of derivative financial instruments, including foreign currency forward contracts, foreign currency options, interest rate swaps, interest rate caps and commodity forward contracts as a means of hedging exposure to foreign currency, interest rates and commodity price risks.

The Group is exposed to potential credit-related losses, limited to the unrealized gain on such contracts that have a positive fair market value, in the event of nonperformance by counterparties to these financial instruments. The counterparties to these agreements are major international financial institutions, therefore the risk of loss due to nonperformance is believed to be minimal. The financial derivative arrangements entered into by the Group are exclusively for hedging purposes.

Central foreign currency management

The Group manages foreign currency centrally. Within the scope of the Group’s centralized foreign exchange management, domestic subsidiaries are obliged to submit all unhedged foreign currency positions arising from import or export transactions in the major transaction currencies to the clearing office. The positions offered are, depending on the purpose of the derivatives, hedged under a portfolio-hedge approach or directly hedged with banks on a one-to-one basis.

Generally foreign currency derivatives have maturities of twelve months or less. A limited number of transactions have maturities of up to five years, depending on the underlying hedged transaction.

In accordance with SFAS 133, the hedging of foreign currency risk can be accounted for in two different hedge accounting models. Both models are utilized by the ThyssenKrupp Group.

Cash flow hedges

Foreign currency derivatives that are deemed to hedge future cash flows from foreign currency transactions are hedged with banks on a single transaction basis if they meet the requirements of SFAS 133 regarding documentation and effectiveness. These derivatives are accounted for at their fair value. The fluctuations in fair value of these derivatives are accrued in accumulated other comprehensive income and are released into earnings only when the underlying transaction affects earnings. The fair value changes that are due to the application of the cash flow hedging model for foreign currency derivatives as of September 30, 2003 affect the accumulated other comprehensive income in the amount of €10 million (2002: €5 million) (after tax and minority interest). The maximum period of time in which cash flows from future transactions are currently hedged is 60 months.

During the current fiscal year, an amount of €(7) million (2002: €4 million) was released from accumulated other comprehensive income into earnings due to the realization of the corresponding underlying transactions.

As of September 30, 2003, a net result in the amount of €1 million (2002: €(3) million) is included in sales/cost of sales. This result is due to time value changes that are excluded when measuring the hedge effectiveness of the foreign currency derivatives.

The cancellation of cash flow hedges during the current fiscal year led to a reclassification from accumulated other comprehensive income into earnings in the amount of €1 million (2002: €(1) million). These fluctuations in fair value of foreign currency derivatives were originally treated as not affecting earnings. The reclassification occurred when the realization of the corresponding future transactions was no longer probable.

The release of fair value fluctuations currently recognized in the accumulated other comprehensive income will affect earnings within fiscal year 2003/2004 in the amount of €3 million (2003: €0 million).

Fair value hedges

Some of the subsidiaries within the Group are located in countries where the currency exposure cannot be hedged by taking out usual foreign currency derivatives. Other subsidiaries conduct business with so called soft-currency countries. The foreign currency exposures arising from outstanding receivables in these countries are often hedged by obtaining a loan in that foreign currency. The changes in fair value of the loan, as well as the fluctuations of the corresponding underlying binding contractual relationship, are accounted for in sales/cost of sales.

Foreign currency derivatives that hedge realized balance sheet items, or that do not comply with the requirements for hedge accounting under SFAS 133, are accounted for at fair value with the changes in fair value directly affecting earnings. Depending on the nature of the underlying hedged transactions, the changes in fair value are recorded as sales, cost of sales or other financial income.

Central management of the interest rate sensitivity

The Group uses derivative financial instruments, among other tools, to manage and optimize its interest rate sensitivity. These instruments are contracted with the objective of minimizing the interest rate volatility and the financing costs of the underlying basic transactions.

Major portions of the interest rate derivatives are designated directly and immediately to a specific loan (micro hedge). The changes in fair value of these interest rate derivatives are accrued in accumulated other comprehensive income and amount to €(23) million (2002: €(26) million) (after tax and minority interest) as of September 30, 2003. These amounts in other comprehensive income will be offset against related asset or liability accounts in the future as fair values fluctuate. When the cash flow hedging model is applied, changes in market rates will not materially impact future interest expense positions.

Some of the interest rate derivatives are not specifically allocated to an individual loan, but rather hedge a portfolio of loans by means of a macro hedge approach. These macro hedges are also reported at fair value on the balance sheet. The changes in fair value of these interest derivatives immediately affect earnings in the period of occurrence. As of September 30, 2003, the changes in fair value of these derivatives affected earnings by less than €1 million (2002: less than €1 million).

The Group pays an average fixed interest rate of 5.54% and 5.50% on Euro and USD interest rate payer swap contracts, respectively.

Hedging against commodity price risk

The transactions of certain Group companies are exposed to risks from changes in commodity prices, especially in the nonferrous metals sector. In some cases, due to contractual agreements, price changes cannot be passed on to customers (contractual price escalation clauses), these companies make use of commodity derivatives. Hedging is initiated at the local level, subject to strict guidelines, and compliance is checked regularly by our Central Internal Audit Department. Derivatives are limited to marketable instruments (for example, those traded on the London Metal Exchange or other reputable commodity exchanges). The instruments used are commodity forward contracts, cash transactions in combination with forward contracts, and the purchase of options. Commodity derivatives are reported at their fair value as either other assets or other accrued liabilities. The changes in fair value are recognized in sales/cost of sales.

The values of the Group's derivative financial instruments are as follows:

million €

	Notional value Sept. 30, 2002	Balance at Sept. 30, 2002	Notional value Sept. 30, 2003	Balance at Sept. 30, 2003
Foreign currency forward contracts				
Buy	1,198	(21)	2,537	(114)
Sell	3,175	86	3,811	175
Foreign currency options				
Buy	694	12	838	34
Sell	881	(10)	589	(11)
Total foreign currency derivatives	**5,948**	**67**	**7,775**	**84**
Embedded derivatives				
Asset	184	6	473	26
Liability	297	(16)	321	(17)
Total embedded derivatives	**481**	**(10)**	**794**	**9**
Interest rate derivatives				
Interest rate swaps	1,029	(86)	885	(59)
Interest rate caps	130	0	0	0
Total interest rate derivatives	**1,159**	**(86)**	**885**	**(59)**
Commodity forward contracts				
Buy	85	(2)	97	9
Sell	52	3	60	(7)
Total commodity derivatives	**137**	**1**	**157**	**2**
Total	**7,725**	**(28)**	**9,611**	**36**

The notional amounts of the derivative financial instruments do not represent agreed payments between the contracting parties but are merely the basis for the calculation of the payment. They do not reflect the risk content of the financial derivatives. The actual payments are effected by interest rates, exchange rates and other factors.

Embedded derivatives are created, for example, when usual trade agreements between our subsidiaries and foreign customers or suppliers are performed in a currency that is not the functional currency (local currency) of either of the parties. According to the provisions of SFAS 133, under these circumstances an embedded derivative is assumed. The application of these provisions led to the recognition of assets in the amount of €26 million (2002: €6 million) and liabilities of €17 million (2002: €16 million) affecting current earnings. In the following periods these balance sheet items are reclassified into earnings and offset the earnings impact of the realized underlying transactions.

Fair market value of financial instruments

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

million €

	Balance at Sept. 30, 2002	Fair value Sept. 30, 2002	Balance at Sept. 30, 2003	Fair value Sept. 30, 2003
Non-derivative financial instruments				
Assets				
Loans	83	83	173	173
Securities classified as financial and operating assets	37	37	36	36
Cash and cash equivalents	921	921	693	693
Liabilities				
Financial payables (excluding capital lease)	5,443	5,560	4,717	4,851
Derivative financial instruments				
Assets				
Foreign currency derivatives including embedded derivatives	115	115	198	198
Commodity derivatives	4	4	9	9
Liabilities				
Foreign currency derivatives including embedded derivatives	58	58	105	105
Interest rate derivatives	86	86	59	59
Commodity derivatives	3	3	7	7
Total	**6,750**	**6,867**	**5,997**	**6,131**

The fair values of the derivative financial instruments represent the price at which one party would assume the rights and obligations of the other party. The fair values were determined on the basis of market conditions – interest rates, foreign currency exchange quotations, commodity prices – existing as of the balance sheet date and by using the valuation methods as explained below. The instruments can experience considerable fluctuations, depending on the volatility of the underlying interest, exchange or price basis.

The fair value of derivative financial instruments is generally determined independent of developments from underlying hedged transactions that may exist.

The following methods have been used to determine the fair market value of financial instruments:

Lendings and financial payables

The fair market value of quoted bonds or notes is derived from the stock quotation as of the balance sheet date. The fair market value of fixed interest bearing lendings and financial payables is calculated as the present value of the anticipated future cash flows. The future interest and repayment amounts are discounted using the prevailing interest rates available as of the balance sheet date. The fair values of the payables subject to variable interest approximate their face values as they reflect current market rates.

Securities classified as financial and operating assets

The fair value of securities is derived from the stock quotation as of the balance sheet date. The other investments, that are carried at historical cost, are not included in the mark-to-market valuation. These investments are not publicly traded, therefore a fair market value is not objectively determinable.

Cash and cash equivalents

The face values equal the fair values.

Foreign currency derivatives

The fair value of foreign currency forward contracts is calculated on the basis of the average spot foreign currency rates applicable as of the balance sheet date, adjusted for time-related premiums or discounts for the respective remaining term of the contract, compared to the contracted forward rate.

The fair value of a currency option is determined using generally accepted option pricing models. The fair market value of an option is influenced not only by the remaining term of the option but also by further determining factors, such as the actual value and volatility of the foreign currency or the implied interest rate levels.

Interest rate derivatives

The fair value of interest rate swaps is determined by discounting the anticipated future cash flows. For this purpose, the market interest rates applicable for the remaining term of the contract are used as a basis. The fair value of an interest rate option is calculated in a similar way to the fair value of a foreign currency option.

Commodity forward contracts

The fair value of commodity forward contracts is based on quoted prices of these instruments and represents the estimated amounts that the company would expect to receive or pay to terminate the agreements as of the reporting date.

28 Related parties

The Alfried Krupp von Bohlen und Halbach Foundation holds an interest of 20.00% in ThyssenKrupp AG. Outside the services and considerations provided for in the by-laws (Article 20 of the Articles of Association of ThyssenKrupp AG), there are no other significant delivery and service relations except for the sale of land and properties to the Alfried Krupp von Bohlen und Halbach Foundation in the amount of €11 million resulting in a gain of €4 million in fiscal year 2002/2003.

Another related party of major importance is Hüttenwerke Krupp-Mannesmann (HKM), in which ThyssenKrupp holds a 50% interest as of September 30, 2002 and 2003. Substantial business relations existed with HKM during the current and the previous fiscal year which included the purchase of crude steel (semi-finished continuous casting) and the sale of transport services and coke deliveries.

Significant figures are disclosed below:

million €

	Sept. 30, 2002	Sept. 30, 2003
Sales	44	83
Supplies and services	742	827
Receivables	7	4
Payables	73	85

ThyssenKrupp also holds a 20.6% interest in RAG which was accounted for under the equity method as of September 30, 2002. Business relations between RAG group included primarily the purchase of coal products amounting to €227 million (2002: €253 million) and the sale of transport service and by-products from steel production amounting to €14 million (2002: €14 million). As explained in note (9), the Group ceased accounting for its investment in RAG using the equity method of accounting. As a result, in future periods the Group will no longer include RAG in the related parties disclosure.

In fiscal year 2001/2002 proceeds from the sale of land and properties (mainly from Real Estate) to a subsidiary of RAG in the amount of €55 million were realized resulting in a gain of €13 million.

29 Segment reporting

According to SFAS 131 “Disclosures about Segments of an Enterprise and Related Information”, segment reporting follows the internal organizational and reporting structure of the Group. Corresponding to the products and services the Group organization is comprised of the Steel, Automotive, Elevator, Technologies, Materials and Serv segments as well as the Real Estate activitites.

Steel

This segment produces and sells flat steel in all basic and quality steel grades. The flat steel program includes carbon steel with and without surface finishing, electric strip and stainless steel. In addition, high-grade metal materials such as nickel-base alloys and titanium are produced by this segment.

Automotive

This segment produces parts, components, sub-assemblies and modules/systems for vehicle chassis, body and drive train/steering of passenger cars and trucks.

Elevator

This segment is involved in the construction, modernization, and servicing of elevators, escalators, stair lifts, and passenger boarding bridges.

Technologies

In this segment the machinery and systems activities are combined under a single management. These activities include Production Systems, Plant Technology, Marine and Mechanical Engineering. Production Systems handles the development, manufacture, and customer-specific servicing of metal-cutting machine tools and systems for automobile body technology and assembly of machinery systems. Plant Technology carries out the project management for the planning and construction of production facilities for the chemical and petrochemical industries, cement and sugar industries, conveyor systems, and coking and energy technology. Marine offers building, repair, conversion and servicing of ships, with the emphasis on naval ships. Mechanical Engineering develops and manufactures components that are used primarily in machine building applications. Included are large-diameter bearings, precision bearings, undercarriages, and undercarriage components as well as energy, refrigeration and air-conditioning technology and ship-technical components. In addition, garage and industrial doors are manufactured and production facilities for technical rubber products are offered. Planning, project management and construction of magnetic levitation vehicles (Transrapid) are also activities of Mechanical Engineering.

Materials

This segment is responsible for service activities of materials, with the metallic materials being in the foreground. In addition to the pure sale of product, services are also offered, which extend from warehousing to machining, distribution and information logistics to inventory management.

Serv

This segment is composed of industrial maintenance and facility management, including demolition services. In addition, various IT services are offered, extending from computer center services to multimedia and e-commerce solutions.

Real Estate

Real Estate operates the real properties of the Group through the leasing and sale of properties as well as real estate services in the area of real estate development and real estate consulting.

Corporate

Corporate contains Group administration functions, inclusive of financing companies and national holding companies outside Germany as well as the inactive companies, such as Thyssen Stahl GmbH and Krupp Hoesch Stahl AG. Also included are those operating companies which have not been assigned to a segment such as insurance services and significant equity investments.

Corporate loss before taxes and minority interest consists of:

million €

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Corporate administration	(105)	(95)	(88)
Pension expenses	(209)	(206)	(218)
Compensation for expenses (Steel)	(18)	(14)	(13)
Interest expense, net	(11)	(21)	(23)
Disposal of land	31	1	1
Results of equity investments	77	13	28
Insurance services	13	12	14
Others	24	(35)	(28)
Loss before disposal of investments	**(198)**	**(345)**	**(327)**
Disposal of investments	(62)	255	(5)
Corporate loss before income taxes and minority interest	**(260)**	**(90)**	**(332)**

Consolidation

Consolidation essentially contains the elimination of intercompany profits in inventories. The elimination of the income from equity investments in which the segments Steel and Materials are jointly involved also takes place in the Group consolidation. These jointly owned companies are fully consolidated by the segment in which they are managed. In the other segment, either the equity method or cost method of accounting for investments is used. Within Steel, results on investments from intra-group joint ventures amount to €0 (2001/2002: €0; 2000/2001: €7 million) and within Materials amount to €4 million (2001/2002: €3 million; 2000/2001: €7 million).

Apart from the compensation for expenses outlined above, the accounting principles for the segments are the same as those described for the Group in the summary of significant accounting principles. The measure of segment profit and loss, which is used to evaluate the performance of the operating segments of the Group, is the “Income before income taxes and minority interest“ line item presented in the consolidated statements of income.
Sales between segments are transacted and settled at standard market prices.

Allocation of sales by country is based on the location of the customer and the location of the company. Allocation of financial investments by country is based on the location of the investment whereas the other investments are allocated according to the registered office of the investing company.

Due to the high volume of customers and the variety of business activities, there are no individual customers that generate sales values that are material to the Group’s consolidated net sales.

Segment information of products and services million €

	Steel	Automotive	
For the fiscal year ending Sept. 30, 2001			
External sales	10,694	6,090	
Internal sales within the Group	1,827	25	
Total sales	12,521	6,115	
Equity in the net income of investees accounted for by the equity method	(1)	6	
Interest revenue	129	26	
Interest expense	(292)	(102)	
Income/(loss) before goodwill amortization, income taxes and minority interest	673	155	
Goodwill amortization	57	24	
Income/(loss) before income taxes and minority interest	616	131	
Segment assets (= balance sheet total)	12,944	5,313	
Depreciation, amortization and impairment expense	878	314	
Other significant non-cash items (expense, net)	(102)	(5)	
Capital expenditures (including intangible assets)	1,106	482	
Equity investments	7	0	
Other investments	39	7	
For the fiscal year ending Sept. 30, 2002			
External sales	10,052	6,296	
Internal sales within the Group	1,634	41	
Total sales	11,686	6,337	
Equity in the net income of investees accounted for by the equity method	(12)	7	
Interest revenue	119	26	
Interest expense	(229)	(65)	
Income/(loss) before income taxes and minority interest	167	64	
Segment assets (= balance sheet total)	13,228	5,111	
Depreciation, amortization and impairment expense	755	327	
Other significant non-cash items (expense, net)	(185)	(234)	
Capital expenditures (including intangible assets)	729	408	
Equity investments	36	15	
Other investments	68	29	
For the fiscal year ending Sept. 30, 2003			
External sales	10,303	6,265	
Internal sales within the Group	1,713	30	
Total sales	12,016	6,295	
Equity in the net income of investees accounted for by the equity method	18	4	
Interest revenue	86	26	
Interest expense	(186)	(53)	
Income/(loss) before income taxes and minority interest	384	188	
Segment assets (= balance sheet total)	12,845	5,159	
Depreciation, amortization and impairment expense	765	317	
Other significant non-cash items (expense, net)	(512)	(100)	
Capital expenditures (including intangible assets)	590	305	
Equity investments	4	0	
Other investments	84	14	

Elevator	Technologies	Materials	Serv	Real Estate	Corporate	Consolidation	**Group**
3,504	5,685	9,150	2,280	283	322	0	**38,008**
11	48	472	309	34	31	(2,757)	**0**
3,515	5,733	9,622	2,589	317	353	(2,757)	**38,008**
0	5	5	(7)	(1)	60	(5)	**62**
20	114	31	22	7	477	(707)	**119**
(101)	(106)	(128)	(57)	(25)	(488)	707	**(592)**
276	203	42	(36)	80	(260)	(16)	**1,117**
50	51	21	18	0	20	0	**241**
226	152	21	(54)	80	(280)	(16)	**876**
3,220	7,865	4,195	2,328	2,659	20,987	(24,862)	**34,649**
110	227	105	205	49	30	0	**1,918**
(26)	(183)	(48)	(85)	0	165	0	**(284)**
53	162	91	215	48	55	(7)	**2,205**
0	9	0	0	0	0	0	**16**
16	20	23	20	4	10	(33)	**106**
3,494	5,764	8,526	2,225	298	43	0	**36,698**
6	42	349	324	22	2	(2,420)	**0**
3,500	5,806	8,875	2,549	320	45	(2,420)	**36,698**
0	5	5	2	0	13	(2)	**18**
23	114	22	22	5	469	(677)	**123**
(72)	(99)	(66)	(42)	(20)	(491)	677	**(407)**
317	112	72	52	80	(90)	(12)	**762**
3,169	7,359	4,268	2,239	2,519	19,539	(26,272)	**31,160**
52	436	90	205	46	38	0	**1,949**
(60)	(179)	(58)	(82)	(7)	(34)	3	**(836)**
48	126	61	132	35	7	(11)	**1,535**
0	0	6	0	0	0	0	**57**
43	55	2	29	2	45	(88)	**185**
3,356	5,271	8,534	2,060	324	24	0	**36,137**
9	111	361	321	21	2	(2,568)	**0**
3,365	5,382	8,895	2,381	345	26	(2,568)	**36,137**
0	6	6	1	(2)	28	(4)	**57**
23	99	17	16	6	357	(511)	**119**
(49)	(52)	(54)	(35)	(12)	(380)	511	**(310)**
355	42	90	(58)	60	(332)	(15)	**714**
3,070	6,839	4,033	1,930	2,511	19,560	(25,806)	**30,141**
45	164	77	108	52	21	0	**1,549**
(89)	(220)	(67)	(101)	(15)	(193)	(1)	**(1,298)**
39	117	72	98	42	25	(6)	**1,282**
3	0	0	0	0	0	0	**7**
90	16	92	75	3	4	(63)	**315**

Segment information by geographical area million €

	Germany	Other EU	USA	Other countries	**Group**
External sales (location of the customer)					
Year ending Sept. 30, 2001	13,747	9,483	8,330	6,448	**38,008**
Year ending Sept. 30, 2002	12,952	8,988	7,927	6,831	**36,698**
Year ending Sept. 30, 2003	13,179	8,925	7,021	7,012	**36,137**
External sales (location of the company)					
Year ending Sept. 30, 2001	20,641	6,606	8,200	2,561	**38,008**
Year ending Sept. 30, 2002	19,856	6,314	7,227	3,301	**36,698**
Year ending Sept. 30, 2003	20,243	6,052	6,413	3,429	**36,137**
Intangible assets; Property, plant and equipment					
Sept. 30, 2001	9,072	1,952	3,464	1,849	**16,337**
Sept. 30, 2002	8,903	1,872	2,914	1,611	**15,300**
Sept. 30, 2003	8,713	1,993	2,342	1,484	**14,532**

30 Subsequent events

In October 2003, ThyssenKrupp Elevator AG finalized the acquisition of 75% of the common stock and voting rights of the Korean Dongyang group. Dongyang is the second largest elevator producer and provider of elevator related services in South Korea. Dongyang employs approximately 1,000 employees and recently achieved sales of approximately €193 million. The activities of the Dongyang group will be consolidated in the Group's financial statements beginning October 01, 2003.

In October 2003, in the Technologies segment, Novoferm was sold at a selling price of €167 million, which equals a transaction value of €187 million including minority interest and accrued pension liabilities. The disposal is not expected to result in a significant gain or loss.

In November 2003, ThyssenKrupp Automotive AG acquired 60% of Mercedes-Benz Lenkungen (MBLenk) at a purchase price of €42 million. The purchase agreement includes a put option and a call option for the remaining 40% interest. The put option is exercisable between two and five years from the purchase date and the call option is exercisable between three and six years from the purchase date. The MBLenk group employs approximately 1,600 employees in Germany, Poland, Brazil and USA and recently achieved sales of approximately €300 million. MBLenk manufactures steering gears and complete steering systems.

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

31 Additional information

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

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

million €

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Interest paid	600	393	316
Income taxes paid, net	232	(26)	148

Non-cash investing activities

In fiscal 2002/2003, the acquisition and first-time consolidation of companies created an increase in fixed assets of €0.3 billion (2001/2002: €0.1 billion; 2000/2001: €0.1 billion).

The non-cash addition of assets under capital leases in fiscal 2002/2003 amounts to €27 million (2001/2002: €46 million; 2000/2001: €61 billion).

Non-cash financing activities

In fiscal 2002/2003, the acquisition and first-time consolidation of companies resulted in an increase in gross financial payables in the amount of €82 million (2001/2002: €2 million; 2000/2001: €20 million).

OTHER INFORMATION

32 Earnings per share

Basic earnings per share is computed as follows:

million €

	Year ending Sept. 30, 2001		Year ending Sept. 30, 2002		Year ending Sept. 30, 2003	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
Numerator:						
Income from operations before changes in accounting principles	687	1.33	554	1.08	518	1.02
Cumulative effect of changes in accounting principles (net of tax)	(22)	(0.04)	(338)	(0.66)	(6)	(0.01)
Net income	665	**1.29**	216	**0.42**	512	**1.01**
Denominator:						
Weighted average shares	514,489,044		514,489,044		507,673,543	

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

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

The weighted-average number of outstanding shares was reduced by the reacquisition of shares on May 6, 2003. The reacquisition of shares held in treasury for settlement with outside shareholders of the former Thyssen Industrie AG who have not yet converted their shares but continue to be entitled to dividends, does not effect the determination of the weighted-average number of shares. As of September 30, 2003, there are 20,810 (2002: 21,020; 2001: 25,160) shares held in treasury included in the weighted-average number.

Additional disclosures pursuant to Art. 292a German Commercial Code (HGB)

1. CHANGES IN ACCOUNTING, VALUATION AND CONSOLIDATION METHODS

The consolidated financial statements of ThyssenKrupp AG have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP). ThyssenKrupp AG is therefore exempt from the obligation to prepare its financial statements under German Commercial Code (HGB), as set out in Art. 292a. The Company's consolidated financial statements are in compliance with the 4th and 7th EU Accounting Directive, as interpreted by the German Standards Committee Council in its German Accounting Standard No. 1 and the supplement No. 1a.

The complete set of consolidated financial statements under Art. 292a HGB, including investment holdings, are filed with the Commercial Register in Duisburg under reference number HR B 9092 and with the Commercial Register in Essen under reference number HR B 15364.

The accounting, valuation and consolidation methods under US GAAP are different from the German provisions of the HGB primarily in the following respects:

Intangible assets (including goodwill)

Under HGB and US GAAP, intangible assets acquired for consideration must be capitalized. However, under HGB, intangible assets which were not acquired for consideration or which were developed internally may not be capitalized.

Under US GAAP, external costs that are directly attributable to the development of intangible assets may be capitalized. This includes incidental costs incurred in obtaining patents and copyright protection. Also, direct expenses associated with the development of internally used software may be capitalized.

As of July 01, 2001, under US GAAP goodwill acquired in a business combination is no longer amortized but instead, at least annually, tested for impairment and if necessary written-down.

Under HGB goodwill is capitalized and amortized or offset against retained earnings.

Capitalized interest

Under HGB, the capitalization of interest expense in the cost of property, plant and equipment is not mandatory, but permitted if certain conditions are met.

Under US GAAP, in accordance with SFAS 34, interest expense is required to be capitalized if such costs are material and attributable to the acquisition or production of a qualifying asset. Qualifying assets are assets that require an extended period of time to acquire or produce.

Leases

The HGB does not explicitly prescribe the treatment of leasing operations. Measurement is generally based on regulations promulgated by the German Fiscal Administration. Taking into account fiscal criteria, lease agreements are generally structured so that the leased property must be recorded by the lessor.

US GAAP contains comprehensive regulations regarding the reporting of leasing transactions (in particular SFAS 13). US GAAP makes a distinction between “capital leases” and “operating leases”. The classification of a lease depends upon the identification of the economic owner to whom substantially all benefits and risks inherent in the ownership of the property are transferred. If the transaction qualifies as a “capital lease“, the lessee as the economic owner is required to capitalize the leased property. If the transaction qualifies as an ”operating lease”, the lessor capitalizes the property.

Reversal of impairment charges

Under HGB, when impairment charges have been recorded to reflect a lower applicable asset value, this lower value may not be maintained if the reason for which the impairment charge was recorded no longer exists at a later balance sheet date (requirement to reinstate original values under Art. 280 HGB).

Under US GAAP, SFAS 142 and 144 prohibit the reversal of an impairment charge to an asset's original value.

As only investments that eliminate in consolidation were subject to reinstatement of original values, the consolidated financial statements remained unaffected.

Inventory valuation

Lower of cost or market

Under HGB, the lower of cost or market principle must be observed, which requires that inventory be valued as of the balance sheet date at acquisition or production cost or at the lower of market or applicable value. The applicable value for raw materials and supplies is determined on the basis of the purchase cost on the market. The applicable value for unfinished and finished goods is determined on the basis of the estimated net realizable value obtainable from selling the goods and - for merchandise held for resale - on the basis of the cost to replace the goods and the estimated net realizable value obtainable from selling the goods.

US GAAP requires in ARB 43 the lower of cost or market principle, too. In contrast to HGB, all categories of inventory require that the purchase price as well as the selling price be taken into account when determining inventory value. If the replacement cost is lower than the acquisition or production cost, inventories are valued at the middle value of the calculated replacement cost, net realizable value or net realizable value less an allowance for normal margin.

Long-term production/construction contracts

Principally, the German HGB and German GAAP permit income recognition only after delivery and acceptance of an item is completed, that is, at the earliest when the contractual obligations have largely been met and the remaining risks can be considered immaterial (“completed-contract method”).

Under US GAAP, income is recognized based on the progress made toward completing the contract if a reliable estimate of total proceeds, total costs and stage of progress can be determined (“percentage-of-completion method”). Measurement is prescribed primarily by SOP 81-1 and ARB 45.

Valuation of unrealized gains as of the balance sheet date

HGB prescribes that only unrealized losses be reported (“Imparitätsprinzip”). Under US GAAP, however, unrealized gains are also reported in the following instances:

Assets and liabilities denominated in foreign currency

Under HGB, unhedged assets and liabilities denominated in a foreign currency are valued at either their purchase cost or at their market price, whichever is more conservative as of the balance sheet date. Under US GAAP, pursuant to SFAS 52, all assets and liabilities denominated in foreign currency are valued at the prevailing market rates as of the balance sheet date. As a result, unrealized gains are also recognized in the results of the current year.

Long term and current asset investments

Under HGB, investments are valued at net book value or market value, whichever is lower as of the balance sheet date.

Under US GAAP, securities are allocated to different categories, according to which the valuation is made as prescribed by SFAS 115. The securities held by the ThyssenKrupp Group are classified as “available-for-sale” and are valued at market value as of the balance sheet date, even if it results in recording an unrealized gain. The year-end market value adjustment is not recognized in income however, but is rather recorded as a component of equity.

Derivative financial instruments

According to HGB, there is no mandatory approach with respect to the measurement and accounting of derivative financial instruments. Hence, valuation of these instruments is based on the historical cost concept, the “Realisationsprinzip” and the “Imparitätsprinzip”.

In common interpretations of the HGB, global macro hedges require that the hedged items are accounted for at the hedged rate.

However, according to US GAAP all primary and derivative financial instruments must be accounted for at fair value. Special hedge accounting treatment, in which fluctuations in fair values are recognized in Stockholders’ Equity rather than directly affecting earnings, is permitted when specific restrictive criteria are met. The application of hedge accounting depends on the nature of the underlying transactions and financial instruments used for hedging those transactions. If the criteria for hedge accounting are not met, the fluctuations in fair value of the derivatives are posted to earnings in the period of occurrence. Global macro hedges do not qualify for hedge accounting under US GAAP.

Deferred taxation

Under HGB, deferred taxes must be calculated for all timing differences arising between the tax bases of assets or liabilities and their reported amounts in the consolidated financial statements (so-called timing concept), using the current tax rate for computational purposes. Deferred taxes may not be recognized for quasi-permanent differences, which are reconciled only after a very long period of time or through sale or liquidation. Likewise, deferred taxes may not be recognized for tax loss carryforwards.

Under US GAAP, SFAS 109, deferred taxes must be reported for all temporary differences arising between the tax bases of assets or liabilities and their reported amounts in the consolidated financial statements; quasi-permanent differences are also regarded as temporary differences (temporary concept). In addition, deferred tax assets are recognized for tax loss carryforwards. The applicable tax rate is the current rate based on enacted law as of the balance sheet date, which incorporates future known changes to the tax rate. As of the balance sheet date the recognized deferred tax assets have to be assessed for realizability and if necessary, a valuation allowance is recorded.

Accrued pension and similar obligations

Under both HGB and US GAAP, a liability for the potential cost of post-employment benefits must be accrued on the basis of the expected amount of the projected discounted benefit obligation. HGB permits a number of different actuarial methods; the partial value (“Teilwert”) method pursuant to Art. 6a of the German Income Tax Law is the most commonly used, but is not the only permissible method.
Under US GAAP, the projected unit credit method is mandatory. Due to the flexibility in choice of methods, this is also permitted under HGB. As far as pension funds are concerned, certain qualifying assets, pursuant to SFAS 87, must be deducted from the total amount of the obligation or must be capitalized, should the assets exceed the amount of the obligation. In some instances, certain assets also have the ability to offset pension liabilities under German GAAP. However, what qualifies as assets which have the ability to offset pension liabilities differs under US GAAP and HGB. The extent to which a minimum liability must be recognized under SFAS 87 meets the requirement under HGB. The allocation to the accrual, however, is not always expensed. Instead, the full amount of the obligation may be covered by recording an intangible asset or reducing equity, thereby not affecting income. This is not permitted under HGB.

Other accrued liabilities

Under HGB, in addition to the recognizable accruals for probable contingencies and contingent losses, accruals for anticipated internal expenses (such as cost of repair or maintenance) are permitted, although they do not represent an obligation to a third party. Measurement is made based on conservatism.

US GAAP is much more restrictive in this regard. Accruals are permitted only if they correspond to an obligation to a third party, are deemed probable to occur and the amount of the accrual can be reasonably measured. Accruals for anticipated internal expenses are not permitted. With respect to the measurement of the accrual, the most probable amount is accrued and in a range of equally probable amounts, the lowest amount is accrued. Recognition is essentially prescribed in CON 6 and SFAS 5.

Discontinued operations

Pursuant to Art. 246 (2) of the HGB, expenses may not be offset against income, nor assets against liabilities. As a result, the items allocable to discontinued operations may not be disclosed separately.

Under US GAAP, however, in accordance with SFAS 144, the income statement and balance sheet items are reclassified for the effects associated with discontinued operations. The results of the discontinued operations are reported on a net basis as a separate line of the income statement. The assets and liabilities of the discontinued operations are reported as separate line items in the balance sheet.

Scope of consolidation

Under Art. 295 HGB, a controlled subsidiary shall not be included in the consolidated financial statements if its activities are so divergent from the activities of the other consolidated companies that its inclusion in the consolidated financial statements would conflict with the requirement to present a true and fair view. Pursuant to US GAAP, all controlled subsidiaries must be included in consolidation regardless of their activities. The ThyssenKrupp Group has no controlled subsidiaries whose inclusion in the consolidated financial statements would be prohibited under Art. 295 HGB.

Purchase accounting

In accordance with both Art. 302 of the HGB and APB 16, in business combinations initiated up to June 30, 2001, the historical book values were carried forward in a business combination accounted for as a pooling of interests transaction. However, the requirements which must be met to obtain pooling of interests accounting under APB 16 are much more stringent than those of the HGB.

The ThyssenKrupp merger satisfied the pooling of interests provisions prescribed by the HGB but failed to meet the US GAAP pooling requirements of APB 16. Accordingly, the ThyssenKrupp merger had to be reported as a business purchase in accordance with the purchase accounting provisions of APB 16.

In contrast to HGB, under US GAAP, all business combinations completed after June 30, 2001 are required to be accounted for using the purchase method of accounting in accordance with the provisions of SFAS 141.

Minority interest

The HGB follows the entity theory, which requires that minority interest be classified as a part of equity. In addition, the income or loss attributable to minority interest is included in the consolidated entity's net income or loss.

Under US GAAP, in accordance with the parent company theory, minority interest is not considered part of equity but is classified separately between equity and liabilities. The income or loss attributable to minority interest is recorded as income or expense in the income statement.

Excess of acquired net assets over cost (“negative goodwill”)

If the fair market values assigned to the net assets acquired exceed the cost of the investment, a negative difference arises in purchase accounting. Under Art. 309 (2) HGB, this difference is released and recognized in the income statement if it reflects unfavorable developments expected for the results of the company or if it becomes clear as of the balance sheet date that it corresponds to a realized gain.

Under US GAAP, SFAS 141 requires that negative goodwill is offset against the acquired long-lived assets with the remainder, if any, recognized in income as extraordinary gain.

Classification requirements

In order to comply with the 4th and 7th EU Accounting Directive as required, the balance sheet was prepared in accordance with the classification standards prescribed in Art. 266 HGB. Hence, it does not conform to the classification standards applicable in the preparation of US financial statements, which are orientated toward the realizability of assets and liabilities. Nevertheless, the information regarding the realizability of the individual balance sheet items, which would have been presented if the financial statements had been classified in conformity with US GAAP standards, is provided as additional information in the Notes or on the balance sheet prepared under HGB classification requirements.

Under HGB, the development of fixed assets must be presented separately, whereas such a separate disclosure is not required by US accounting standards. In order to ensure conformity with EU Accounting Directives, the development of fixed assets is presented additionally as a schedule in the Notes.

2. ADDITIONAL INFORMATION

Personnel expenses

The following information is presented in order to be compliant with the disclosure requirements of the German Commercial Code.

million €

	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Wages and salaries	7,451	7,113
Social security taxes	1,305	1,296
Net periodic pension costs – defined benefit	460	468
Net periodic pension costs – defined contribution	24	31
Net periodic postretirement benefit cost other than pensions	83	86
Other expenses for pensions and retirements	25	108
Related fringe benefits	388	335
Total	**9,736**	**9,437**

Employees

In the Group, the actual average numbers of employees over the past fiscal year were as follows:

	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Steel	50,454	49,291
Automotive	38,484	38,731
Elevator	28,467	29,114
Technologies	32,712	31,132
Materials	13,912	13,649
Serv	25,839	25,213
Real Estate	754	737
Corporate	677	694
Total	**191,299**	**188,561**
This total breaks down to		
Wage earners	120,032	118,646
Salaried employees	66,395	65,110
Trainees	4,872	4,805

Executive and Supervisory Board Compensation

In fiscal year 2002/2003 total compensation including non-cash benefits made to the Executive Board amounted to €8.2 million. As of September, 2003, no loans or advance payments were granted to members of the Executive Board.

Total compensation paid to former members of the Executive Board and their surviving dependants amounted to €13.6 million.

An amount of €117.9 million is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

For fiscal year 2002/2003, the members of the Supervisory Board will receive total compensation of €1.4 million based on the proposed dividend of €0.50 per share. Members of the ThyssenKrupp AG Supervisory Board received compensation of €0.1 million in fiscal 2002/2003 for supervisory board mandates at Group subsidiaries.

More details regarding the Executive and Supervisory Board compensation is included in the Corporate Governance information of the annual report.

The members of the Executive Board and of the Supervisory Board are listed on the following pages.

Declarations of conformity with the German Corporate Governance Code in accordance with Art. 161 of the Stock Corporation Act (AktG)

On October 01, 2003 the Executive Board and Supervisory Board of ThyssenKrupp AG issued the updated declaration of conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) and posted it on the company's website. ThyssenKrupp AG complies with all recommendations of the Government Commission on the German Corporate Governance Code in accordance dated May 21, 2003.

The declaration of conformity of our exchange-listed subsidiary Eisen- und Hüttenwerke AG was issued on September 23, 2003 and is now available to the shareholders.

3. SEATS HELD BY EXECUTIVE BOARD MEMBERS

Prof. Dr. Ekkehard D. Schulz
Chairman

- ○ AXA Konzern AG*
- ○ Commerzbank AG*
- ○ Deutsche Bahn AG
- ○ MAN AG*
- ○ RAG Aktiengesellschaft (Vice Chair)
- ○ RWE Plus AG
- ○ TUI AG*

Within the Group:
- ○ ThyssenKrupp Automotive AG (Chair)
- ○ ThyssenKrupp Services AG (Chair)
- ○ ThyssenKrupp Steel AG (Chair)
- ○ ThyssenKrupp Budd Company (USA)

Dr. Ulrich Middelmann
Vice Chairman

- ○ RAG Aktiengesellschaft
- ○ Hoberg & Driesch GmbH

Within the Group:
- ○ Edelstahl Witten-Krefeld GmbH (Chair)
- ○ Eisen- und Hüttenwerke AG (Chair)
- ○ ThyssenKrupp Automotive AG
- ○ ThyssenKrupp Elevator AG
- ○ ThyssenKrupp Stahl AG (Chair)
- ○ ThyssenKrupp Technologies AG (Chair)
- ○ Grupo ThyssenKrupp S.A. (Spain)
- ○ ThyssenKrupp Acciai Speciali Terni S.p.A. (Italy)
- ○ ThyssenKrupp Budd Company (USA)
- ○ ThyssenKrupp Electrical Steel GmbH (Chair)
- ○ ThyssenKrupp Stainless GmbH (Chair)

○ Membership of other statutory Supervisory Boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (As of September 30, 2003)

* Exchange-listed

○ Membership of comparable German and non-German control bodies of business enterprises within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (As of September 30, 2003)

Dr. Olaf Berlien
- Viterra AG

Within the Group:
- ThyssenKrupp Steel AG
- ThyssenKrupp Technologies AG
- ThyssenKrupp Immobilien GmbH (Chair)

Edwin Eichler
Within the Group:
- ThyssenKrupp Elevator AG
- ThyssenKrupp Serv AG (Chair)
- ThyssenKrupp Immobilien GmbH

Dr. Jürgen Harnisch
- Gildemeister AG*
- Hülsbeck & Fürst GmbH & Co. KG (Chair)
- INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH

Within the Group:
- ThyssenKrupp Bilstein GmbH
- ThyssenKrupp Drauz GmbH (Chair)
- ThyssenKrupp Federn GmbH
- ThyssenKrupp Gerlach GmbH (Chair)
- ThyssenKrupp Technologies AG
- ThyssenKrupp Umformtechnik GmbH (Chair)
- ThyssenKrupp Automotive Sales & Technical Center, Inc. (USA, Chair)
- ThyssenKrupp Budd Company (USA)
- ThyssenKrupp Presta AG (Liechtenstein)
- ThyssenKrupp Sofedit S.A.S. (France)

Dr. A. Stefan Kirsten
Within the Group:
- Eisen- und Hüttenwerke AG
- ThyssenKrupp Serv AG
- ThyssenKrupp Services AG
- ThyssenKrupp Steel AG
- ThyssenKrupp Versicherungsdienst GmbH Industrieversicherungsvermittlung (Chair)

Ralph Labonte
(Since January 01, 2003)
- PEAG Personalentwicklungs- und Arbeitsmarktagentur GmbH (Chair)

Within the Group:
- Rasselstein Hoesch GmbH
- ThyssenKrupp Automotive AG
- ThyssenKrupp Electrical Steel EBG GmbH
- ThyssenKrupp Services AG
- ThyssenKrupp Immobilien GmbH

Prof. Dr. Eckhard Rohkamm
- HDI Haftpflichtverband der Deutschen Industrie VvaG (Vice Chair)
- Transrapid International Verwaltungsgesellschaft mbH (Vice Chair)

Within the Group:
- Blohm + Voss Holding AG (Chair)
- ThyssenKrupp Elevator AG (Chair)
- ThyssenKrupp Engineering AG (Chair)
- Berco S.p.A. (Italy, President)
- Giddings & Lewis, LLC (USA)
- Grupo ThyssenKrupp S.A. (Spain)
- ThyssenKrupp Budd Company (USA)
- ThyssenKrupp Elevator Holding Corp. (USA)
- ThyssenKrupp Werften GmbH (Chair)

Dieter Hennig resigned from the Executive Board at the close of December 31, 2002 and retired.
On that date he held the following seats:
- Böhler Thyssen Schweißtechnik GmbH
- Novitas Vereinigte BKK
- PEAG Personalentwicklungs- und Arbeitsmarktagentur GmbH (Chair)

Within the Group:
- Eisenbahn und Häfen GmbH
- Hoesch Hohenlimburg GmbH
- Rasselstein Hoesch GmbH
- ThyssenKrupp Automotive AG
- ThyssenKrupp Electrical Steel EBG GmbH
- ThyssenKrupp Materials AG
- ThyssenKrupp Immobilien GmbH
- ThyssenKrupp Veerhaven B.V. (Netherlands)

4. SEATS HELD BY SUPERVISORY BOARD MEMBERS

Prof. Dr. h.c. mult. Berthold Beitz, Essen
Honorary Chairman
Chairman of the Board of Trustees of the
Alfried Krupp von Bohlen und Halbach Foundation

Prof. Dr. Günter Vogelsang, Düsseldorf
Honorary Chairman

Dr. Gerhard Cromme, Essen
Chairman
Former Chairman of the Executive Board of
ThyssenKrupp AG
- ○ Allianz AG
- ○ Axel Springer Verlag AG
- ○ Deutsche Lufthansa AG
- ○ E.ON AG
- ○ Ruhrgas AG
- ○ Siemens AG
- ○ Volkswagen AG
- ○ Suez S.A. (France)
- ○ BNP Paribas S.A. (France)

Dieter Schulte, Duisburg
Vice Chairman
Former Chairman of the German
Trade Union Confederation
- ○ Bayer AG

Dr. Karl-Hermann Baumann, Munich
Chairman of the Supervisory Board
of Siemens AG
- ○ Deutsche Bank AG
- ○ E.ON AG
- ○ Linde AG
- ○ Schering AG
- ○ Siemens AG (Chair)
- ○ Wilhelm von Finck AG

Wolfgang Boczek, Bochum
Materials tester
Chairman of the Works Council Union
of ThyssenKrupp Automotive
Within the Group:
- ○ ThyssenKrupp Automotive AG

Carl-L. von Boehm-Bezing, Bad Soden
Former member of the Executive Board
of Deutsche Bank AG
- ○ Rütgers AG
- ○ RWE AG
- ○ Steigenberger Hotels AG

Udo Externbrink, Dortmund
Systems programmer
Chairman of the General Works Council
of Triaton GmbH

Herbert Funk, Hünxe
Senior manager and head of
plant management of
ThyssenKrupp Stahl AG

Dr. Klaus Götte, Munich
Former Chairman of the Executive Board
of MAN AG
- ○ SMS AG

Klaus Ix, Siek
Fitter
Chairman of the Works Council of
ThyssenKrupp Fahrtreppen GmbH
Within the Group:
- ○ ThyssenKrupp Elevator AG
- ○ ThyssenKrupp Fahrtreppen GmbH

○ Membership of other statutory Supervisory Boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (As of September 30, 2003)

○ Membership of comparable German and non-German control bodies of business enterprises within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (As of September 30, 2003)

Dr. Martin Kohlhaussen, Frankfurt/Main
Chairman of the Supervisory Board of Commerzbank AG
- Bayer AG
- Commerzbank AG (Chair)
- Heraeus Holding GmbH
- Hochtief AG
- Infineon Technologies AG (Vice Chair)
- KarstadtQuelle AG
- Linde AG
- Schering AG
- Verlagsgruppe Georg von Holtzbrinck GmbH

Dr. Heinz Kriwet, Düsseldorf
Former Chairman of the Executive Board of Thyssen AG
- Dresdner Bank AG

Reinhard Kuhlmann, Frankfurt/Main
Secretary General of the European Metalworkers' Trade Union Federation
- Adam Opel AG

Dr. Mohamad-Mehdi Navab-Motlagh, Tehran
Vice Minister for Economics and International Affairs in the Industrial and Mining Ministry of the Islamic Republic of Iran
- Europäisch-Iranische Handelsbank AG

Dr. Friedel Neuber, Duisburg
Former Chairman of the Executive Board of Westdeutsche Landesbank Girozentrale
- Deutsche Bahn AG
- Hapag-Lloyd AG
- RAG Aktiengesellschaft
- RWE AG (Chair)
- TUI AG (Chair)
- Landwirtschaftliche Rentenbank

Peter Scherrer, Düsseldorf
(since February 12, 2003)
Trade union secretary at the Düsseldorf branch office of IG Metall
- ThyssenKrupp Automotive AG

Thomas Schlenz, Duisburg
Shift foreman
Chairman of the Group Works Council of ThyssenKrupp AG
- PEAG Personalentwicklungs- und Arbeitsmarktagentur GmbH

Within the Group:
- ThyssenKrupp Serv AG

Dr. Henning Schulte-Noelle, Munich
Chairman of the Supervisory Board of Allianz AG
- E.ON AG
- Siemens AG

Wilhelm Segerath, Duisburg
Automotive bodymaker
Chairman of the General Works Council of ThyssenKrupp Stahl AG
and Chairman of the Works Council Union of ThyssenKrupp Steel
Within the Group:
- ThyssenKrupp Steel AG

Ernst-Otto Tetau, Brietlingen
Machine fitter
Chairman of the Works Council of Blohm + Voss GmbH and Chairman of the Works Council Union of ThyssenKrupp Technologies
Within the Group:
- Blohm + Voss GmbH
- ThyssenKrupp Technologies AG
- ThyssenKrupp Werften GmbH

Bernhard Walter, Bad Homburg
Former Speaker of the Executive Board of Dresdner Bank AG
- Bilfinger Berger AG
- DaimlerChrysler AG
- Deutsche Telekom AG
- Henkel KGaA
- mg technologies ag
- Staatliche Porzellan-Manufaktur Meissen GmbH
- Wintershall AG (Vice Chair)
- KG Allgemeine Leasing GmbH & Co. (Chairman of the Executive Committee)

Gerd Kappelhoff resigned from the Supervisory Board at the close of October 16, 2002. On that date he held the following seats:
- Rasselstein Hoesch GmbH
- ThyssenKrupp Aufzüge GmbH
- ThyssenKrupp Elevator AG
- ThyssenKrupp Technologies AG

5. WAIVE OF DISCLOSURE PURSUANT TO ART. 264 PAR. 3 AND ART. 264B GERMAN COMMERCIAL CODE HGB

The following domestic subsidiaries in the legal form of a capital corporation or a commercial partnership as defined in Art. 264a German Commercial Code have fullfiled the requirements of Art. 264 Par. 3 and Art. 264b German Commercial Code to be allowed to make use of the exemption and therefore do not publish their financial statements.

A

AAW Aufzüge GmbH	Berlin
AGOZAL Oberflächenveredelung GmbH	Neuwied
Aloverzee Handelsgesellschaft mbH	Essen
AluminiumfeingussSoest GmbH & Co. KG	Soest
ATMOSFAIR-Bauhaus GmbH	Oberhausen

B

Bachmann GmbH	Pegnitz-Bronn
Becker & Co. GmbH	Neuwied
BERCO Deutschland GmbH	Ennepetal
Berkenhoff GmbH	Heuchelheim
BIS Blohm + Voss Inspection Service GmbH	Hamburg
Blass Rohr GmbH	Herford
Bleuel & Röhling GmbH	Burghaun
Blohm + Voss GmbH	Hamburg
Blohm + Voss Repair GmbH	Hamburg

C

Cadillac Plastic GmbH	Viernheim
Carl Gustav Krause GmbH	Hannover
Christian Hein GmbH	Langenhagen
Cryotrans Schiffahrts GmbH	Emden

D

Deutsche Gesellschaft für Verkehrsmittelwartung PURA mbH	Cologne
Dolores Schiffahrts-Gesellschaft mbH	Emden
Dortmunder Eisenhandel Hansa GmbH	Dortmund
Dr. Mertens Edelstahlhandel GmbH	Offenbach
DSU Gesellschaft für Dienstleistungen und Umwelt mbH & Co. KG	Duisburg

E

EBOR Edelstahl GmbH	Sachsenheim
Eckert GmbH	Seevetal
Eckhardt Marine GmbH	Hamburg
Edelstahl Witten-Krefeld GmbH	Witten
EGM Entwicklungsgesellschaft für Montagetechnik GmbH	Hannover-Langenhagen
EH Güterverkehr GmbH	Duisburg
Eisen und Metall GmbH	Stuttgart
Eisenbahn und Häfen GmbH	Duisburg
Eisenmetall Handelsgesellschaft mbH	Gelsenkirchen
Eisenmetall Rohr GmbH	Gelsenkirchen
ELEG Europäische Lift + Escalator GmbH	Neuhausen a.d.F.
ems-Isoliertüren Mickeleit GmbH & Co. KG	Pansdorf
Emunds & Staudinger GmbH	Hückelhoven
Exploration und Bergbau GmbH	Düsseldorf

F

Freiburger Stahlhandel GmbH & Co. KG	Freiburg i.Br.
Fuchs NE-Metallhandel GmbH	Nürtingen
Fudickar Metall GmbH	Haan/Rhld.

G

Gerhard Sievering GmbH & Co.KG	Hamm
GFH Gesellschaft für Handelswerte mbH	Essen
GKI-OFU Industrieofenbau GmbH	Oberhausen
GMT Aufzug-Service GmbH	Ettlingen
GVD Gesellschaft für Verpackungstechnik und Dienstleistungen mbH	Duisburg
GWH Aufzüge GmbH	Himmelstadt

H

Haisch Aufzüge GmbH	Gingen/Fils
Hans Franke NE-Metallhandel GmbH	Stuttgart
HCC Health Care Consulting GmbH	Munich
Health Care Solutions GmbH	Bielefeld
Hellweg Liegenschaften GmbH	Bochum
Herzig & Marschall GmbH	Fulda
Herzog Coilex GmbH	Stuttgart
Hoesch Contecna Systembau GmbH	Oberhausen
Hoesch Hohenlimburg GmbH	Hagen
Hommel CNC-Service GmbH	Cologne
Hommel CNC Technik GmbH	Cologne
Hommel Gebrauchtmaschinen GmbH	Cologne
Hommel GmbH	Cologne
Hommel Präzision GmbH	Cologne
Hommel Unverzagt GmbH	Weinstadt
Hövelmann & Co. Eisengroßhandlung GmbH	Gelsenkirchen
Hüller Hille GmbH	Ludwigsburg

I

Immover Gesellschaft für Grundstücksverwaltung mbH	Essen
Innovative Meerestechnik GmbH	Emden
Isan-Metall-GmbH	Krefeld

J

Johann A. Krause Maschinenfabrik GmbH	Bremen
Johann A. Krause Systemtechnik GmbH	Chemnitz
Jos. Rackl & Co. GmbH	Zirndorf

K

KBS Kokereibetriebsgesellschaft Schwelgern GmbH	Duisburg
König Kunststoffe GmbH	Puchheim
Kraemer & Feund GmbH & Co. KG	Hagen
Krupp Druckereibetriebe GmbH	Essen
Krupp Edelstahlprofile GmbH	Siegen
Krupp Entwicklungszentrum GmbH	Essen
Krupp Hoesch Immobilien GmbH	Essen
Krupp Hoesch Stahl AG	Dortmund
Krupp Hoesch Stahl und Metall GmbH	Gelsenkirchen
Krupp Hoesch Tecna GmbH	Dortmund
Krupp Koppers GmbH	Essen
Krupp Montage- und Servicetechnik GmbH	Duisburg
Krupp Stahl Wohnungsbau GmbH	Essen
Krupp Stahlbau Berlin GmbH	Berlin

L

Liegenschaftsgesellschaft Lintorf mbH	Düsseldorf
LiftEquip GmbH Elevator Components	Neuhausen a.d.F.
Liftservice und Montage GmbH	Saarbrücken

M

MONTAN GmbH Assekuranz-Makler	Düsseldorf
MÜLA Maschinenfabrik GmbH	Münster

N

Nickel GmbH	Dillenburg
Nirosta Service Center GmbH	Wilnsdorf-Anzhausen
Nordseewerke GmbH	Emden
Nothelfer GmbH	Ravensburg
Nothelfer Planung GmbH	Wadern-Lockweiler

O

Otto Wolff Handelsgesellschaft mbH	Düsseldorf
Otto Wolff Kunststoffvertrieb GmbH	Düsseldorf

P

PeinigerRöRo GmbH	Gelsenkirchen
Polysius AG	Beckum

R

RAM Recycling Abbruch Maschinen- und Geräteverleih GmbH	Duisburg
Rasselstein GmbH	Neuwied
Rasselstein Hoesch GmbH	Andernach
Reisebüro Dr. Tigges GmbH	Essen
Reiseschrand GmbH	Osnabrück
Rothe Erde Beteiligungs GmbH	Essen
Rothe Erde GmbH	Dortmund

S

SBS Brenn- und Schneidbetrieb Rinteln GmbH	Rinteln
Schmutz GmbH	Weil am Rhein
SIR Industrieservice GmbH	Leonberg
smbChromstahl GmbH	Hannover-Langenhagen
Stahlkontor Hahn GmbH	Düsseldorf
Stahl-Maschinen-Rohrleitungs-Bau de Haan GmbH	Oberhausen
Stahlwerk Oberhausen GmbH	Oberhausen
Stahlwerke Bochum AG	Bochum
Still Otto Montage GmbH	Haltern
SVG Steinwerder Verwaltungsgesellschaft mbH	Hamburg
SWB Stahlformgußgesellschaft mbH	Bochum
SWI Gebäudereinigung GmbH	Oberhausen

T

Tepper Aufzüge GmbH	Münster
TFM Facility Management Beteiligungs GmbH	Düsseldorf
Thyssen Altwert Umweltservice GmbH	Bottrop
Thyssen Draht GmbH	Hamm
Thyssen Henschel GmbH	Essen
Thyssen Informatik Services GmbH	Krefeld
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co. KG Industrie	Oberhausen
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co. KG Stahl	Oberhausen
Thyssen Mannesmann Handel GmbH	Düsseldorf
Thyssen Rheinstahl Technik GmbH	Düsseldorf
Thyssen Röhm Kunststoffe GmbH	Düsseldorf
Thyssen Schulte Werkstoffhandel GmbH	Düsseldorf
Thyssen Sonnenberg GmbH	Düsseldorf
Thyssen Stahl GmbH	Duisburg
Thyssen Wohnbau GmbH	Essen
Thyssen Wohnungsgesellschaft Dümpten mbH	Essen
Thyssen Wohnungsgesellschaft Reisholz mbH	Essen
ThyssenKrupp Airport Systems GmbH	Kassel
ThyssenKrupp Aufzüge Beteiligungsgesellschaft mbH	Essen
ThyssenKrupp Aufzüge GmbH	Neuhausen a.d.F.
ThyssenKrupp Aufzüge Nordost GmbH	Berlin
ThyssenKrupp Aufzüge Süd GmbH	Neuhausen a.d.F.
ThyssenKrupp Aufzüge West GmbH	Frankfurt/Main
ThyssenKrupp Aufzugswerke GmbH	Neuhausen a.d.F.
ThyssenKrupp Automotive AG	Bochum
ThyssenKrupp Automotive Systems Leipzig GmbH	Leipzig
ThyssenKrupp Bau Consult GmbH	Essen
ThyssenKrupp Bausysteme GmbH	Duisburg

ThyssenKrupp Bauteile Hof GmbH	Hof
ThyssenKrupp Bilstein GmbH	Ennepetal
ThyssenKrupp Bilstein Suspension GmbH	Ennepetal
ThyssenKrupp Bilstein Wagenheber GmbH	Mandern
ThyssenKrupp DAVEX GmbH	Duisburg
ThyssenKrupp DeliCate GmbH	Düsseldorf
ThyssenKrupp Dienstleistungen GmbH	Düsseldorf
ThyssenKrupp DiPro GmbH	Frankfurt/Main
ThyssenKrupp Drauz GmbH	Heilbronn
ThyssenKrupp Elastomertechnik GmbH	Hamburg
ThyssenKrupp Electrical Steel EBG GmbH	Bochum
ThyssenKrupp Electrical Steel GmbH	Essen
ThyssenKrupp Elevator AG	Düsseldorf
ThyssenKrupp EnCoke GmbH	Bochum
ThyssenKrupp Engineering AG	Essen
ThyssenKrupp EnServeon GmbH	Oberhausen
ThyssenKrupp ExperSite GmbH	Kassel
ThyssenKrupp Facilities Services GmbH	Düsseldorf
ThyssenKrupp Fahrtreppen GmbH	Hamburg
ThyssenKrupp Fahrzeugguss GmbH	Hildesheim
ThyssenKrupp Fahrzeugtechnik GmbH	Emden
ThyssenKrupp Federn GmbH	Hagen
ThyssenKrupp Fördertechnik GmbH	Essen
ThyssenKrupp Gerlach GmbH	Homburg/Saar
ThyssenKrupp GfT Gesellschaft für Technik mbH	Essen
ThyssenKrupp Grundbesitz Verwaltungs GmbH	Essen
ThyssenKrupp HiServ GmbH	Düsseldorf
ThyssenKrupp Hoesch Bausysteme GmbH	Siegen
ThyssenKrupp Immobilien GmbH	Essen
ThyssenKrupp Immobilien Management GmbH	Essen
ThyssenKrupp Immobilienentwicklungs Concordiahütte GmbH	Oberhausen
ThyssenKrupp Immobilienentwicklungs Krefeld GmbH	Oberhausen
ThyssenKrupp Industrieservice GmbH	Düsseldorf
ThyssenKrupp Information Services GmbH	Düsseldorf
ThyssenKrupp Liegenschaften Umformtechnik Verwaltungs GmbH	Oberhausen
ThyssenKrupp Liegenschaften Verwaltungs GmbH & Co. KG Andernach	Andernach
ThyssenKrupp Materials & Services GmbH	Düsseldorf
ThyssenKrupp Metal Cutting GmbH	Essen
ThyssenKrupp Metallcenter GmbH	Karlsruhe
ThyssenKrupp Metallurgie GmbH	Essen
ThyssenKrupp MinEnergy GmbH	Essen
ThyssenKrupp Nirosta GmbH	Krefeld
ThyssenKrupp Nutzeisen GmbH	Düsseldorf
ThyssenKrupp Plant Services GmbH	Essen
ThyssenKrupp Präzisionsschmiede GmbH	Munich
ThyssenKrupp Presta Ilsenburg GmbH	Ilsenburg
ThyssenKrupp Printmedia GmbH	Duisburg
ThyssenKrupp R & D GmbH	Dingolfing
ThyssenKrupp Sägenstahlcenter GmbH	Duisburg
ThyssenKrupp Schulte GmbH	Düsseldorf
ThyssenKrupp Serv AG	Düsseldorf
ThyssenKrupp Services AG	Düsseldorf
ThyssenKrupp SiTeam GmbH	Frankfurt/Main
ThyssenKrupp Stahl AG	Duisburg
ThyssenKrupp Stahl Bauelemente GmbH	Oberhausen
ThyssenKrupp Stahlbau GmbH	Hannover
ThyssenKrupp Stahlkontor GmbH	Düsseldorf
ThyssenKrupp Stahl-Service-Center GmbH	Leverkusen
ThyssenKrupp Stahlunion GmbH	Düsseldorf
ThyssenKrupp Stainless Export GmbH	Düsseldorf
ThyssenKrupp Stainless GmbH	Duisburg
ThyssenKrupp Steel AG	Duisburg
ThyssenKrupp Systems & Services GmbH	Ratingen
ThyssenKrupp Tailored Blanks GmbH	Dortmund
ThyssenKrupp Tailored Blanks Nord GmbH	Duisburg
ThyssenKrupp Technologies AG	Essen
ThyssenKrupp Technologies Beteiligungen GmbH	Essen
ThyssenKrupp tempsafe GmbH	Emden
ThyssenKrupp Transrapid GmbH	Kassel
ThyssenKrupp Treppenlifte GmbH	Neuss
ThyssenKrupp Turbinenkomponenten GmbH	Remscheid
ThyssenKrupp Umformtechnik GmbH	Ludwigsfelde
ThyssenKrupp VDM GmbH	Werdohl
ThyssenKrupp Verkehr GmbH	Duisburg
ThyssenKrupp Versicherungsdienst GmbH Industrieversicherungsvermittlung	Düsseldorf
ThyssenKrupp Wiscore GmbH	Bochum
ThyssenKrupp Wohnimmobilien GmbH	Essen
Trattendorfer Projektverwaltungsgesellschaft mbH	Spremberg
Triaton GmbH	Krefeld

V

Verlag für Messepublikationen Thomas Neureuter GmbH	Munich

W

Westdeutsche Max Cochius GmbH	Frankfurt/Main
WIG Industrieinstandhaltung GmbH	Cologne
Willy Schiffer Eisen- und Bautenschutz GmbH	Düren
Witzig & Frank GmbH	Offenburg

X

Xtend Holding GmbH	Düsseldorf

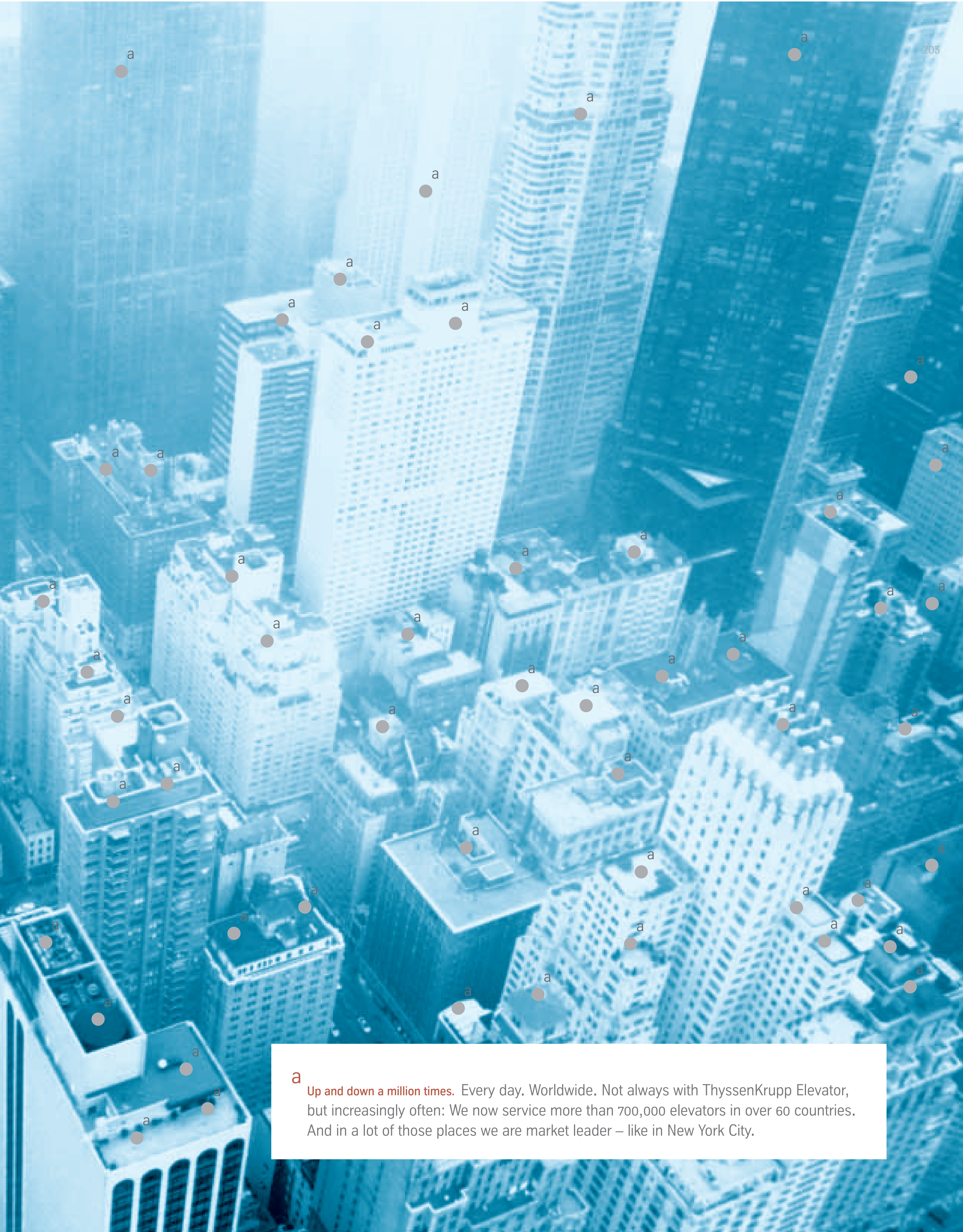
Z

Zweite ThyssenKrupp Steel Beteiligungsgesellschaft mbH	Duisburg

Elevators. Reinvented.

People were not made to climb stairs. That's probably why almost all elevators seem to be in constant use. What can be done? Build more elevator shafts? That's simply not an option in existing buildings. And in new buildings, additional elevators take up valuable space. That's why ThyssenKrupp came up with a surprisingly different solution.

For customers, progress. For people, a future.



a Up and down a million times. Every day. Worldwide. Not always with ThyssenKrupp Elevator, but increasingly often: We now service more than 700,000 elevators in over 60 countries. And in a lot of those places we are market leader – like in New York City.

b

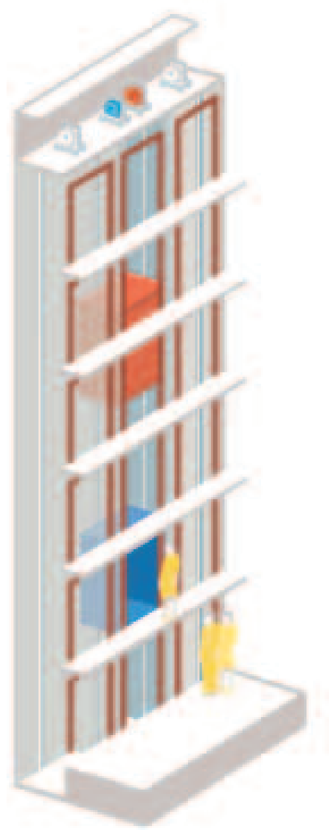
stop

b

Who brakes loses. The average elevator takes 20 seconds to travel from the first to the twentieth floor. Each stop on the way costs around another 20 seconds. To redefine elevator performance, we have to find a way to save these seconds by making elevators so intelligent that they can adapt flexibly to passenger flows. With TWIN, ThyssenKrupp just made elevators a whole lot smarter.

C

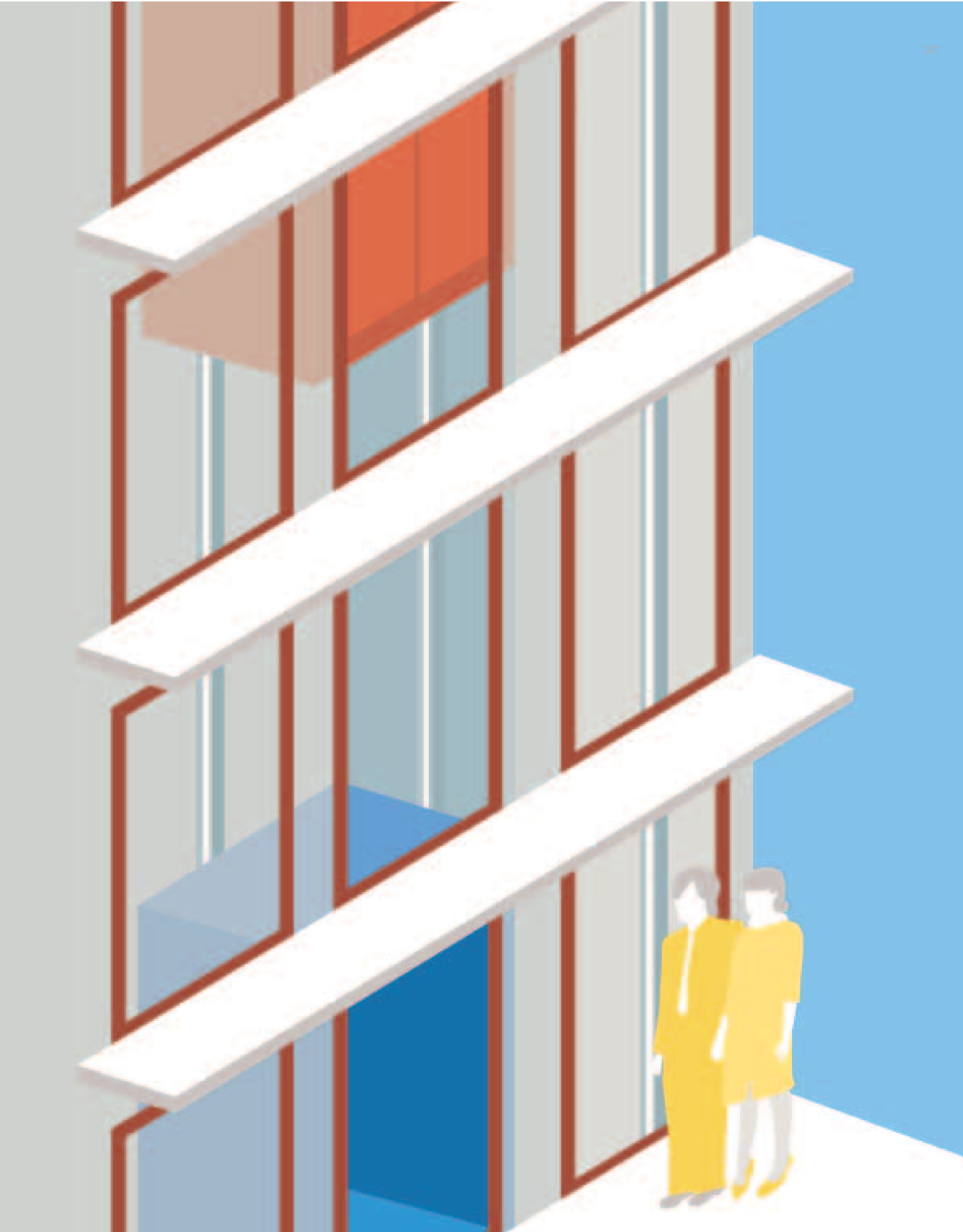
TWIN



C

Doubly independent. TWIN is the only system in the world to feature two cabs in a single shaft operating fully independently of each other. In a typical elevator bank with 4 shafts, this principle boosts passenger transportation capacity by 40%.

Simply intelligent. TWIN's innovative computerized control system ensures that passengers are always shown to the cab that will get them to their destination the quickest. To achieve this, passengers key in their destination outside the cab.



d

The safest form of travel in the world. TWIN lives up to this claim. The two TWIN cabs and their counterweights move fully independently of each other, while a four-stage safety concept ensures that the cabs are always kept at a pre-defined minimum distance. Precisely.

The world's first TWIN installation has been in continuous use at Stuttgart University since 2003. One of the people who made it possible was Dr. Günter Reuter, head of Advance Development at ThyssenKrupp Aufzugswerke.

Precision

d


Space gain
e

e

Your head says yes. Your gut too. TWIN opens up whole new possibilities for building owners and architects. For example, in older buildings one of the shafts can be freed up for HVAC equipment. When planning new buildings, eliminating elevator shafts gives architects space to realize new ideas. And Stuttgart University chose a third way: They installed the TWIN system to increase the capacity of their existing elevators to meet current requirements.

Dr. Günter Reuter, head of Advance Development at ThyssenKrupp Aufzugswerke, Gerhard Thumm, Managing Director Technology at ThyssenKrupp Aufzugswerke, and Klaus Schmiedek, head of Stuttgart and Hohenheim university building office.

Going up. ThyssenKrupp

Additional information

Additional information

A Group with €36 billion sales and over 190,000 employees is engaged in a wide variety of business all over the world and involved in countless projects worthy of reporting. Open information has its price: the size of the report. We have therefore done all we can to make this report as clear and readable as possible with tables, charts, definitions and an index. If this is not enough for you, our press and investor relations people will be pleased to provide further assistance.

Multi-year overview

ThyssenKrupp Group

		pro forma Year ending Sept. 30, 1999	Year ending Sept. 30, 1999	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Earnings situation							
Net sales	million €	32,378	29,794	37,209	38,008	36,698	36,137
Gross margin	million €	5,632	5,182	7,173	7,036	6,476	6,423
EBITDA	million €	2,545	2,391	3,383	3,267	2,648	2,454
Depreciation, amortization and impairment	million €	1,684	1,580	1,874	1,918	1,949	1,549
Goodwill amortization	million €	225	201	224	241	0	0
EBIT	million €	861	811	1,509	1,349	1,046	905
Interest expense, net	million €	(260)	(202)	(419)	(473)	(284)	(191)
EBT							
after goodwill amortization	million €	601	609	1,090	876	–	–
before goodwill amortization	million €	826	810	1,314	1,117	762	714
Net income	million €	270	262	527	665	216	512
Basic earnings per share							
after goodwill amortization	€	0.52	0.54	1.02	1.29	–	–
before goodwill amortization	€	0.96	0.93	1.46	1.76	0.42	1.01
Normalized earnings per share							
after goodwill amortization	€	0.79	0.82	0.89	0.58	–	–
before goodwill amortization	€	1.23	1.21	1.33	1.05	0.48	0.89
Gross margin	%	17.4	17.4	19.3	18.5	17.6	17.8
EBITDA margin	%	7.9	8.0	9.1	8.6	7.2	6.8
EBIT margin	%	2.7	2.7	4.1	3.5	2.9	2.5
EBT margin	%	1.9	2.0	2.9	2.3	2.1	2.0
Return on equity (before taxes)	%	7.4	7.5	12.4	10.0	9.2	9.4
Assets situation							
Fixed assets	million €	17,428	17,428	18,755	17,818	16,255	15,544
Operating assets	million €	15,285	15,285	17,133	16,831	14,905	14,597
Inventories	million €	6,014	6,014	6,710	6,525	6,001	5,768
Trade accounts receivable	million €	5,216	5,216	6,223	5,721	5,353	5,362
Cash and cash equivalents incl. operating securities	million €	806	806	1,021	1,258	941	713
Total assets	million €	32,713	32,713	35,888	34,649	31,160	30,141
Stockholders' equity	million €	8,106	8,106	8,797	8,786	8,287	7,631
Liabilities	million €	24,607	24,607	27,091	25,863	22,873	22,510
Accrued pension and similar obligations	million €	7,023	7,023	6,970	6,908	7,065	7,401
Gross financial payables	million €	6,999	6,999	8,751	7,665	5,683	4,948
Trade accounts payable	million €	2,828	2,828	3,168	3,248	3,128	3,075
Stockholders' equity ratio	%	24.8	24.8	24.5	25.4	26.6	25.3
Gearing		76.4	76.4	87.9	72.9	57.2	55.5
Ratio of equity to fixed assets	%	46.5	46.5	46.9	49.3	51.0	49.1
Inventory turnover	days	66.9	72.7	64.9	61.8	58.9	57.5
Average collection period	days	58.0	63.0	60.2	54.2	52.5	53.4

Note: Due to the adoption of SFAS 142 in fiscal year 2001/2002, to allow better comparison the following figures are stated before goodwill amortization: EBT (income before taxes and minority interest), normalized EBT, basic earnings per share, normalized earnings per share, ROCE and EVA.

ThyssenKrupp Group

		pro forma Year ending Sept. 30, 1999	Year ending Sept. 30, 1999	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002	Year ending Sept. 30, 2003
Economic value added management							
Capital employed (average)	million €	19,441	19,441	22,062	22,792	21,001	19,496
ROCE	%	7.6	7.6	9.8	8.8	7.0	6.9
Weighted average cost of capital (WACC)	%	9.0	9.0	9.0	9.0	9.0	9.0
Economic value added (EVA)	million €	(255)	(269)	162	(46)	(413)	(413)
Steel	million €	(328)	–	(37)	(16)	(538)	(311)
Automotive	million €	184	–	152	(16)	(137)	2
Elevator	million €	138	–	181	186	208	241
Technologies	million €	29	–	17	73	22	(68)
Materials	million €	(8)	–	39	(88)	(87)	(56)
Serv	million €	31	–	36	(98)	(14)	(112)
Real Estate	million €	(61)	–	(58)	(37)	(39)	(63)
Cash flow/capital expenditures							
Net cash provided by operating activities	million €	–	1,505	1,329	2,245	2,454	2,027
Net cash used in investing activities	million €	–	(2,818)	(1,788)	(1,299)	(546)	(1,169)
Free cash flow (before dividend)	million €	–	(1,313)	(459)	946	1,908	858
Net cash provided by/(used in) financing activities	million €	–	1,439	609	(634)	(2,177)	(1,064)
Capital expenditures	million €	3,766	3,646	2,495	2,327	1,777	1,604
Net financial payables	million €	6,193	6,193	7,730	6,407	4,742	4,235
Internal financing capability		–	0.5	0.7	1.7	4.5	1.7
Debt to cash flow ratio		–	4.1	5.8	2.9	1.9	2.1
Employees							
Employees (average)		181,783	169,885	188,347	193,569	191,299	188,561
Personnel expenses	million €	8,531	7,973	9,104	9,695	9,736	9,437
Sales per employee	€	178,113	175,377	197,556	196,354	191,836	191,646
ThyssenKrupp AG							
Net income	million €	–	482	425	355	258	406
Dividend payout	million €	–	368	386	309	206	249*
Dividend per share	€	–	0.72	0.75	0.60	0.40	0,50*

* Proposal to the Annual Stockholders' Meeting

Note: Due to the adoption of SFAS 142 in fiscal year 2001/2002, to allow better comparison the following figures are stated before goodwill amortization: EBT (income before taxes and minority interest), normalized EBT, basic earnings per share, normalized earnings per share, ROCE and EVA.

Major consolidated subsidiaries and equity interests

Companies (as of September 30, 2003)

	Shareholding in % [1]	Equity in million € [2]	Employees
STEEL			
ThyssenKrupp Steel AG, Duisburg	100.00	3,381.8	115
Carbon Steel			
COSTE S.A.S., Fosses, France	100.00	16.0	57
Eisen- und Hüttenwerke AG, Cologne	87.98	108.1	1
Eisenbahn und Häfen GmbH, Duisburg	90.00	2.0	1,344
Gwent Steel Ltd., Newport, United Kingdom	100.00	7.3	63
Herzog Coilex GmbH, Stuttgart	74.90	6.9	120
Hoesch Bausysteme Gesellschaft m.b.H., Vienna, Austria	100.00	7.7	58
Hoesch Hohenlimburg GmbH, Hagen	99.50	48.1	1,656
Isocab France S.A., Dunkirk, France	90.00	9.9	64
Isocab N.V., Harelbeke-Bavikhove, Belgium	90.00	9.1	179
Rasselstein GmbH, Neuwied	100.00	130.7	506
Rasselstein Hoesch GmbH, Andernach	99.50	129.8	2,380
ThyssenKrupp Galmed, S.A., Sagunto, Spain	100.00	50.6	84
ThyssenKrupp Hoesch Bausysteme GmbH, Siegen	100.00	12.8	346
ThyssenKrupp Stahl AG, Duisburg	99.53	1,173.7	19,434
ThyssenKrupp Stahl Bauelemente GmbH, Oberhausen	100.00	60.2	20
ThyssenKrupp Stahl-Service-Center GmbH, Leverkusen	99.55	37.2	559
ThyssenKrupp Steel North America, Inc., Dover/Delaware, USA	100.00	26.9	168
ThyssenKrupp Tailored Blanks GmbH, Dortmund	100.00	26.9	363
ThyssenKrupp Tailored Blanks S.A. de C.V., Puebla, Mexico	100.00	6.5	1
ThyssenKrupp Veerhaven B.V., Rotterdam, Netherlands	100.00	11.5	125
ThyssenKrupp Zhong-Ren Tailored Blanks Ltd., Wuhan, PR China	51.00	3.2 [3]	30
ANSC-TKS Galvanizing Co., Ltd., Dalian, Liaoning Province, PR China	50.00	51.3 [4]	83 [4]
GalvaSud S.A., Rio de Janeiro, Brazil	49.00	(19.0) [4]	235 [4]
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	50.00	122.7 [4]	3,544 [4]
Thyssen Ros Casares S.A., Valencia, Spain	50.00	11.9 [4]	149 [4]
TWB Company, LLC, Detroit, USA	50.00	22.5 [5]	465 [5]
Wickeder Westfalenstahl GmbH, Wickede/Ruhr	25.10	33.1	513
Stainless Steel			
ThyssenKrupp Stainless GmbH, Duisburg	99.61	743.1	52
Acciai Speciali Terni España D.V.P. S.A., Barcelona, Spain	100.00	3.9	81
AST France S.A., Paris, France	100.00	5.5	57
C.i.pro.s. S.r.l., Ballò di Mirano, Italy	70.00	17.3	72
C.S. Inox - Centro Servizi per l'Inossidabile S.p.A., Terni, Italy	70.00	8.7	85
Mexinox Trading S.A. de C.V., Mexico D.F., Mexico	100.00	5.6	0
Mexinox USA Inc., Brownsville/Texas, USA	100.00	21.5	29
Nirosta Service Center GmbH, Wilnsdorf-Anzhausen	100.00	8.4	117
Precision Rolled Products Inc., Reno/Nevada, USA	100.00	11.1	143
Shanghai Krupp Stainless Co., Ltd., Pudong New Area/Shanghai, PR China	60.00	74.2	396
Terninox S.r.l., Terni, Italy	100.00	11.7	178
Terni Steel B.V., Rotterdam, Netherlands	100.00	30.8	5
ThyssenKrupp Acciai Speciali Terni S.p.A., Terni, Italy	100.00	266.3	2,673
ThyssenKrupp Mexinox S.A. de C.V., San Luis Potosi, Mexico	95.50	46.1	1,056
ThyssenKrupp Nirosta GmbH, Krefeld	100.00	153.4	4,411
ThyssenKrupp Stainless Export GmbH, Düsseldorf	100.00	0.0	27

[1] related to the parent company in the ThyssenKrupp Group [2] local [3] short fiscal year May 01 - Sept. 30, 2003 [4] financial statement date December 31, 2002 [5] financial statement date May 31, 2003
[6] preconsolidated group

Companies (as of September 30, 2003)

	Shareholding in % [1]	Equity in million € [2]	Employees
ThyssenKrupp VDM GmbH, Werdohl	98.04	66.5	1,607
Titania S.p.A., Terni, Italy	100.00	16.0	90
Tubificio di Terni S.r.l., Terni, Italy	97.00	16.6	165
Special Materials			
Berkenhoff GmbH, Heuchelheim	100.00	10.2	699
EBG India Private Ltd., Mumbai/Nashik, India		10.8	760
Edelstahl Witten-Krefeld GmbH, Witten	99.66	92.6	2,301
Krupp Edelstahlprofile GmbH, Siegen	100.00	30.7	138
ThyssenKrupp Electrical Steel AST S.p.A., Terni, Italy	100.00	8.5	496
ThyssenKrupp Electrical Steel EBG GmbH, Bochum	99.50	21.1	1,445
ThyssenKrupp Electrical Steel GmbH, Essen	100.00	55.0	92
ThyssenKrupp Electrical Steel UGO S.A., Isbergues, France	100.00	18.1	488
AUTOMOTIVE			
ThyssenKrupp Automotive AG, Bochum	100.00	269.2	145
ThyssenKrupp Budd Company, Troy/Michigan, USA	100.00	79.0	2,924
Chassis			
ThyssenKrupp Automotive Systems GmbH, Bochum	100.00	15.3	128
ThyssenKrupp Automotive Tallent Chassis Ltd., County Durham, United Kingdom	100.00	36.1	1,441
ThyssenKrupp Bilstein GmbH, Ennepetal	99.50	12.1	1,050
ThyssenKrupp Bilstein of America Inc., San Diego/California, USA	100.00	(3.4)	213
ThyssenKrupp Budd Canada Inc., Kitchener/Ontario, Canada	77.25	(103.2)	2,110
ThyssenKrupp Federn GmbH, Hagen	100.00	57.1	929
ThyssenKrupp Hopkinsville, LLC, Hopkinsville/Kentucky, USA	100.00	22.9	325
ThyssenKrupp JBM Private Ltd., Chennai, India	73.89	6.1	237
ThyssenKrupp Waupaca, Inc., Waupaca/Wisconsin, USA	100.00	263.7	3,522
Body			
Krupp Camford Pressings Ltd., Llanelli, United Kingdom	100.00	16.3	514
Milford Fabricating Company, Detroit/Michigan, USA	100.00	24.5	68
ThyssenKrupp Body Stampings Ltd., Cannock, United Kingdom	100.00	15.1	1,050
ThyssenKrupp Drauz GmbH, Heilbronn	100.00	1.3	1,133
ThyssenKrupp Fabco Corp., Halifax/Nova Scotia, Canada	100.00	51.3	1,098
ThyssenKrupp Sofedit España, S.A., Valladolid, Spain	100.00	6.8	95
ThyssenKrupp Sofedit S.A.S., Versailles, France	100.00	3.3	3,249
ThyssenKrupp Umformtechnik GmbH, Ludwigsfelde	100.00	46.2	2,037
Powertrain			
ThyssenKrupp Atlas, Inc., Fostoria/Ohio, USA	100.00	9.1	230
ThyssenKrupp Automotive Sales & Technical Center, Inc., Troy/Michigan, USA	100.00	36.0	45
ThyssenKrupp Fahrzeugguss GmbH, Hildesheim	100.00	36.5	1,396
ThyssenKrupp Fundicões Ltda., Barra do Pirai, Brazil	100.00	20.2	1,757
ThyssenKrupp Gerlach Company, Danville/Illinois, USA	100.00	28.3	281
ThyssenKrupp Gerlach GmbH, Homburg/Saar	100.00	53.9	1,330
ThyssenKrupp Metalúrgica Campo Limpo Ltda., Campo Limpo Paulista, Brazil	59.75	117.7	2,849
ThyssenKrupp Metalúrgica de México S.A. de C.V., Puebla, Mexico	100.00	14.1	368
ThyssenKrupp Präzisionsschmiede GmbH, Munich	100.00	31.6	1,718
ThyssenKrupp Presta AG, Eschen, Liechtenstein	100.00	226.9	1,201

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[6] preconsolidated group

Companies (as of September 30, 2003)

	Shareholding in % [1]	Equity in million € [2]	Employees
ThyssenKrupp Presta de México S.A. de C.V., Puebla, Mexico	100.00	13.4	125
ThyssenKrupp Presta France S.A., Florange, France	100.00	5.6	509
ThyssenKrupp Presta HuiZhong Shanghai Co., Ltd., Shanghai, PR China	60.00	7.8	77
Aventec S.A. de C.V., Silao/Guanajuato, Mexico	33.33	47.5 [4]	573 [4]
ELEVATOR			
ThyssenKrupp Elevator AG, Düsseldorf	100.00	378.6	84
Germany/Austria/Switzerland			
ThyssenKrupp Aufzüge AG, Rümlang, Switzerland	100.00	8.1	136
ThyssenKrupp Aufzüge Nordost GmbH, Berlin	100.00	2.7	706
ThyssenKrupp Aufzüge Süd GmbH, Neuhausen a.d.F.	100.00	1.5	588
ThyssenKrupp Aufzüge West GmbH, Frankfurt a.M.	100.00	0.8	622
ThyssenKrupp Aufzüge Gesellschaft m.b.H., Vienna, Austria	100.00	34.1	573
ThyssenKrupp Aufzüge GmbH, Neuhausen a.d.F.	100.00	100.9	99
ThyssenKrupp Aufzugswerke GmbH, Neuhausen a.d.F.	99.50	14.0	1,139
ThyssenKrupp Fahrtreppen GmbH, Hamburg	100.00	1.3	705
France/Benelux			
Thyssen Liften Ascenseurs S.A./N.V., Brussels, Belgium	100.00	15.6	274
ThyssenKrupp Ascenseurs Holding S.A.S., Puteaux, France	100.00	114.2	9
ThyssenKrupp Ascenseurs S.A.S., Angers, France	100.00	75.3	2,129
ThyssenKrupp Elevator B.V., Krimpen aan den IJssel, Netherlands	100.00	32.4	0
ThyssenKrupp Liften B.V., Krimpen aan den IJssel, Netherlands	100.00	5.4	249
Spain/Portugal/Latin America			
Ascensores Cenia S.A., Andoain, Spain	100.00	20.8	800
ThyssenKrupp Eletec Internacional S.A., Madrid, Spain	100.00	54.9	17
ThyssenKrupp Elevadores, S.A., Lisbon, Portugal	100.00	14.2	584
ThyssenKrupp Elevadores, S.A., Sâo Paulo, Brazil	99.77	66.4	1,754
ThyssenKrupp Elevadores, S.A., Madrid, Spain	99.92	64.2	2,262
ThyssenKrupp Norte S.A., Mieres/Oviedo, Spain	100.00	17.4	485
North America/Australia			
Central Elevator Co. Inc., New York, USA	100.00	16.8	348
Thyssen Elevator Capital Corp., Whittier/California, USA	100.00	343.9	0
Thyssen Lifts Pacific Pty. Ltd., Surry Hills, Australia	100.00	6.8	0
ThyssenKrupp Elevator Canada Ltd., Toronto, Canada	100.00	47.1	848
ThyssenKrupp Elevator Corp., Horn Lake/Mississippi, USA	100.00	156.6	6,310
ThyssenKrupp Elevator Holding Corp., Whittier/California, USA	100.00	265.2	0
ThyssenKrupp Elevator Manufacturing Inc., Collierville/Tennessee, USA	100.00	117.9	1,110
ThyssenKrupp Northern Elevator Ltd., Scarborough/Ontario, Canada	100.00	92.5	210
Other Countries			
Thyssen Aufzüge Norge A/S, Oslo, Norway	100.00	7.0 [6]	143 [6]
Thyssen Elevators Co., Ltd., Zhongshan, PR China	100.00	14.3	743
ThyssenKrupp Aufzüge Ltd., Nottingham, United Kingdom	100.00	31.6	0
ThyssenKrupp Elevator UK Ltd., Nottingham, United Kingdom	100.00	28.2	963
ThyssenKrupp Elevators (Shanghai) Co., Ltd., Shanghai, PR China	100.00	7.7	134
Lubelska Wytwornia Dzwigow Osobowych "Lift Service" S.A., Lublin, Poland	75.03	2.3	296

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Companies (as of September 30, 2003)

	Shareholding in % [1]	Equity in million € [2]	Employees
Passenger Boarding Bridges			
ThyssenKrupp Airport Systems, S.A., Mieres/Oviedo, Spain	55.17	6.2	258
Accessibility			
Thyssen Access Corp., Kansas City/Missouri, USA	100.00	5.6	227
ThyssenKrupp Accessibility B.V., Krimpen aan den IJssel, Netherlands	100.00	10.3	102
TECHNOLOGIES			
ThyssenKrupp Technologies AG, Essen	100.00	432.1	150
Production Systems			
Cross Hueller, LLC, Sterling Heights/Michigan, USA	100.00	23.0	175
Cross Hüller Ltd., Merseyside, United Kingdom	100.00	7.0	139
Fadal Machining Center, LLC, Chatsworth/California, USA	100.00	119.7	227
Giddings & Lewis USA LLC, Fond du Lac/Wisconsin, USA	100.00	302.6	557 [6]
Gilman Engineering & Manufacturing Co. LLC, Janesville/Wisconsin, USA	100.00	64.5	282 [6]
Hüller Hille GmbH, Ludwigsburg	100.00	25.6	1,475
Industrie Automation S.A., Ensisheim, France	100.00	6.1	190
Johann A. Krause Inc., Auburn Hills/Michigan, USA	100.00	20.6	238
Johann A. Krause Maschinenfabrik GmbH, Bremen	100.00	8.9	1,276
Nothelfer GmbH, Ravensburg	99.50	10.2	1,622
ThyssenKrupp Metal Cutting GmbH, Essen	100.00	62.0	0
Witzig & Frank GmbH, Offenburg	100.00	9.5	271
Plant Technology			
Polysius AG, Beckum	100.00	13.9	944
Polysius Corp., Atlanta/Georgia, USA	100.00	9.5	60
Polysius S.A., Aix en Provence, France	100.00	32.0	158
ThyssenKrupp Engineering (Proprietary) Ltd., Sunninghill, South Africa	100.00	13.6	39
ThyssenKrupp Fördertechnik GmbH, Essen	100.00	61.3	726
ThyssenKrupp Industries India Pvt. Ltd., Pimpri, India	53.93	26.4	888
Uhde GmbH, Dortmund	100.00	90.1	1,202
Uhde India Ltd., Mumbai, India	80.43	8.0	553
Intecsa-Uhde Industrial S.A., Madrid, Spain	50.00	12.5	427
Marine			
Blohm + Voss GmbH, Hamburg	99.50	33.2	1,081
Blohm + Voss Repair GmbH, Hamburg	99.50	7.7	457
Nordseewerke GmbH, Emden	99.50	12.8	1,470
ThyssenKrupp Werften GmbH, Hamburg	100.00	56.1	0
Mechanical Engineering			
Advanced Turbine Components, Inc. (ATC), Winston-Salem/North Carolina, USA	80.00	5.2	140
Berco S.p.A., Copparo, Italy	100.00	57.1	2,830
B+V Industrietechnik GmbH, Hamburg	100.00	16.0	638
Noske-Kaeser GmbH, Hamburg	100.00	5.6	371
PSL a.s., Povazská Bystrica, Slovakia	100.00	21.0	565
Rotek Incorporated, Aurora/Ohio, USA	100.00	20.5	289
Rothe Erde GmbH, Dortmund	99.50	25.6	1,491

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Companies (as of September 30, 2003)

	Shareholding in % [1]	Equity in million € [2]	Employees
ThyssenKrupp Defontaine S.A., Saint Herblain, France	99.99	19.4	576
ThyssenKrupp Elastomertechnik GmbH, Hamburg	100.00	5.1	556
ThyssenKrupp Turbinenkomponenten GmbH, Remscheid	100.00	5.1	421
Xuzhou Rothe Erde Slewing Bearing Co., Ltd., Xuzhou, PR China	60.00	10.9	864
MATERIALS			
ThyssenKrupp Services AG, Düsseldorf	99.77	460.3	211
Materials Services Europe			
Cadillac Plastic GmbH, Viernheim	100.00	6.2	252
Dortmunder Eisenhandel Hansa GmbH, Dortmund	100.00	13.7	109
Freiburger Stahlhandel GmbH & Co. KG, Freiburg i.Br.	51.00	1.9	138
German-Steels Co.,Ltd., Hong Kong, PR China	80.00	12.6	34
Jacob Bek GmbH, Ulm	80.00	4.8	150
LAGERMEX S.A. de C.V., Puebla, Mexico	100.00	15.2	195
Otto Wolff Handelsgesellschaft mbH, Düsseldorf	99.50	19.3	161
Otto Wolff Kunststoffvertrieb GmbH, Düsseldorf	100.00	7.1	408
Röhm Benelux B.V., Nijkerk, Netherlands	100.00	27.2	14
Smitfort-Staal B.V., 's-Gravenhage, Netherlands	100.00	8.2	90
Thyssen Röhm Kunststoffe GmbH, Düsseldorf	65.45	60.2	0
Thyssen Stahlunion Holdings Ltd., Smethwick, United Kingdom	100.00	19.2 [6]	298 [6]
ThyssenKrupp Energostal S.A., Torun, Poland	80.00	13.0	398
ThyssenKrupp Ferroglobus Kereskedelmi rt., Budapest, Hungary	89.98	33.1	363
ThyssenKrupp Materials France S.A.S., Maurepas, France	100.00	24.6	726
ThyssenKrupp Materials Ibérica S.A., Martorelles, Spain	100.00	11.2	151
ThyssenKrupp Materials Nederland B.V., Veghel, Netherlands	100.00	18.9	182
ThyssenKrupp Materials Schweiz AG, Bronschhofen/Wil, Switzerland	100.00	15.4	119
ThyssenKrupp Metallcenter GmbH, Karlsruhe	100.00	1.0	83
ThyssenKrupp Special Steels (UK) Ltd., Staveley, United Kingdom	100.00	2.6	3
ThyssenKrupp Stahlunion Austria Gesellschaft m.b.H., Vienna, Austria	100.00	3.7	99
Vetchberry Ltd., Birmingham, United Kingdom	100.00	11.8	73
Finox S.p.A., Milan, Italy	40.00	25.1 [4]	509 [4]
German-Steels B.V.I. Ltd., Road Town/Tortola, British Virgin Islands	49.00	0.6	1,325
Materials Services North America			
ThyssenKrupp Materials Inc., Eastpointe/Michigan, USA	100.00	59.9	1,397
ThyssenKrupp Materials NA Inc., Dover/Delaware, USA	100.00	164.4	322
ThyssenKrupp Materials CA Ltd., Rexdale/Ontario, Canada	100.00	15.7	120
ThyssenKrupp Specialty Steels NA, Inc., Carol Stream/Illinois, USA	100.00	12.0	123
Special Products			
B.V.`Nedeximpo` Nederlandse Export- en Importmaatschappij, Amsterdam, Netherlands	100.00	9.0	26
Thyssen Mannesmann Handel (SEA) Pte. Ltd., Singapore, Singapore	100.00	4.7	24
ThyssenKrupp GfT Gesellschaft für Technik mbH, Essen	100.00	10.9	114
ThyssenKrupp Metallurgie GmbH, Essen	100.00	16.5	34
ThyssenKrupp MinEnergy GmbH, Essen	100.00	20.9	29

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Companies (as of September 30, 2003)

	Shareholding in % [1]	Equity in million € [2]	Employees
SERV			
ThyssenKrupp Serv AG, Düsseldorf	100.00	191.2	78
Industrial Services			
Commando (UK) Ltd., Birmingham, United Kingdom	100.00	3.4	969
Hommel CNC Technik GmbH, Cologne	100.00	1.5	41
PeinigerRöRo GmbH, Gelsenkirchen	100.00	42.0	2,118
Safway Services Inc., Wilmington/Delaware, USA	100.00	92.9	2,749
Thyssen Rheinstahl Technik Projektgesellschaft mbH, Düsseldorf	100.00	18.9	24
ThyssenKrupp Industrieservice GmbH, Düsseldorf	100.00	94.3	27
ThyssenKrupp Plant Services GmbH, Bottrop	100.00	3.8	722
ThyssenKrupp Serv Austria Gesellschaft m.b.H., Vienna, Austria	99.50	14.9	160
WIG Industrieinstandhaltung GmbH, Cologne	100.00	6.2	6,720
Construction Services			
ThyssenKrupp Systems & Services GmbH, Ratingen	96.00	63.2	37
Facilities Services			
ThyssenKrupp Facilities Services GmbH, Düsseldorf	100.00	6.7	18
ThyssenKrupp HiServ GmbH, Düsseldorf	100.00	3.9	1,272
Information Services			
Krupp Druckereibetriebe GmbH, Essen	100.00	2.6	319
ThyssenKrupp Information Services GmbH, Düsseldorf	100.00	128.7	4
Triaton GmbH, Krefeld	100.00	4.9	1,892
REAL ESTATE			
ThyssenKrupp Immobilien GmbH, Essen	100.00	34.4	92
Residential Real Estate			
Krupp Hoesch Immobilien GmbH, Essen	100.00	91.1	0
ThyssenKrupp Wohnimmobilien GmbH, Essen	99.69	296.6	290
Real Estate Management			
Krupp Stahl AG & Co Liegenschaftsverwaltung, Bochum	100.00	120.7	0
Suter + Suter GmbH, Düsseldorf	100.00	7.1	29
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co.KG Stahl, Oberhausen	100.00	27.8	0
ThyssenKrupp Immobilien Management GmbH, Essen	100.00	0.3	149
CORPORATE			
National Holding Companies			
Grupo ThyssenKrupp S.A., Madrid, Spain	100.00	202.1	0
ThyssenKrupp France S.A., Rueil-Malmaison, France	100.00	342.5	0
ThyssenKrupp Italia S.p.A., Milan, Italy	100.00	329.9	0
ThyssenKrupp Nederland B.V., Roermond, Netherlands	100.00	123.6	0
ThyssenKrupp Participaciones, S.L., Andoain, Spain	100.00	14.4	0
ThyssenKrupp UK Plc., County Durham, United Kingdom	100.00	229.8	0
ThyssenKrupp USA, Inc., Troy/Michigan, USA	100.00	1,007.3	43

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Index

Glossary

A

Average collection period
Trade accounts receivable divided by sales, multiplied by 360 (the lower the ratio, the faster customers pay)

C

Capital employed
Interest-bearing invested capital

Cash flow from operating activity
Cash receipts/payments, unless caused by investing or financing activities

Corporate governance
Designation in international parlance for company management and company controlling focused on responsible, long-term value creation

Cost of capital
Strategically defined minimum return required by capital providers

D

DAX
Deutscher Aktien-Index (German Stock Index), compiled by Deutsche Börse. The index reflects the performance of the 30 largest and strongest-selling German stocks, including ThyssenKrupp stock

Delisting
Full or partial withdrawal of a stock corporation from the stock exchange, e.g. withdrawal of listing on a foreign stock exchange

Downstream activities
Further processing operations carried out on flat steel to add value, e.g. coating, steel service center operations, production of tailored blanks

E

EBIT
Earnings before interest, taxes

EBITDA
Earnings before interest, taxes, depreciation and amortization

EBT
Earnings before taxes

Economic value added (EVA)
Difference between ROCE and cost of capital, multiplied by capital employed. If EVA is positive, returns are higher than the cost of capital

Emerging markets
Emerging economic regions, particularly of the Third World

E-procurement
Purchasing materials using modern electronic media, particularly the internet

Equity ratio
Ratio of balance sheet equity capital to balance sheet total (the higher the ratio, the lower the indebtedness)

F

Fair disclosure
Disclosure of all information to all stakeholders of an exchange-listed company at the same time

First-stage processing
Initial processing of materials in service centers (e.g. blanking, surface treatment)

Free cash flow (before dividend)
Net cash from operating activities less net cash used in investing activities

G

Gearing
Ratio of financial payables to equity capital (the lower the ratio, the higher the share of equity in the interest-bearing capital employed)

Gross margin (absolute)
Net sales less cost of sales

I

Internal financing strength
Ratio of cash flow from operating activity to cash flow from investing activity

Inventory turnover
Inventories divided by sales, multiplied by 360 (the lower the ratio, the faster the inventory turnover)

Investment grade
A rating is expressed in a combination of alphanumeric symbols and represents a company's credit standing as assessed by the rating agency. Ratings can be roughly divided into two categories: "Investment grade" (adequate protection) and "Non-investment grade" (speculative).

L

Long Term Management Incentive Plan (LTMI)
Scheme awarding stock appreciation rights to Group executives as a capital-market oriented compensation element. The value of the stock appreciation rights is linked to the performance of ThyssenKrupp stock and the Dow Jones STOXX

M

Mid Term Incentive Plan (MTI)
Mid-term variable compensation for executive board members through stock rights. Criteria are duties, personal performance and overall board performance as well as the business situation and prospects of the company compared with benchmarks

O

One-stop shopping
Delivery of all products and services from one source

R

ROCE
Return on capital employed

S

SMC
Sheet Molded Compound, fiber reinforced plastic material

T

Tailored blank
Metal blank comprising individual steel sheets of different grade, gauge and finish which are welded together and are suitable for deep drawing

ThyssenKrupp best
Program to improve efficiency in all areas of the company. Best stands for "business excellence in service and technology"

V

Volatility
Intensity of price fluctuations of a stock, currency or bulk commodity compared to the market development

List of abbreviations

A

AICPA
American Institute of Certified Accountants

AktG
German Stock Corporation Act

APB
Accounting Principles Board Opinion

ARB
Accounting Research Bulletin

C

CON
Statement of Financial Accounting Concepts

D

DJ STOXX
Dow Jones STOXX

E

EITF
Emerging Issues Task Force

EPS
Earnings per share

F

FASB
Financial Accounting Standards Board

FIN
FASB Interpretation

H

HGB
German Commercial Code

I

IT
Information Technology

K

KonTraG
German Law on Control and Transparency in Business

L

LTMI
Long Term Management Incentive Plan

M

MD&A
Management's Discussion and Analysis of Results of Operations and Financial Condition

MitbestG
German Codetermination Law

MTI
Mid Term Incentive Plan

P

PoC
Percentage of Completion

R

ROCE
Return on Capital Employed

S

SAB
Staff Accounting Bulletin

SEC
Securities and Exchange Commission

SFAS
Statement of Financial Accounting Standards

SOP
Statement of Position

U

US GAAP
United States Generally Accepted Accounting Principles

W

WACC
Weighted Average Capital Cost

WpHG
German Securities Trading Act

Contact

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This report and the financial statements of ThyssenKrupp AG are available in German and English; both versions can be downloaded from the internet at **www.thyssenkrupp.com**. An interactive online version of the report for the media is also available on our website.

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What next?

The thing about successful innovations is that they soon stop being innovative and become everyday. That means we can't afford to stand still, so we are already working on the innovative products and services we will be presenting next year – both on the global markets and in the 2003_2004 annual report.

Something to look forward to.

2004_2005 dates

January 23, 2004	Annual Stockholders' Meeting
January 26, 2004	Payment of dividend for the 2002/2003 fiscal year
February 13, 2004	Interim report
	1st quarter 2003/2004 (October to December)
	Conference call with analysts
May 14, 2004	Interim report
	2nd quarter 2003/2004 (January to March)
May 17, 2004	Analysts' meeting
August 12, 2004	Interim report
	3rd quarter 2003/2004 (April to June)
	Conference call with analysts
December 01, 2004	Annual press conference
	Analysts' meeting
January 21, 2005	Annual Stockholders' Meeting

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