

**future value**



## THE GROUP IN FIGURES

		2000/2001	2001/2002	Change
Order intake	million €	37,869	36,404	- 1,465
Sales	million €	38,008	36,698	- 1,310
EBITDA	million €	3,267	2,648	- 619
EBIT	million €	1,349	1,046	- 303
EBT				
after goodwill amortization	million €	876	-	-
before goodwill amortization	million €	1,117	762	- 355
Normalized EBT				
after goodwill amortization	million €	533	-	-
before goodwill amortization	million €	774	419	- 355
Consolidated net income	million €	665	216	- 449
Basic earnings per share				
after goodwill amortization	€	1.29	-	-
before goodwill amortization	€	1.76	0.42	- 1.34
Normalized earnings per share				
after goodwill amortization	€	0.58	-	-
before goodwill amortization	€	1.05	0.48	- 0.57
Distribution	million €	309	206*	- 103
Dividend per share	€	0.60	0.40*	- 0.20
Net cash provided by operating activities	million €	2,245	2,454	209
Capital investments	million €	2,327	1,777	- 550
Return on equity (before taxes and minority interest)	%	10.0	9.2	- 0.8
ROCE	%	8.8	7.0	- 1.8
EVA	million €	(46)	(413)	- 367
Net financial payables	million €	6,407	4,742	- 1,665
Stockholders' equity	million €	8,786	8,287	- 499
Gearing	%	72.9	57.2	- 15.7
Employees (Sept. 30)		193,516	191,254	- 2,262

\* Proposal to the Annual Stockholders' Meeting

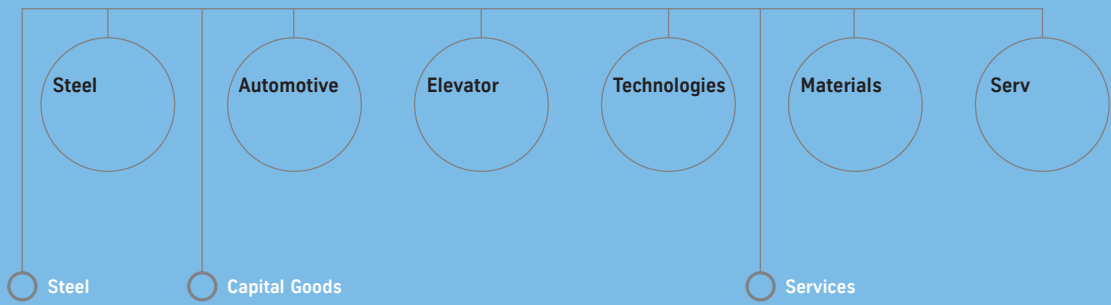
## Note:

Accounting at ThyssenKrupp AG is in accordance with US GAAP. Due to the adoption of SFAS 142 in the current fiscal year, 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. The comments in the report are based in all cases on figures before goodwill amortization. All prior comparative periods are presented in the current segment organization.

**THYSSENKRUPP IN BRIEF**

The strengths of the ThyssenKrupp Group lie in Steel, Capital Goods and Services. We have over 191,000 employees in more than 70 countries developing products and services to meet the challenges of tomorrow and working together to create value for the future.

future value. ThyssenKrupp









**THE FUTURE BELONGS TO EVERYONE.** And everyone has their own expectations of the future. ThyssenKrupp is open to different ideas and actively seeks dialogue, inside and outside the Company. In this way we get to know and understand different ways of thinking, which enables us to tailor our products and services exactly to customer needs. And in this way we promote understanding for the aims of ThyssenKrupp. Because to create value for the future you have to respect the values of others.

**TRADING OPINIONS.** Diverse groups of society regularly formulate their expectations of ThyssenKrupp. For us, this is a source of motivation and opportunity. The public's interest in us enables us to address a wide range of opinions and, through dialogue, move the Company forward. Just how many people challenge ThyssenKrupp with their aspirations is difficult to say. We give some of them a chance to speak in this report.



“Challenges drive us forward.”

Prof. Dr. Ekkehard D. Schulz, Executive Board Chairman ThyssenKrupp AG



“Having visions only makes sense if you’re given the opportunity to realize them.”



1

Jennifer Blöhm, economics student at Witten-Herdecke University, ThyssenKrupp Study Support scholarship holder and intern at ThyssenKrupp AG, Düsseldorf

“A good investment is one where not just the figures are right but where the people you are dealing with inspire trust.”

“Naturally a large employer like ThyssenKrupp is a plus for the region, but we still have to ask critical questions sometimes.”



2 Dr. Ingrid Hengster, Managing Director, Credit Suisse First Boston, and Donald Ogilvie, Managing Director, Dresdner Kleinwort Wasserstein, Frankfurt, Germany

3 Bärbel Zielsing, Lady Mayoress of Duisburg, Germany

“If ThyssenKrupp didn’t train in excess of its own needs, I wouldn’t have an apprenticeship. And with what I learn here I’ll soon find a job elsewhere.”



4

Andre Riesop, process control electronics apprentice,  
ThyssenKrupp Stahl AG, Duisburg, Germany

“As a government agency responsible for promoting international trade we want the friendship and understanding between China and ThyssenKrupp to deepen and grow. We hope that ThyssenKrupp will continue to make a positive contribution to China’s economic development in the future.”

“Quality for me includes on-spec delivery, cooperative installation and on-time start-up.”



5

Dr. phil. Cheng Gang, Chairman, China Council for the Promotion of International Trade, Beijing Sub-Council, Beijing, China



6

Karl Franz Wambach, Managing Director, Hines Immobilien GmbH, Berlin, Germany

“To be credible, a company must deliver sustainability at all levels. Successful management also means analyzing and systematically reducing environmental impact.”



7 Tony Long, WWF, Director WWF European Policy Office, Brussels, Belgium

“Investing in a stock must never be a game of chance.”



8 Klaus Maxt, stockholder, Düsseldorf, Germany

“The future is when we are big and  
can stay up as long as we want.”









9 Monique Kochems, Jessica Sterneke, Markus and Martin Heller, schoolchildren, Germany

**THE CHALLENGE OF THE FUTURE.** Bright ideas make for a brighter future. The challenge is to decide which ideas are worth investing in, and to develop criteria for that decision. A company like ThyssenKrupp is responsible not only to its stockholders, customers and employees but also to many other areas of society not directly connected with us. Their wishes, dreams and expectations are becomingly increasingly complex. We also have a responsibility to the environment. So before we make any major decision, we listen to what these various interest groups have to say.

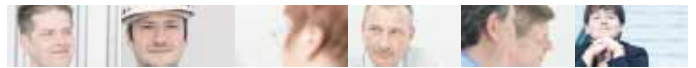


Their opinions motivate us to become even more successful, because business success brings with it the ability to change processes for the better. To be successful, you need to give your creativity free rein and translate ideas into action quickly. With transparent structures designed to integrate internal and external knowledge, we are working to create sustainable value for all our stakeholders. Learn more about our future values in this annual report.

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



**To our stockholders** In recent months the international financial markets have been hit by price collapses, accounting scandals and a deep loss of investor confidence. Stockholders therefore appreciate all the more open, transparent and up-to-date information about the operating performance, strategic goals and governance of their company and about the performance and potential of their shares. Those are the themes of this section.

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## Executive Board



Prof. Dr. Ekkehard D. Schulz



Dr. Olaf Berliet, Dr. Ulrich Middelmann, Prof. Dr. Eckhard Rohkamm



Dr. A. Stefan Kirsten, Dr. Jürgen Harnisch



**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 February 21, 2004, responsible for the Steel segment

**Dr. Olaf Berlien**

born 1962, Executive Board member since April 01, 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 Materials AG, born 1958, Executive Board member since October 01, 2002, appointed until September 30, 2007, responsible for the Materials and Serv segments and for Corporate Information Management

**Dr. Jürgen Harnisch**

also Executive Board Chairman of ThyssenKrupp Automotive AG, born 1942, Executive Board member since October 01, 2001, appointed until April 14, 2004, responsible for the Automotive segment and for Corporate Affairs – International

**Dieter Hennig**

born 1939, Executive Board member since 1992, appointed until December 31, 2002, responsible for Corporate Personnel and Social Policy, and for Administrative Services

**Dr. A. Stefan Kirsten**

born 1961, Executive Board member since August 01, 2002, appointed until July 31, 2007, responsible for Corporate Finance, Investor Relations, Accounting, Taxes and Customs and for Insurance 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



Edwin Eichler, Dieter Hennig

Resigned members:

**Jürgen Rossberg**, resigned December 31, 2001

**Dr. Hans-Erich Forster**, resigned September 30, 2002

**Dr. Gerhard Jooss**, resigned September 30, 2002

**Dr. Heinz-Gerd Stein**, resigned September 30, 2002

## Letter to stockholders



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



*Dear Stockholder,*

Most of us went into the past year with muted optimism. The continuing bleak economic outlook and political uncertainties worldwide, persistently high unemployment and economic weakness in Germany, coupled with the government's diminishing appetite for reform in an election year – all of this dampened hopes for a year of positive counteraction. Unfortunately, the skeptics were proven right.

The economic slowdown in the USA and Europe continued for longer than expected. The first signs of recovery were late in arriving and weaker than hoped for. Many companies and entire sectors will report lower sales and disappointing earnings figures for the past year, much as they had to do 12 months earlier. ThyssenKrupp's performance also deteriorated in the first half, reaching a low point at the turn of the year 2001/2002. It was not until the second half of the fiscal year that the trend reversed and things slowly started to get better.

At €36.7 billion, the Group's sales in 2001/2002 were 3% lower than the previous year. Normalized earnings before income taxes and minority interest, excluding goodwill amortization, amounted to €419 million after €774 million on a comparable basis a year earlier. In view of the difficult situation, the Executive Board proposes to the Supervisory Board that a resolution be passed at the Annual Stockholders' Meeting to pay a dividend of €0.40 per no-par-value share for the past fiscal year; last year's dividend was €0.60 per share. The payout ratio, which last year was 46.5% of consolidated net income, has thus risen to 95.4%.

The dividend proposal for 2001/2002 is €0.40 per share.

The Group's business performance also impacted our spending and the further optimization of our portfolio. Capital expenditure was scaled back in line with earnings and was at or below the level of depreciation in all segments. We continued our portfolio optimization in smaller steps. For example, in October 2001 we acquired a 10% interest in the Finnish automaker Valmet. An important step in the streamlining of our portfolio was the disposal of our indirect shareholding in Ruhrgas AG in July 2002.

In the year under review, priority was given to further reducing our net financial payables, which were down to €4.7 billion on September 30, 2002; a year earlier the figure stood at €6.4 billion. That means that we have achieved our medium-term goal of a gearing ratio of around 60%, and we aim to maintain this level in the future.

Another area we focused on was optimizing our internal processes so as to continuously improve our productivity. In the past fiscal year we once again realized our synergy targets on schedule. We pushed on with the restructuring of loss-making areas – for example in the Automotive segment. In line with our value-based management approach, we also achieved success in activities which were already returning profits but not yet delivering adequate added value.

Our Annual Report gives you a full picture of the past fiscal year at ThyssenKrupp. Once again we have tried to make it an informative and interesting read. Like you, we were delighted by the extraordinarily positive response to last year's report, which was awarded first prize in manager magazin's contest for the best annual report. At the same time, the award acted as a spur to make this year's report just as good. In this connection I wish to assure you that both reporting and accounting at ThyssenKrupp are correct, solid and professional. It has always been our policy that we never sign anything unless we feel it is correct and we never do anything unless we are able to disclose it.

We aim to achieve further growth in steel, capital goods and services.

We look to the future with cautious optimism – cautious about the speed of the economic recovery, and optimistic about the potential of our own Group. We are continuing to focus the Group on its three main business areas: steel, capital goods and services. All six operating segments – Steel, Automotive, Elevator, Technologies, Materials and Serv – returned profits in a difficult year. Through investment, alliances and acquisitions we aim to continue our focused growth in the relevant markets in the future.

In my letter to you last year, I reported on our corporate program ThyssenKrupp best. The program provides a systematic framework for harnessing the Group's resources and boosting their efficiency. One year on, the picture is encouraging. With more than 1,000 projects now running throughout the Group, the exchange of knowledge and experience among Group companies is intensifying daily, while projects which have already been successfully completed spur our employees to make further improvements. In the coming years, the program will make a major contribution to enhancing the performance and profitability of the Group.

We are sticking to our medium-term goal of generating sustainable pre-tax earnings of €1.5 billion per year. And I am convinced that we will get there. The first step will be taken in the current fiscal year, despite most growth forecasts for 2003 indicating that the economic recovery will be delayed further and the upswing only moderate. Political risks are adding to these economic uncertainties. Nonetheless, we expect ThyssenKrupp to perform positively overall. In the first half especially we expect earnings to show a significant improvement over the weak first half of 2001/2002. This is particularly true of the Steel segment, where the price increases implemented are starting to be reflected in results. Crucial to the course of business in the second half of 2002/2003 will be developments on both the economic and political fronts. Our goal for the 2002/2003 fiscal year is to achieve improved earnings which will allow us to pay you a higher dividend.

ThyssenKrupp expects improved earnings and a higher dividend in 2002/2003.

As you can see, we are pursuing ambitious but realistic goals to secure the future of the Group, and implementing them step by step. The average age of the Executive Board fell substantially during the past fiscal year, but continuity is still our watchword. With new faces adding fresh ideas and outlooks to the experience of the longer-standing members with their intimate knowledge of the Group, we now have a mix which we will use to secure the future of the Company. My colleagues and I will keep a constant eye on the interests of all our stakeholders. We want to be the problem-solver and system partner of choice for our customers, a dependable consumer for our suppliers, an attractive employer for our workforce and a responsible corporate citizen for society as a whole. We want to be a reliable partner to all our creditors. But more than anything else, we want to be a strong long-term investment for you, our stockholders. That is what we are working toward.

Yours sincerely,



Prof. Dr. Ekkehard D. Schulz  
Chairman of the Executive Board

Düsseldorf, December 2002

## 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

**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**  
 (since June 26, 2002)  
 Senior manager & head of plant management  
 of ThyssenKrupp Stahl AG

**Prof. Dr. Günter Vogelsang, Düsseldorf**  
 Honorary Chairman

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

**Klaus Ix, Siek**  
 Fitter  
 Chairman of the Works Council of  
 Thyssen Fahrtruppen GmbH

**Gerd Kappelhoff, Witten**  
 (until October 16, 2002)  
 Trade union secretary at the Düsseldorf  
 branch office of IG Metall

**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

**Thomas Schlenz, Duisburg**

Shift foreman

Chairman of the Group Works Council  
of ThyssenKrupp AG**Dr. Henning Schulte-Noelle, Munich**

Chairman of the Executive 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 Speaker of the Executive Board of  
Dresdner Bank AG**Dieter Wittenberg, Dortmund**

(until May 31, 2002)

Former director of  
ThyssenKrupp Technologies 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

**Accounting and Investment Committee**

(until September 30, 2002)

Dr. Gerhard Cromme (Chairman)

Dieter Schulte

Wolfgang Boczek

Dr. Klaus Götte

Dr. Mohamad-Mehdi Navab-Motlagh

Wilhelm Segerath

**Audit Committee**

(since October 01, 2002)

Dr. Karl-Hermann Baumann (Chairman)

Dr. Gerhard Cromme

Udo Externbrink

Klaus Ix

Ernst-Otto Tetau

Bernhard Walter

**Strategy, Finance and Investment Committee**

(since October 01, 2002)

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** 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.



Dr. Gerhard Cromme, Chairman of the Supervisory Board

In the year under review, the Supervisory Board performed the functions for which it is responsible according to statutory provisions and the Articles of Association. It 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 reports the Executive Board furnished the Supervisory Board 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 discussed in detail. The Executive Board agreed the Company's strategic alignment with the Supervisory Board. 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, the Supervisory Board Chairman was in regular contact with the Executive Board and was kept informed about the current business situation and key business transactions.

In fiscal year 2001/2002 four Supervisory Board meetings were held. No Supervisory Board member attended fewer than half the meetings. Between meetings, the Supervisory Board was kept informed about projects and events which were urgent or of particular importance, and approval was requested when necessary.

In fiscal year 2001/2002 there were four Supervisory Board meetings - in November, January, March and July.

### **Work of the committees**

The Supervisory Board has formed five committees, each composed of equal numbers of stockholder and employee representatives. The committees 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 are delegated to the committees. For example, the Personnel Committee decides on the conclusion, amendment and termination of contracts of employment with the members of the Executive Board, the fixing of the annual bonus, and approval for secondary activities including the acceptance of supervisory board seats outside the Group. With the exception of the Audit Committee, all committees are chaired by the Supervisory Board Chairman. The current compositions of the individual committees are shown in the list of Supervisory Board members on page 25 of the Annual Report.

The Executive Committee (Praesidium) and the Personnel Committee, both composed of the same members, each met five times in the reporting period. The main subjects of discussion in the Executive Committee were the strategic alignment and further development of the Group. The Personnel Committee dealt mainly with resignations and appointments of Executive Board members and with compensation for Executive Board members. The Mediation Committee in accordance with Art. 27 par. 3 German Codetermination Act (MitbestG) did not have to be convened.

The Accounting and Investment Committee met twice in the reporting period and addressed in particular the parent-company and consolidated financial statements, the further development of the risk management system and the Group's investment plan. By resolution of the Supervisory Board at its meeting on July 12, 2002, the functions of this Accounting and Investment Committee were divided between an Audit Committee and a Strategy, Finance and Investment Committee. The Audit Committee prepares negotiations and resolutions of the Supervisory Board on questions relating to accounting and risk management, auditor independence, the award of the audit engagement, the determination of audit priority areas and the fee agreement. The Strategy, Finance and Investment Committee has the task of preparing negotiations and resolutions of the Supervisory Board on questions relating to strategy, the financial situation of the Company as well as investments in fixed assets and financial assets.

An Audit Committee and a Strategy, Finance and Investment Committee replace the previous Accounting and Investment Committee.

#### **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 Supervisory Board also addressed Executive Board personnel matters at several meetings.



At its meeting on November 09, 2001 the Supervisory Board adopted the corporate plan for fiscal year 2001/2002. In this connection the Executive Board reported at length on the synergies realized since the merger and on the measures planned to enhance the value of the Group. The Executive Board presented to the Supervisory Board the ThyssenKrupp best program, designed to further improve the performance of the Company. At this meeting the Supervisory Board also heard a detailed report on the structure and development of the Group's financial payables. Another topic at this meeting was the Fast Close project, aimed at significantly shortening the time required to prepare the annual and quarterly financial statements. At this meeting the Supervisory Board additionally approved the acquisition of the elevator activities of Kone Oy in South America as well as the sale of the B shares of Kone Oy and the disposal of the indirect Ruhrgas shareholding

The Supervisory Board discussed the Fast Close project to speed up preparation of the annual and quarterly financial statements.

At its meeting on January 09, 2002 the Supervisory Board dealt primarily with the financial statements for the year ended September 30, 2001. Other topics were the internationalization strategy for the Steel segment, the Group's expenditures for research and development, the Group's image campaign and the subject of employee shares. In addition, the opportunities and risks of the Transrapid in China, the risks posed by the difficult economic situation in South America and the activities of the Group in the area of investor relations were discussed. The Supervisory Board adopted the Group's investment plan at this meeting. The Executive Board also reported on the planned disposal of Krupp Berco Bautechnik. This disposal was approved by the Supervisory Board in writing at the end of January 2002 after more detailed information had been presented.

At the meeting before the Annual Stockholders' Meeting on March 01, 2002 the Supervisory Board was informed about the current situation of the Group. One main topic of discussion was the restriction on steel imports to the USA under Section 201 of the Trade Act and its consequences for the Steel segment. The Supervisory Board also dealt with Executive Board personnel matters at this meeting.

At the meeting on July 12, 2002 Executive Board matters were again on the agenda. The Supervisory Board adopted a new organization chart for the Executive Board, effective from October 01, 2002. Other topics of discussion at this meeting were the effects of the dollar exchange rate movements, the Commercial Paper Program and the Debt Issuance Program, launched to improve the maturity structure of the Group's debts, and the planned collaboration with Gildemeister in the field of metalcutting machine tools. At this meeting the Supervisory Board also approved the planned acquisition of a shareholding in HDW Howaldtswerke Deutsche Werft and the acquisition of Josef Tepper Aufzüge GmbH & Co. KG.

The Supervisory Board approved the implementation of the German Corporate Governance Code in principle.

### **Corporate Governance and Declaration of Conformity**

At its meeting on July 12, 2002 the Supervisory Board dealt at length with the implementation of the German Corporate Governance Code at ThyssenKrupp. The Supervisory Board approved the implementation of the code in principle and adopted changed rules of procedure for the Supervisory Board and Executive Board of ThyssenKrupp AG reflecting the code, as well as planned changes to the Articles of Association which will be submitted to the 2003 Annual Stockholders' Meeting for resolution. The changes to the Articles of Association concern among other things adapting Supervisory Board compensation to the recommendations of the code. Thus, work on the Supervisory Board committees is also to be remunerated in the future, in line with the procedure at comparable companies, and the payment of compensation is to be dependent to a certain degree on attendance at the meetings.

In addition to the division of the previous Accounting and Investment Committee into an Audit Committee and a Strategy, Finance and Investment Committee, the changes to the rules of procedure for the Supervisory Board included the following requirement: all Supervisory Board members must disclose to the Supervisory Board without delay any conflicts of interest which may arise from performing advisory or board functions for customers, suppliers, lenders or other business partners, and the Supervisory Board must disclose any conflicts of interest that have occurred and how they were dealt with in its report to the Annual Stockholders' Meeting. No such conflicts of interest occurred in the reporting period.

In implementing the German Corporate Governance Code the Supervisory Board further undertook to review the efficiency of its work once a year. At its meeting on December 19, 2002 the Supervisory Board discussed the next steps with regard to the efficiency review. The review will focus particularly on Supervisory Board procedures. This includes the supply of full and timely information to the Supervisory Board and the information flow between the committees and the full board.

On October 01, 2002 the Executive Board and Supervisory Board issued the first Declaration of Conformity under Art. 161 AktG (Stock Corporation Act), which stated that ThyssenKrupp met the recommendations of the Government Commission on the German Corporate Governance Code with two exceptions. One of these exceptions was that one Supervisory Board member, a director of an exchange-listed company, had more than five Supervisory Board mandates at non-Group exchange-listed companies. After this no longer held true, the Executive Board and Supervisory Board on December 09, 2002 amended their Declaration of Conformity under Art. 161 AktG (Stock Corporation Act) and posted it on the Company's website so as to be available to stockholders at all times: "ThyssenKrupp AG complies with the recommendations of the Government Commission on the German Corporate Governance Code with the following exception:

To date, there has been no extra compensation for the chair and members of Supervisory Board committees. The Executive Board and Supervisory Board will propose to the forthcoming Annual Stockholders' Meeting on February 21, 2003 that Art. 14 par. 1 of the Articles of Association of ThyssenKrupp AG be amended to include a provision on compensation for the chair and members of Supervisory Board committees (Code Section 5.4.5 par. 1 sentence 3)."

### **Audit of the financial statements**

The parent company financial statements for the period October 01, 2001 to September 30, 2002, prepared by the Executive Board in accordance with HGB (German GAAP) rules, and the management report of ThyssenKrupp AG were audited by KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, in accordance with the resolution of the Annual Stockholders' Meeting on March 01, 2002 and the subsequent award by the Supervisory Board. The auditors issued an unqualified audit opinion.

The 2001/2002 parent company financial statements received an unqualified audit opinion from KPMG.

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 IT systems and particularly the system interfaces used in accounting and related areas. The report on this was sent to the Supervisory Board and discussed in the meeting of the Audit Committee on December 18, 2002.

Focuses of the audit included  
IT systems and the risk  
management system.

Another focus of the audit was the risk management system, in respect of which the auditors concluded that the Executive Board had carried out the measures required under Art. 91 par. 2 of the German Stock Corporation Act (AktG) and that the ThyssenKrupp risk management system is capable of identifying at an early stage developments which could jeopardize the continued existence of the Company.

The financial statement documents and audit reports were sent to all Supervisory Board members in good time. They were discussed in detail at the meeting of the Audit Committee on December 18, 2002 and at the meeting of the Supervisory Board on December 19, 2002. 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 the Supervisory Board for supplementary information.

On the basis of its own examination of the parent company financial statements, the consolidated financial statements, the management report and the management report on the Group, the Supervisory Board approved the result of the audit. At its meeting on December 19, 2002 it approved the parent company and consolidated financial statements. The parent company financial statements are thus adopted. The Supervisory Board 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 May 31, 2002 Mr. Dieter Wittenberg retired from the Supervisory Board on age grounds. In his place, by court ruling effective June 26, 2002, Mr. Herbert Funk was appointed member and representative of the senior staff on the Supervisory Board. Mr. Gerd Kappelhoff resigned his Supervisory Board seat at the close of October 16, 2002.

Mr. Jürgen Rossberg resigned from the Executive Board at the close of December 31, 2001 and entered retirement. As successors to Dr. Gerhard Jooss, Dr. Heinz-Gerd Stein and Dr. Hans-Erich Forster, who retired at the close of September 30, 2002, the Supervisory Board appointed as members of the Executive Board of ThyssenKrupp AG Dr. Olaf Berlien, effective April 01, 2002, Dr. A. Stefan Kirsten, effective August 01, 2002 and Mr. Edwin Eichler, effective October 01, 2002. As successor to Mr. Dieter Hennig, who will leave the Executive Board and retire at the close of December 31, 2002, the Supervisory Board has appointed Mr. Ralph Labonte as member of the Executive Board and labor director of ThyssenKrupp AG effective January 01, 2003.

The Supervisory Board thanks Mr. Wittenberg and Mr. Kappelhoff for their constructive cooperation in this body and for their commitment to the interests of the Company and its employees. The Supervisory Board thanks the retired Executive Board members for their many years of successful service to the Group.

In addition, the Supervisory Board thanks the Executive Board, company managements, all employees and the employee representatives for their efforts in the fiscal year.

The Supervisory Board



Dr. Gerhard Cromme  
Chairman

Düsseldorf, December 19, 2002

**Corporate Governance at ThyssenKrupp** By tradition, ThyssenKrupp has always attached great importance to good and responsible corporate governance, so no fundamental changes were needed to adapt to the German Corporate Governance Code. With only one exception at present, the Company complies with all the Code's recommendations and most of its 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:

The term corporate governance stands for responsible management and control of enterprises geared to long-term value creation. Respect for stockholder interests, efficient cooperation between the Executive and Supervisory Boards, and openness and transparency in corporate communications are key aspects of good corporate governance.

By tradition, ThyssenKrupp has always attached great importance to corporate governance. We took account of nationally and internationally 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. Open, up-to-the-minute and consistent reporting promotes the confidence of investors and other capital providers, business partners, employees and the public in the Company.

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. One of these exceptions was that one Supervisory Board member, a director of an exchange-listed company, held more than five supervisory board mandates at non-Group exchange-listed companies. After this no longer held true, the Executive Board and Supervisory Board revised their Declaration of Conformity in accordance with Art. 161 AktG on December 09, 2002 and posted it on the Company's website: "ThyssenKrupp AG complies with the recommendations of the Government Commission on the German Corporate Governance Code with the following exception:

To date, there has been no extra compensation for the chair and members of Supervisory Board committees. The Executive Board and Supervisory Board will propose to the forthcoming Annual Stockholders' Meeting on February 21, 2003 that Art. 14 par. 1 of the Articles of Association of ThyssenKrupp AG be amended to include a provision on compensation for the chair and members of Supervisory Board committees (Code section 5.4.5 par. 1 sentence 3)."

By tradition, ThyssenKrupp acts in accordance with recognized standards of corporate governance.

Beyond this, ThyssenKrupp already complies to a large extent with the additional suggestions of the German Corporate Governance Code. For example, the individual compensation of the Executive Board members is listed in this report. At our exchange-listed subsidiaries Eisen- und Hüttenwerke AG and Stahlwerke Bochum AG, the German Corporate Governance Code is implemented taking into account the specificities of their membership in the Group. Variances are set out in the declarations of conformity issued on October 15, 2002 (Eisen- und Hüttenwerke AG) and October 12, 2002 (Stahlwerke Bochum AG).

### **Stockholder rights**

ThyssenKrupp AG's stockholders exercise their rights, including their voting rights, at the Annual Stockholders' Meeting. They 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.

Stockholders can exercise their voting rights at the 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 can also be issued by electronic media.

### **Close cooperation between Executive Board and Supervisory Board**

Efficient corporate governance is based on close and continuous dialogue between the Executive Board and the Supervisory Board. In recent years, this dialogue has been intensified and improved step by step at ThyssenKrupp.

The Executive Board provides the Supervisory Board with regular detailed updates on all corporate planning and strategy issues, business transactions, the situation of the Group (including an overview of risks) and 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.

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 year 2003/2004. There are no plans to introduce different periods of office. 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 which includes an appropriate deductible for the members of ThyssenKrupp AG's Executive and Supervisory Boards.

The continuous dialogue between the Executive Board and the Supervisory Board has been intensified and improved.

### **Provisions to avoid conflicts of interest**

The Executive Board members immediately disclose any conflicts of interest to the Supervisory Board. Their activities for ThyssenKrupp AG are subject to an extensive non-competition clause. The exercise of any secondary duties, in particular the acceptance of supervisory board mandates outside the Group, requires the prior consent of the Supervisory Board. Any business transacted with the Company by an Executive Board member must be concluded on behalf of the Company by the Supervisory Board. Moreover, any major transactions concluded with the Company or one of its consolidated subsidiaries by persons close to members of the Executive Board, in particular close relatives, must be approved in advance by the Supervisory Board. The same applies to any major transactions concluded with the Company or one of its consolidated subsidiaries by companies over which an Executive Board member or persons close to an Executive Board member can exercise significant influence. All transactions must comply with the normal standards applying in the relevant sector.

Supervisory Board members must disclose any conflicts of interest immediately to the Supervisory Board, in particular such conflicts of interest as may arise from the exercise of advisory or board functions at customers, suppliers, creditors or other business partners. The Supervisory Board will provide information about any conflicts of interest and how they were dealt with in its report to the Annual Stockholders' Meeting. In the past fiscal year there were no such conflicts of interest or business transactions with the Company relating either to Executive Board members or Supervisory Board members.

Consultancy and other service contracts between a member of the Supervisory Board and the Company require the approval of the Supervisory Board. There were no such contracts in the reporting period.

### **Success-based compensation for Executive and Supervisory Boards**

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. Alongside the duties and performance of the individual Executive Board member, compensation is also based on the business situation, success and prospects of the Company relative to its competitive environment.

In fiscal 2001/2002, compensation for the active Executive Board members totaled €8,134.0K. Of this total, €4,457.5K related to fixed salaries and €3,045.0K to bonuses. In addition, the Executive Board was granted 732,500 stock appreciation rights (2nd – 4th installment). The breakdown by individual Executive Board member is shown on page 37. In addition to these amounts, the Executive Board members received non-cash benefits in the total amount of €631.5K. These mainly comprised 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 depending on the personal situation of the individual member.

Fixed salary, bonus and stock appreciation rights – the three components of Executive Board compensation.





<b>EXECUTIVE BOARD COMPENSATION 2001/2002</b>				
	Fixed salary	Bonus	Total	Stock appreciation rights
	in thousand €	in thousand €	in thousand €	2nd-4th installment
Prof. Dr. Ekkehard D. Schulz, Chairman	728.6	512.0	1,240.6	121,250
Dr. Ulrich Middelmann, Vice Chairman	569.2	400.0	969.2	81,250
Dr. Olaf Berlien (from 04-01-2002)	240.0	160.0	400.0	25,000
Dr. Hans-Erich Forster	455.4	320.0	775.4	75,000
Dr. Jürgen Harnisch	455.4	320.0	775.4	55,000
Dieter Hennig	455.4	320.0	775.4	75,000
Dr. Gerhard Jooss	455.4	320.0	775.4	75,000
Dr. A. Stefan Kirsten (from 08-01-2002)	80.0	53.0	133.0	25,000
Prof. Dr. Eckhard Rohkamm	455.4	320.0	775.4	75,000
Jürgen Rossberg (until 12-31-2001)	107.3	–	107.3	50,000
Dr. Heinz-Gerd Stein	455.4	320.0	775.4	75,000
<b>Total</b>	<b>4,457.5</b>	<b>3,045.0</b>	<b>7,502.5</b>	<b>732,500</b>

At the end of the performance period, the stock appreciation rights result in a cash remuneration if at least one of the two performance hurdles defined by the Long Term Management Incentive Plan has been met. The hypothetical exercise of the stock appreciation rights issued in the 2nd – 4th installment at September 30, 2002 would have provided no cash yield.

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 €14.8 million. An amount of €116.3 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 their expenses Supervisory Board members receive compensation comprising a fixed component of €16,000 and a bonus of €1,000 for each one percent of the dividend paid to stockholders for the past fiscal year in excess of 4% of the capital stock. The Chairman receives double the above fixed compensation and bonus amounts, and the Vice Chairman one-and-a-half times these amounts. Supervisory Board members who only served on the Supervisory Board for part of the fiscal year receive a proportionally reduced compensation amount. A breakdown of the compensation paid to individual Supervisory Board members is also disclosed below.

For fiscal year 2001/2002, the members of the Supervisory Board will receive total compensation of €592,045 based on the proposed dividend of €0.40 per share. Of this total, €342,904 relates to fixed compensation and €249,141 to the bonus. The breakdown by individual Supervisory Board member is shown on page 38.

Members of the ThyssenKrupp AG Supervisory Board received compensation of €0.2 million in fiscal 2001/2002 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.

<b>SUPERVISORY BOARD COMPENSATION 2001/2002</b>			
in €	Fixed compensation	Bonus	Total
Dr. Gerhard Cromme, Chairman	32,000	23,250	55,250
Dieter Schulte, Vice Chairman	24,000	17,438	41,438
Dr. Karl-Hermann Baumann	16,000	11,625	27,625
Wolfgang Boczek	16,000	11,625	27,625
Carl-L. von Boehm-Bezing	16,000	11,625	27,625
Udo Externbrink	16,000	11,625	27,625
Herbert Funk (from 06-26-2002)	4,252	3,089	7,341
Dr. Klaus Götte	16,000	11,625	27,625
Klaus Ix	16,000	11,625	27,625
Gerd Kappelhoff	16,000	11,625	27,625
Dr. Martin Kohlhaussen	16,000	11,625	27,625
Dr. Heinz Kriwet	16,000	11,625	27,625
Reinhard Kuhlmann	16,000	11,625	27,625
Dr. Mohamad-Mehdi Navab-Motlagh	16,000	11,625	27,625
Dr. Friedel Neuber	16,000	11,625	27,625
Thomas Schlenz	16,000	11,625	27,625
Dr. Henning Schulte-Noelle	16,000	11,625	27,625
Wilhelm Segerath	16,000	11,625	27,625
Ernst-Otto Tetau	16,000	11,625	27,625
Bernhard Walter	16,000	11,625	27,625
Dieter Wittenberg (until 05-31-2002)	10,652	7,739	18,391
<b>Total</b>	<b>342,904</b>	<b>249,141</b>	<b>592,045</b>

A compensation component based on the long-term success of the Company is also planned for the Supervisory Board.

In line with the suggestions of the German Corporate Governance Code, there are plans to add a component of Supervisory Board compensation based on the long-term success of the Company. The chair and membership of Supervisory Board committees will also be considered in future compensation.

### **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 and optimize risks. The risk management system at ThyssenKrupp AG is examined by the auditors in Germany and abroad: it is continuously evolved and adapted to changing conditions. For more details, please turn to the chapter on "Risk Management" on pages 148-153 of this Annual Report.

### **Improved transparency**

Open and current communication with stockholders and all capital market participants is basic policy at ThyssenKrupp, aimed at getting across the value potential of ThyssenKrupp shares.

We attach great importance 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 ad hoc statements issued by ThyssenKrupp AG are posted online, as are press releases on major events relating to the Group. The Company's Articles of Association and the Rules of Procedure for the Executive and Supervisory Boards can also be viewed on our website. Immediate announcements are also posted on the internet whenever the amount of the voting interest held by individual stockholders reaches, exceeds or falls below specific thresholds (5, 10, 25, 50 or 75% of the voting rights) due to the purchase or sale of Company shares or for other reasons.

Details of how ThyssenKrupp is implementing the recommendations and suggestions of the German Corporate Governance Code can also be found on our website at [www.thyssenkrupp.com/eng/investor/corporate-governance.html](http://www.thyssenkrupp.com/eng/investor/corporate-governance.html).

All stockholders and interested parties can also subscribe to an electronic newsletter, which provides continuous updates on developments in the Group, important events, new products and services, ad hoc statements and press releases.

Our service: subscribe to our e-mail newsletter to receive all the latest information.

With the coming into force of the fourth Financial Market Promotion Act (Finanzmarktförderungsgesetz) on July 01, 2002, the members of the Executive Board and Supervisory Board of ThyssenKrupp ag are obligated to disclose the purchase or sale of ThyssenKrupp shares under Art. 15a of the Securities Trading Law (Wertpapierhandelsgesetz). Section 6.6 of the German Corporate Governance Code also contains a recommendation on the disclosure of such securities transactions. At September 30, 2002 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, 2002.

The mandates held by Executive and Supervisory Board members are listed on pages 230-233 of the Financial Report.

### **Accounting and auditing**

The Notes to the Consolidated Financial Statements contain details of the Company's securities-based Long Term Management Incentive Plan on pages 190-192. The key elements are also outlined on our website. Information on related parties is also provided in the Notes on pages 213-214.

It was agreed with the auditors KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main that the Chairman of the Supervisory Board and the Audit Committee would be informed immediately of any possible grounds for exclusion or bias arising during the audit, 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 examinations 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** Fiscal 2001/2002 was not a good year for the majority of investors. The DAX lost almost 36% and the DJ STOXX some 25%. By contrast, ThyssenKrupp's stock remained roughly at its prior-year level, though it is still trading around 30% below its book value. This section contains more 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
Capital stock	million €	1,315	1,317	1,317	1,317
Number of shares	million shares	514.5	514.5	514.5	514.5
Stock exchange value end September	million €	9,621	7,918	5,814	5,762
Closing price end September	€	18.70	15.39	11.30	11.20
High	€	24.55	33.60	20.69	18.50
Low	€	12.84	15.27	9.93	10.87
Dividend	€	0.72	0.75	0.60	0.40 <sup>2)</sup>
Dividend total	million €	368	386	309	206 <sup>2)</sup>
Dividend yield	%	3.8	4.9	5.3	3.6
Earnings per share					
after goodwill amortization	€	0.52 <sup>1)</sup>	1.02	1.29	–
before goodwill amortization	€	0.96 <sup>1)</sup>	1.46	1.76	0.42
Normalized earnings per share					
after goodwill amortization	€	0.79 <sup>1)</sup>	0.89	0.58	–
before goodwill amortization	€	1.23 <sup>1)</sup>	1.33	1.05	0.48
Trading volume (daily average)	million shares	1.5	1.8	1.7	2.0

<sup>1)</sup> pro forma <sup>2)</sup> Proposal to Annual Stockholders' Meeting

### Unsatisfactory share price performance

In the first quarter of fiscal year 2001/2002 ThyssenKrupp stock performed well. After the severe price losses at the end of the previous fiscal year, the stock recovered significantly in a favorable environment and gained 45% from October to December 2001. In the same period the German stock index (DAX) increased by some 20%.

**PERFORMANCE OF THYSSENKRUPP STOCK IN COMPARISON**

indexed, from Sept. 28, 2001 to Sept. 30, 2002, in %

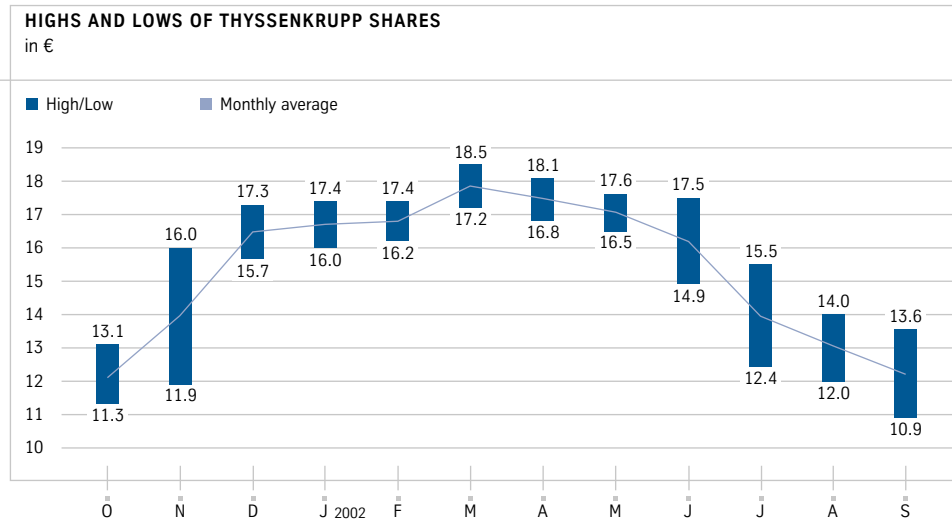


In the second quarter the positive trend continued, but showed first signs of weakening. In this period ThyssenKrupp stock outperformed the DAX by some 8 percentage points, and on March 19, 2002 reached a high of €18.50.

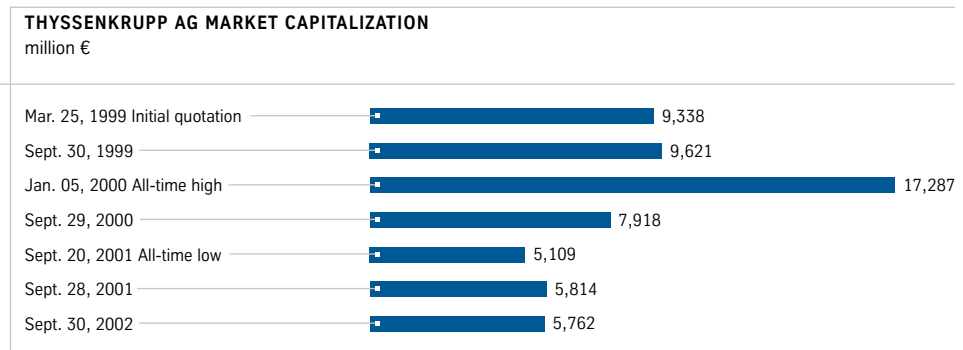
The third quarter was characterized by a generally deteriorating market climate. Both ThyssenKrupp stock and the two main indices DAX and DJ STOXX registered considerable price falls, though ThyssenKrupp stock suffered a smaller loss (15.1%) than the DAX (18.8%).

The negative market trend continued in the fourth quarter. The end of the fiscal year was affected in particular by a lack of economic impetus and major political uncertainties. In this environment the ThyssenKrupp share price hit a low of €10.87 on September 24, 2002 and closed on September 30 at €11.20. In the fourth quarter the shares lost around 27%. The DAX suffered an even higher loss of 37%, having fallen below the 2,800 points mark at the end of the fiscal year.

ThyssenKrupp stock reached a high for the year of €18.50 on March 19, 2002.



Over the fiscal year as a whole the picture is as follows: While ThyssenKrupp stock remained roughly at the same level as the year before ( $-0.88\%$ ), the DAX and DJ STOXX suffered significant losses of  $35.73\%$  and  $25.35\%$ , respectively. The market capitalization at September 30, 2002 likewise shows little change against the previous year and at €5.76 billion was around 30% below the book value.



### Lively trading in Xetra

ThyssenKrupp stock is admitted for official trading on the Frankfurt Stock Exchange, the most important and highest-volume domestic stock exchange, as well as the North Rhine-Westphalian Stock Exchange in Düsseldorf, the Company's home stock exchange. In addition, ThyssenKrupp stock is integrated into the Xetra electronic trading system, which offers investors the opportunity to have their securities transactions executed from 9.00 a.m. to 8.00 p.m. on trading days.

Further, options on our stock are traded on Eurex Deutschland (futures exchange). Various issuers also continuously issue numerous derivatives on ThyssenKrupp stock, including option certificates, bonds and share discount certificates. In foreign countries, private and institutional investors are able to buy the stock on the London Stock Exchange and the swx Swiss Exchange in Zurich.

During the reporting year, about 508 million shares of ThyssenKrupp stock were traded on German stock exchanges, 21% more than the 419 million the previous year. The average daily volume was 2.0 million shares. On the London Stock Exchange, ThyssenKrupp stock is traded on various trading platforms, above all the international Xetra trading system of Deutsche Börse AG, as well as over the counter. The Xetra volume is included in the trading figures of the Frankfurt securities exchange. The volume of shares traded directly on the London Stock Exchange and swx Swiss Exchange is so low as to be statistically negligible.

ThyssenKrupp stock is included in major indices which are the yardsticks of their respective capital markets and economic regions. In Germany, ThyssenKrupp is among the 30 largest exchange-listed companies whose stock prices are included in the DAX. According to the two key criteria – market capitalization and stock exchange trading – on September 30, 2002 our stock was in 16th and 20th place, respectively, in the DAX. In addition, ThyssenKrupp is included in the corresponding sector indices. On a European level, the stock is included in the calculation of the DJ STOXX index family. It is included in both the leading DJ STOXX and the DJ EUROSTOXX as well as the associated sector indices.

### Earnings per share

Earnings per share (EPS) is calculated by dividing the Group's annual net income by the weighted average of outstanding shares. In fiscal year 2001/2002, an average 514.5 million shares were outstanding. EPS was €0.42.

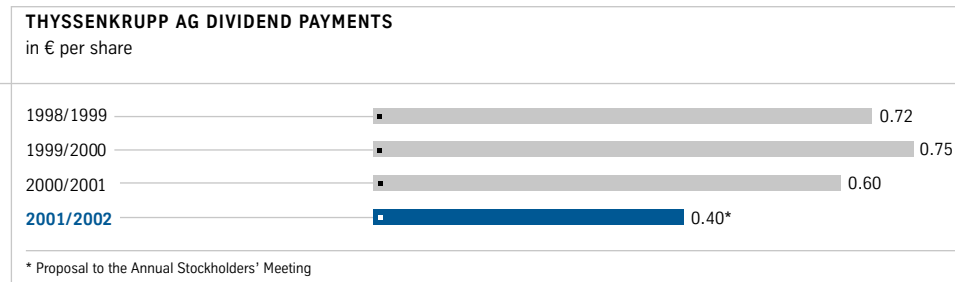
One-time effects are generally not eliminated in the EPS under US GAAP. An exception applies only for the first impairment test. In calculating our "normalized" earnings per share, one-time effects due to portfolio changes are eliminated to improve comparability. In 2001/2002 positive effects included the sale of the shares in the Finnish elevator manufacturer Kone, the share in Ruhrgas AG held via Bergemann GmbH, and other smaller activities. After these adjustments, EPS on a normalized basis in 2001/2002 would be €0.48 – as compared with €1.05 the year before.

Around 508 million shares of ThyssenKrupp stock were traded on German stock exchanges in 2001/2002, an increase of 21%.



### Dividend

A proposal will be submitted to the Annual Stockholders' Meeting on February 21, 2003 to approve payment of a dividend in the amount of €0.40 per share. Based on the stock price of €11.20 on September 30, 2002, the dividend yield is 3.6%. The payout ratio is 79.8% of net income of ThyssenKrupp AG and 95.4% of consolidated net income.



### 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.

Approved or conditional capital to issue new shares as part of a capital increase against a cash contribution is not available at the present time. No authorization to repurchase shares for treasury has been granted so far, because the reduction of financial payables has been given priority.

### Still around 300,000 stockholders

A stockholder survey at September 30, 2001 showed that the capital stock is held by some 292,000 stockholders. The total number of invitations to our last Annual Stockholders' Meeting sent out by the banks indicates that the number of stockholders has not changed significantly since then.

The main findings of the stockholder survey were as follows: Of the 292,000 stockholders, 282,000 are private investors holding 22% and 10,000 are institutional investors with 78% of the capital stock. German investors make up 74% and foreign investors 26% of our stockholders.

A major proportion of the 282,000 private investors is made up by the 50,000 ThyssenKrupp employees who purchased workforce shares in May 2001. In the 2002 calendar year no workforce shares were issued.

German investors hold 74% of our stock, foreign investors the remaining 26%.



**THYSSENKRUPP STOCK MASTER DATA****Securities identification numbers**

Germany	750 000
United Kingdom	5636927
Switzerland	412 006
ISIN (International Stock Identification Number)	DE 000 750 0001

**Symbols**

Stock exchange	Frankfurt, Düsseldorf, swx Zurich	TKA
	London	THK
Reuters	Frankfurt Stock Exchange	TKAG.F
	Xetra trading	TKAG.DE
Bloomberg		TKA

Under Art. 41 par. 2 sentence 1 of the Securities Trading Law (WpHG) the following stockholders reported major holdings to us as at April 1, 2002: Alfried Krupp von Bohlen und Halbach-Stiftung, Essen, (18.83%) and IFIC Holding AG, Essen (7.5%). Both reports were published in an authorized journal for stock market announcements and on our website in accordance with Art. 25 par. 1 WpHG.

In addition, Capital Group Inc., Los Angeles/CA/USA, notified us in accordance with WpHG that on August 15, 2002 it held 5.0021% of the voting rights in ThyssenKrupp AG, thereby exceeding the 5% threshold. Shortly afterwards we were notified that on August 21, 2002 this company's share in the voting rights of ThyssenKrupp fell below the 5% threshold and now stood at 4.88%. We published both notifications in an authorized journal for stock market announcements and on our website. Changes below the 5% threshold are not subject to reporting requirements under WpHG.

The free float, which is generally taken into account in the weighting of ThyssenKrupp stock in the indices according to the definition of the relevant stock markets, is around 74%.

Under Art. 15a WpHG, executive board and supervisory board members of exchange-listed companies and their families are required to disclose transactions in securities of their own company (director's dealings) without delay if the total value of transactions conducted by the person concerned in a thirty-day period exceeds €25,000. Such disclosures must be made to the Federal Financial Services Supervisory Authority and to the issuer. The issuer is then required to publish the disclosure. We have made provisions to ensure that such disclosures are posted on our website immediately. Up to September 30, 2002 we received no disclosures.

Information on stockholder structure, including major holdings, is provided on the ThyssenKrupp website.

### **Value management and value reporting**

Our corporate policy focuses on achieving a continuous and sustained increase in the value of the Company applying our value-based management system. ThyssenKrupp focuses on businesses with above-average growth and earnings opportunities and tries to expand its market position in these businesses.

For planning, control and management, we have implemented an integrated and uniform Groupwide controlling strategy. Central target criteria are ROCE and EVA. These criteria are used for efficient resource allocation within an active portfolio management system. Further information on this topic can be found on pages 139-142 of this Annual Report.

As part of our value reporting system, we continuously communicate value-based information going beyond reporting requirements. It is important to us to ensure that all target groups receive the same information at the same time. Value reporting thus contributes to optimizing transparency and capital market efficiency and helps private and institutional investors as well as financial analysts make a more realistic assessment of the stock's value potential.

### **Corporate governance**

Before the German Corporate Governance Code was published, responsible company management geared to long-term value creation was already a top priority at ThyssenKrupp. To illustrate this even more clearly, on October 01, 2002 the Executive Board and Supervisory Board issued a Declaration of Conformity with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Art. 161 of the Stock Corporation Act (AktG). We report on this topic in detail in the section entitled "Corporate Governance at ThyssenKrupp" on pages 34-39 of this Annual Report.

### **Investor relations**

In 2001/2002 our investor relations work continued to focus on fair and ongoing communication. The dialogue with the capital market was directed in particular at opinion-forming financial analysts and institutional investors.

In two analysts' meetings and several conference calls for financial analysts, we presented up-to-date, detailed information on the perspectives and potential of ThyssenKrupp.

We further intensified our dialogue with institutional investors by organizing numerous meetings at our headquarters in Düsseldorf and presentations at investors' conferences. A key element were our roadshow activities. In two major roadshows we visited the most important financial markets for ThyssenKrupp worldwide – Germany, the United Kingdom, the USA and Switzerland. Smaller roadshows traveled to numerous other locations. The analysts' presentations and the investors' handouts produced for the roadshows are freely available on our website.

Dialogue with the capital market was intensified and focused on target groups in 2001/2002.

We also further intensified our dealings with private investors. Together with banks and stockholder associations, we organized several presentations. The Annual Stockholders' Meeting was once again the most important event with a high attendance – some 60% of the capital stock was represented.

Our website continues to be of central importance, providing a wide range of information for investors including stock prices, ad hoc announcements, press statements, financial reports, information on corporate governance, the financial calendar and the Annual Stockholders' Meeting. In the future we will also be transmitting the Annual Press Conference, Annual Stockholders' Meeting and the analysts' meetings on the internet. In addition, the conference calls will be open to anyone interested. With these steps we aim to fully exploit the potential of the internet for communicating with private investors.

Visit our website at  
[www.thyssenkrupp.com](http://www.thyssenkrupp.com) for  
up-to-date information on  
the Group.



FUTURE VALUE

# Transparency

Cards on the table.



Investor

“Transparent financial information and good corporate governance are essential to meet shareholder interests.”

Anne Steele, Senior Investment Manager, Gartmore's European Equity Team, London, UK



FUTURE VALUE  
Transparency

Journalist

“The public has a right to be fully informed.  
With our help.”

Dr. Jürgen Dunsch, Editor-in-Chief, Business and Finance, F.A.Z., Frankfurt, Germany



**WE STAND BY WHAT WE DO.** And we are happy to talk about it. We have a responsibility to our stockholders and we aim to provide them with full, transparent and up-to-date information. We do this for example by means of regular high-quality financial reports. The ThyssenKrupp Annual Report 2000/2001 was recently named best annual report in Germany by business journal manager magazin, and our website has also won various awards for quality. Anybody who still has questions, whether small investors or business journalists, can turn to the competent staff of our Investor Relations and Press departments.



ThyssenKrupp

“An open, ongoing dialogue is the cornerstone of our capital market communications. Our aim is to reduce information asymmetry between company and capital market.”

Nicola Haase, Manager Investor Relations, ThyssenKrupp AG, Düsseldorf, Germany

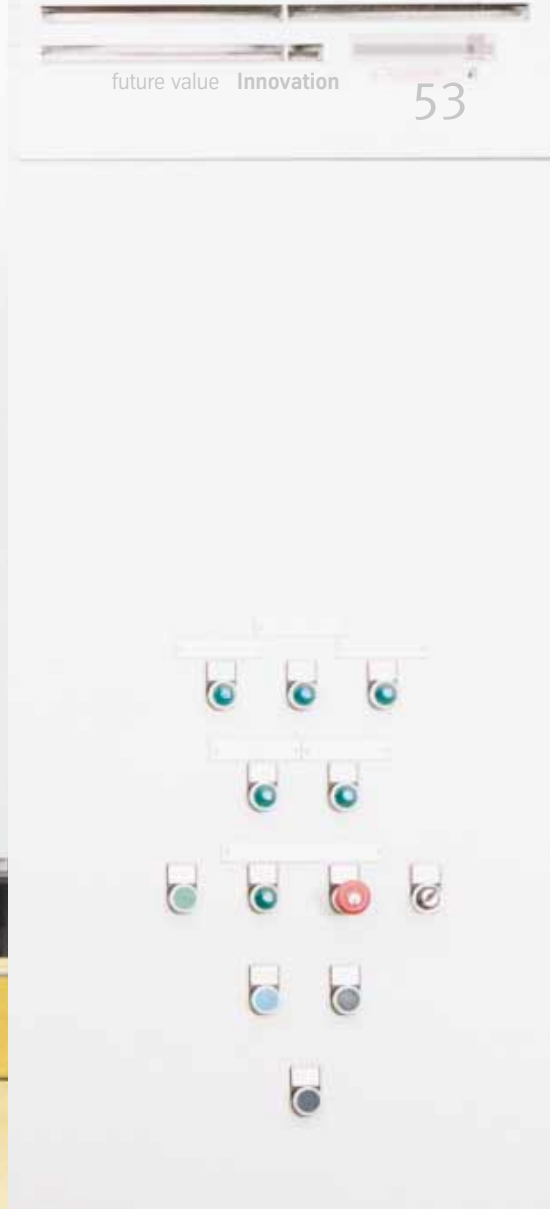
FUTURE VALUE

# Innovation

Getting ideas off the drawing board.







Customer

“We wanted to build the TV our customers wanted, but with the materials available that wasn’t possible.”

Berthold Thoma, Manager Mask Production Operation, and Rolf Reidinger, Director Production Engineering, Panasonic, Esslingen, Germany

ThyssenKrupp

“The beauty of steel is that you can give it virtually any property you want.”

Dr.-Ing. Thomas Heller, winner of the 2002 ThyssenKrupp Innovation Prize, ThyssenKrupp Stahl AG, Duisburg, Germany

ThyssenKrupp

“The problem is not having good ideas, it's translating them into reality.”

Dipl.-Ing. Günter Stich, winner of the 2002 ThyssenKrupp Innovation Prize, ThyssenKrupp Stahl AG, Duisburg, Germany





FUTURE VALUE  
Innovation

Two innovative materials for the manufacture of shadow mask frames were awarded the 2002 Innovation Prize: on the left carbon steel, on the right a nickel-base alloy

**IF OUR CUSTOMERS NEED A MATERIAL THAT DOESN'T EXIST, WE INVENT IT.** Take the production of large, high-resolution TV screens, for example. Demand for these screens is growing, but they represent a major challenge to production technology. For its large flat screens, our customer Panasonic needed a high-strength steel that was inexpensive to manufacture. Thomas Heller and Günter Stich from ThyssenKrupp Stahl came up with the answer – a high-strength complex-phase steel that dispenses with expensive alloying elements and replaces supplies from Japan. Panasonic weren't the only ones delighted with the results: the development was awarded first prize in the 2002 Innovation Contest. This competition rewards new or improved applications, manufacturing technologies, products and services – solutions that ensure we remain competitive in the future.

**Business performance** The delayed economic recovery also impacted our results in 2001/2002. Lower orders, a 3% drop in sales and normalized earnings of €419 million are the marks left by the growth slowdown. However, we were able to significantly reduce our net financial payables. In view of the earnings drop, and to further strengthen the finances of the Group, a reduction in the dividend to €0.40 per share represents responsible business management. Overall, we expect the Group to perform positively in the new year, although the economic environment will remain difficult.

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58	Course of business in 2001/2002
78	Income, dividend
80	Start of the new fiscal year and outlook

**Course of business in 2001/2002** The general economic conditions provided little stimulus for business in fiscal year 2001/2002: The hoped-for recovery failed to materialize and economic growth turned out much lower than expected. Above all, the market weakness in the 1st half of the year impeded ThyssenKrupp's progress. Order intake decreased 4% to €36.4 billion, sales 3% to €36.7 billion. Income before taxes and minority interest reached €762 million following €1,117 million a year earlier.

#### **Faltering economic recovery**

The hopes held at the beginning of 2002 for a full and rapid recovery of the world economy were not fulfilled. Important confidence indicators dropped significantly as the year progressed and growth forecasts were scaled back step by step. Uncertainties emanating from the financial markets and the political sphere also had an adverse effect.

According to available data, world GDP increased 1.5% and world trade only 2.0%.

Growth in the industrialized countries remained particularly low in 2002.

Economic growth in the developed industrialized nations remained particularly low. In the USA, the economic recovery slowed after a strong upswing at the start of the year. Though consumer spending had a stabilizing effect, business spending remained weak. The Japanese economy fell back further in 2002, with strong export growth unable to compensate for weak domestic demand.

The situation in the emerging markets was split. While most of the Asian and Central and Eastern European countries recorded a vigorous upswing, there were significant setbacks in Latin America, above all in Argentina. Monetary and financial uncertainties also impacted the Brazilian economy.

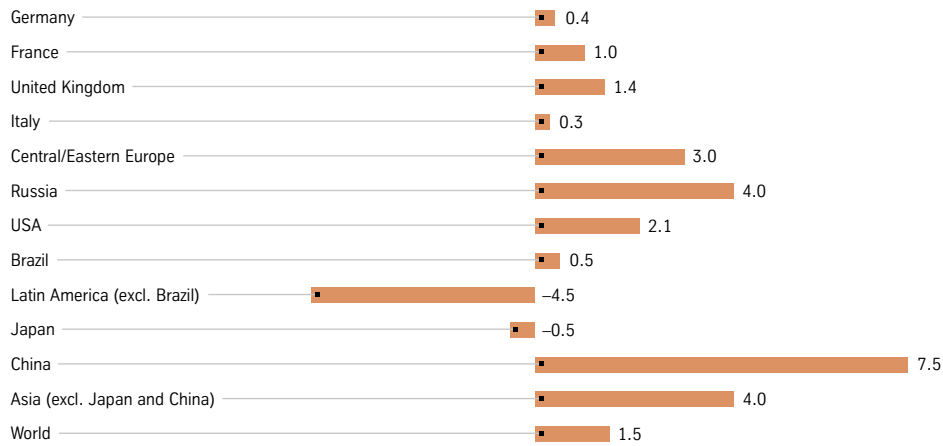
In Western Europe, the economy was very subdued. According to initial estimates, GDP growth in the Euro zone was less than 1%, and as low as 0.4% in Germany. Low spending by consumers and businesses was a major factor in this, and exports too provided only little impetus for growth.

#### **Sectoral variations**

There were only isolated improvements on the markets important to ThyssenKrupp. World crude steel output rose 5% to approximately 890 million metric tons in 2002, mainly due to a significant increase in production in China. In the developed industrialized countries, steel output was marginally higher than a year earlier. As demand picked up from the start of 2002, steel prices also started to rise again from the low of the previous year. The turnaround in steel prices on the North American market had already begun in late 2001, triggered by a tightening of supply due to capacity closures and lower imports.

**GROSS DOMESTIC PRODUCT 2002\***

Real change compared to previous year in %



\* Estimate

In Western Europe, low steel consumption due to the economic slowdown coupled with an inventory drawdown resulted initially in a significant damping of steel demand. Steel consumption reached its low point in the 1st quarter 2002. Subsequently, stockists and consumers began increasing their inventories, leading to increasing orders and workloads in the steel industry. With supply remaining tight, prices were progressively raised in Western Europe, too, beginning in the 2nd quarter 2002. However, the steel-using industries failed to deliver any major impetus. Overall, steel production in Western Europe in 2002 was level with the previous year. The same applies to German crude steel output, which totaled 45 million tons.

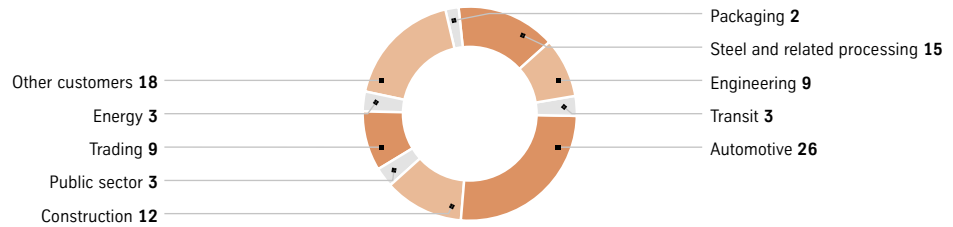
In March 2002 the us government imposed tariffs of up to 30% on steel imports in an effort to protect the us steel industry. The flood of imports into Europe which this decision was expected to trigger failed to materialize as the EU Commission introduced appropriate countermeasures in good time. In the USA the tariffs led to a sharp price increase. Instead of the hoped-for restructuring of the us steel industry, the result could be the reactivation of previously closed capacities. Stainless steel is not directly affected by the us tariffs. Nevertheless, the measures introduced by the us administration have increased protectionism in other countries.

The world market for stainless steels showed a positive trend. After a decline in 2001, crude stainless steel output increased 6% to 19.9 million metric tons in 2002. The market supply of cold-rolled flat products rose more than 3% to 10.7 million tons, mainly due to strong consumption growth in Asia, particularly in China and South Korea. Demand in Western Europe and North America was higher, too, as stocks returned to normal levels. Together with the increased volumes, prices for stainless steel products have also improved since the start of 2002. In all regions, base prices were raised and increased raw material costs were passed on in alloy surcharges.

Steel output in Western Europe and also in Germany unchanged.

**SALES BY CUSTOMER GROUP 2001/2002**

in %



The international auto market likewise showed a mixed picture in 2002. According to initial calculations, approximately 58 million vehicles were produced worldwide, 3% more than a year earlier. In the NAFTA region, production rose to 17 million units, helped by continued sales incentive programs by North American manufacturers. Japanese vehicles produced in the USA sold well, as did niche models of German luxury car manufacturers. Light trucks also continued to gain market share. Sales of medium and heavy trucks benefited from significant pre-buying in anticipation of the new emissions standards that entered into force in the USA on October 01, 2002.

In South America, the auto market weakened further in 2002 due to the economic problems in Argentina and Brazil. According to estimates, 3% fewer vehicles were produced in Brazil. In Asia, by contrast, production was up again from the previous year's good levels, and in Japan, too, volumes rose slightly again. In Eastern Europe, car and truck production was roughly level with a year earlier.

In Western Europe, production of cars and trucks decreased 4% to an estimated 16.8 million vehicles. In Germany, too, production was down from the previous year's high numbers, falling 6% to 5.4 million units in 2002. Both exports and new car sales in Germany decreased. Foreign suppliers, above all French manufacturers, gained market share.

The international economy was marked by extremely weak investment in all regions of the world, resulting in a continuing lack of stimulus for the capital goods sector. With orders depressed, mechanical engineering output declined in most countries in 2002. In Germany, domestic demand in particular decreased. The German machine tool industry also fared significantly worse than last time. In the USA, demand for machine tools shrank for the third year in a row.

German auto production  
decreased 6%.



The situation for the German construction industry also remained difficult, with orders slipping still further in some areas, particularly in housing construction in Eastern Germany. Building activity was more favorable in the rest of Europe, whereas output in the USA was flat.

### Improvement in 2nd half 2001/2002

There was a noticeable improvement in ThyssenKrupp's fortunes as the fiscal year progressed. However, higher orders and sales in the 3rd and 4th quarters were unable to compensate for the weaker level of business in the first half.

The Group's order intake totaled €36.4 billion in 2001/2002, 4% less than a year earlier. Orders were lower principally at Materials and Technologies, but higher at Automotive.

THYSSENKRUPP IN FIGURES		2000/2001	2001/2002
Order intake	million €	37,869	36,404
Sales	million €	38,008	36,698
EBITDA	million €	3,267	2,648
Income*	million €	1,117	762
Employees (September 30)		193,516	191,254

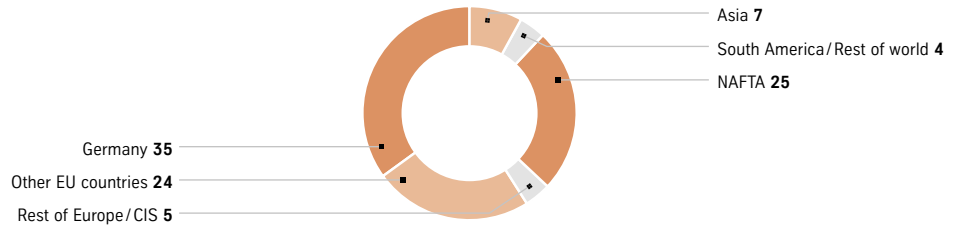
\* before taxes and minority interest

ThyssenKrupp's sales dropped 3% to €36.7 billion. Sales decreases in particular in the Steel and Materials segments were set against increases at Automotive.

SALES BY SEGMENT		2000/2001	2001/2002
million €			
Steel		12,521	11,686
Automotive		6,115	6,337
Elevator		3,515	3,500
Technologies		5,733	5,806
Materials		9,622	8,875
Serv		2,589	2,549
Real Estate		317	320
Corporate		353	45
Segment sales		40,765	39,118
Inter-segment sales		(2,757)	(2,420)
<b>Group</b>		<b>38,008</b>	<b>36,698</b>

**SALES BY REGION 2001/2002**

in %



Most of the sales were to customers outside Germany. Foreign sales in 2001/2002 totaled €23.7 billion, or 65% of total Group sales. The biggest foreign markets were the EU (excluding Germany) (24%) and NAFTA (25%).

**Steel**

SALES million €	2000/2001	2001/2002
Carbon Steel	7,359	6,780
Stainless Steel	4,117	4,020
Special Materials	1,631	1,443
<b>Total</b>	<b>13,107</b>	<b>12,243</b>
Consolidation	(586)	(557)
<b>Steel</b>	<b>12,521</b>	<b>11,686</b>

Recovery in steel demand with delayed impact on sales.

Above all in the 1st half of the reporting period the Steel segment was impacted by the weak business climate with adverse effects on volumes and prices. The subsequent demand recovery on the international steel market had an increasingly positive effect as the year progressed. Orders rose strongly and the demand recovery was accompanied by price rises. However there was a delay before the improvements worked through to sales. At €11.7 billion, sales of ThyssenKrupp Steel were still 7% lower than a year earlier, whereas order intake at €11.7 billion was roughly level with the previous year.

Crude steel output was 2% lower at 16.7 million tons, due mainly to demand-related shutdowns at Carbon Steel which necessitated temporary short-time working but helped stabilize the market. Production at Stainless Steel increased slightly from the previous fiscal year.

In the Carbon Steel business unit, sales decreased 8%, mainly due to lower volumes and revenues in the 1st half. Average net revenue per ton at ThyssenKrupp Stahl in 2001/2002 was almost 3% lower than a year earlier. Compared with the main Western European market, the revenue trend at ThyssenKrupp Stahl was less volatile thanks to a high proportion of long-term contracts and a deliberate decision not to enter into extremely low-price spot market deals. For quarterly contracts, prices were raised by €30 to €40/t at April 01, 2002 and by a further €30/t at July 01, 2002. These price improvements worked through to sales toward the end of the fiscal year.

Price increases were accepted by the market.

At Stainless Steel, sales totaled €4.0 billion. The 2% decrease is the result of lower revenues for stainless products, while total deliveries increased slightly. In stainless cold-rolled, the lower prices impacted sales above all in the 1st quarter. It was only after demand stabilized and orders improved from the beginning of 2002 that ThyssenKrupp Nirosta and ThyssenKrupp Acciai Speciali Terni were able to raise base prices, starting in the 3rd quarter 2001/2002. Alloy surcharges also increased significantly, reflecting the trend in raw material prices. In the 2nd half of the fiscal year, prices for stainless flat products reached a satisfactory level with positive effects on sales. However this did not affect the long-term contracts concluded at the low base price levels in effect at the end of 2001. Overall, the average price for stainless flat products in fiscal year 2001/2002 was lower than a year earlier. In the case of nickel-base alloys, sales decreased due to the elimination of the special effect of the euro coin business and the weakness of the us aerospace market.

The Special Materials business unit, to which all of the segment's electrical steel activities were assigned in the reporting period, reported sales of €1.4 billion. Despite more difficult market conditions, electrical steel price levels held steady in important areas. Sales of stainless steel long products decreased due to the weak economic conditions.

## Automotive

SALES million €	2000/2001	2001/2002
Chassis	2,551	2,711
Body	1,718	1,751
Powertrain	1,762	1,862
<b>Total</b>	<b>6,031</b>	<b>6,324</b>
Consolidation	84	13
<b>Automotive</b>	<b>6,115</b>	<b>6,337</b>

In a difficult economic environment and faced with substantial price pressure from large auto manufacturers, Automotive achieved sales of €6.3 billion, an increase of 4% mainly due to increased production on new orders in Europe and the NAFTA region. In addition, pre-buying of trucks in anticipation of new emissions standards in the USA from October 2002 had a positive effect.

The organizational structure of ThyssenKrupp Automotive was tightened and focused more strongly on customer needs. As of October 01, 2001 ThyssenKrupp Automotive consists of only three business units – Chassis, Body and Powertrain – each with its own integrated systems activities.

New car models brought sales increases at Chassis and Body.

The Chassis business unit achieved higher sales than a year earlier, mainly due to improvements in North America and Europe. The North American companies benefited from higher orders for light trucks and cars. In Europe, the start of production on new car models such as the Mini as well as production ramp-ups on various other orders also positively impacted sales. However, these increases were neutralized in part by volume decreases in the springs business and by the ending of production on individual vehicle models.

Sales of the Body business unit also increased. This was due to the start of production on several vehicle models, particularly at the European companies, and to the inclusion of Drauz Weinsberg Prototyping and p.a.d. Karosserietechnik. In the NAFTA region sales of SMC components remained steady.

The Powertrain business unit profited in its forged crankshaft business from the continuing diesel boom and from pre-buying ahead of the introduction of new US emissions standards for heavy trucks. ThyssenKrupp Automotive's market position was additionally strengthened by innovative improvements in steering systems and finish-machined camshafts.

## Elevator

SALES million €	2000/2001	2001/2002
Germany/Austria/Switzerland	583	552
France/Benelux	374	384
Spain/Portugal/South America	518	497
North America/Australia	1,731	1,676
Other countries	249	313
Passenger boarding bridges	62	78
Accessibility	110	108
<b>Total</b>	<b>3,627</b>	<b>3,608</b>
Consolidation	(112)	(108)
<b>Elevator</b>	<b>3,515</b>	<b>3,500</b>

The Elevator segment enjoyed continued success in fiscal year 2001/2002. While order intake declined, sales remained steady at €3.5 billion despite the slow world economy, the weakness of the us dollar from June 2002 and the weak South American currencies.

Despite weak construction activity, the reorganized business unit Germany/Austria/Switzerland held up well. Though sales decreased, order intake improved.

In the France/Benelux business unit orders and sales both improved, mainly reflecting operational improvements.

Overall the Spain/Portugal/South America business unit recorded a small drop in sales and a slight increase in new orders. Despite significant economic problems and negative exchange rate influences, the unit stabilized its position on the South American market, in part through the acquisition of Kone's South American activities.

The North America/Australia business unit further consolidated its strong market position despite the expected cyclical weakness. On a dollar basis, sales showed a further improvement on the high prior-year level, while new orders declined slightly.

The performance of the Other countries business unit was encouraging overall; in China and the uk in particular, order intake and sales rose significantly. In Eastern Europe and Asia, new acquisitions helped considerably improve our positioning in the market.

The Passenger boarding bridges business unit returned higher sales due to the previous year's order backlog. However, orders fell sharply as a result of the slump in air traffic following the terrorist attacks of September 11, 2001.

In the Accessibility business unit, which manufactures stair and platform lifts together with small elevators for private households, orders increased while sales declined slightly.

Despite the slow world economy, sales at Elevator remained steady.

## Technologies

SALES million €	2000/2001	2001/2002
Production Systems	1,656	1,390
Plant Technology	1,436	1,418
Marine	708	911
Mechanical Engineering	1,997	2,065
<b>Total</b>	<b>5,797</b>	<b>5,784</b>
Consolidation	(64)	22
<b>Technologies</b>	<b>5,733</b>	<b>5,806</b>

In a difficult market environment, Technologies received new orders worth €5.3 billion, a drop of 7% caused by cautious spending by customers in key customer markets and numerous order deferrals. At €5.8 billion, sales were slightly higher than the year before.

At Production Systems a further reduction in demand for machine tools in the USA and cautious spending by key customers led to declining 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 growth in both order intake and sales.

Order influx at Plant Technology was lower than the year before. Growth at Fördertechnik and EnCoke was not enough to offset the effects of deferred orders at Uhde. Polysius repeated the good performance of the previous year. The fall in sales mainly reflected lower completion levels and weak demand at EnCoke.

The Marine unit, comprising the Blohm + Voss and Nordseewerke shipyards, again performed well. Order intake was more than double the prior-year figure and sales, too, were significantly higher. This was achieved despite the fact that expected orders in commercial and naval shipbuilding were deferred.

Mechanical Engineering held up well despite weak construction activity and the decline in demand from the engineering sector. The rise in sales is due mainly to the Transrapid order in Shanghai.

Marine again performed well in 2001/2002.

## Materials

SALES million €	2000/2001	2001/2002
MaterialsServices Europe	5,101	4,619
MaterialsServices North America	1,214	1,119
Special Products	3,493	3,222
<b>Total</b>	<b>9,808</b>	<b>8,960</b>
Consolidation	(186)	(85)
<b>Materials</b>	<b>9,622</b>	<b>8,875</b>

In the Materials segment sales reached €8.9 billion. The 8% reduction is mainly due to the downturn in national and international materials trading. Demand and prices fell short of expectations worldwide. Prices – especially in Germany – were in some cases significantly lower than the year before; the steel industry's price increases in the 2nd half of the year could not be passed on in full due to the competitive situation in the warehouse and service business. This is the main reason for the fall in sales in the MaterialsServices Europe and MaterialsServices North America business units. In addition, we scaled back some of our back-to-back business with non-EU producers with a view to improving margins and minimizing risks.

The MaterialsServices Europe business unit continued to expand its service activities as planned. The unit considerably enhanced its local presence by setting up new bases, mainly in Central and Eastern Europe, and integrating them with existing companies.

In an extremely weak us market, the MaterialsServices North America business unit strengthened its position in numerous products by intensive marketing. The steps initiated in the reporting year in response to the workload situation showed considerable success.

In the new Special Products business unit, the former units Materials Trading, i.e. back-to-back business with internal and third-party producers, and Special Materials were combined and focused on their core activities. Compared with the market as a whole, the back-to-back business performed very well, as did the fuel trading, contractors' plant and railway equipment businesses. Trading with alloyed raw materials slowed for cyclical reasons. Nevertheless, the unit succeeded in consolidating its good market position overall.

New bases improved local presence in the service business.

## Serv

SALES million €	2000/2001	2001/2002
Industrial Services	783	837
Construction Services	976	943
Facilities Services	352	308
Information Services	486	472
<b>Total</b>	<b>2,597</b>	<b>2,560</b>
Consolidation	(8)	(11)
<b>Serv</b>	<b>2,589</b>	<b>2,549</b>

At €2.5 billion, the Serv segment's sales were almost as high as the year before despite the difficult market. We worked systematically to either close, sell or turn around marginal activities and loss-making companies.

Serv benefited from continuing trend toward outsourcing.

The Industrial Services business unit achieved significant sales growth, benefiting from the continued trend toward outsourcing. This applied in particular to our customers from the automobile, steel, engineering, chemical and petrochemical industries.

In the Construction Services unit, sales were slightly down on the previous year. Business in the USA remained encouraging, while construction-related activities in Germany were weaker due to the poor state of the construction sector.

Facilities Services was radically restructured in the reporting year, with the technical facility management services being pooled in ThyssenKrupp HiServ. Sales fell well short of the prior-year level.

In a difficult market for the IT sector, Information Services held up well and kept sales at just below the previous year's level.

### Real Estate

Real Estate achieved sales of €320 million, 1% more than the year before. The Residential Real Estate unit continued to be the mainstay of sales, managing some 51,000 housing units in Germany's Rhine/Ruhr region. The other Real Estate activities are combined in the newly formed business unit Real Estate Services and Development. Engaged in the utilization of the Group's industrial property, the realization of building projects and real estate services, these activities, too, achieved an improvement in sales.

### Corporate

In addition to the Group head office, Corporate includes the companies not allocated to individual segments. Sales totaled only €45 million, compared with €353 million the year before.



### Portfolio further optimized

In the reporting year, ThyssenKrupp continued to optimize the Group's portfolio by acquiring and selling companies and business activities. Our goal is to create an optimum balance of value drivers and cash generators.

- Acquisitions in the Steel segment were aimed mainly at expanding the sales and service activities. The Carbon Steel business unit acquired an interest in Lagermex (Mexico), primarily to strengthen its international service network for automobile customers. The acquisition of Hobone served to combine and coordinate construction element sales activities in the Benelux countries. With the takeover of EBOR Edelstahl, the Stainless Steel unit strengthened its existing service activities in Germany, and having acquired the remaining 10% of shares is now the sole proprietor of ThyssenKrupp Acciai Speciali Terni.
- The main objective of acquisitions in the Automotive segment was to further strengthen development and engineering capabilities. This included the purchase of a 10% interest in Valmet Automotive and the takeover of p.a.d. Karosserietechnik. The segment's prototyping activities were pooled with those of Karosseriewerke Weinsberg in a company majority owned by Automotive. As part of the continued focusing of business activities, we sold several facilities of the Castings for Mechanical Engineering unit of Thyssen Umformtechnik + Guss.
- The Elevator segment acquired several elevator companies in Europe, South America and Asia, thereby further consolidating its international market position. In particular, the takeover of Kone's activities in South America strengthened the service business in Brazil and further opened the Venezuelan market for ThyssenKrupp Elevator. The acquisition of Josef Tepper Aufzüge GmbH & Co. KG – expected to be consummated in the 3rd quarter 2002/2003 – will further strengthen our position on the German market.
- In the Technologies segment Uhde acquired TESSAG Edeleanu, thus strengthening its market presence in the core area of refinery and petrochemical technology. Rothe Erde established xsbc in China, a company for the production and marketing of large-diameter bearings which will significantly strengthen our market position in Asia. Krupp Berco Bautechnik was sold to the Atlas Copco group.
- The Materials segment carried out several transactions, especially in Germany and Europe, to strengthen its position as an international materials service provider and expand its processing capacities. To enhance its market position, the segment also established joint ventures with regional partners and streamlined and focused its South American activities.

○ Activities in prototyping were pooled.

Financial investments without strategic importance for the Group were sold.

- The Serv segment acquired several activities in its Industrial Services and Facilities Services units, including Ferrostaal Industrial Plant Service and DG Immobilien Facility Management, in order to further strengthen its market position. As part of a sharper focus on industrial services, Serv withdrew from municipal water supply activities with the sale of its 50% interest in Eurawasser. The Xtend new media group was also sold along with minor marginal activities.
- With the sale of the 10% investment in Kone Oy and the indirect interest in Ruhrgas AG held via Bergemann AG, ThyssenKrupp disposed of two investments which were of no strategic importance for the Group. The disposal of the car carrier business of Krupp Seeschiffahrt, which was sold in the previous fiscal year, completed the withdrawal from maritime logistics.

In fiscal year 2001/2002, ThyssenKrupp acquired activities with sales of altogether €0.2 billion and disposed of activities with sales of €0.2 billion. These disposals were a major factor in the reduction of the Group's financial payables.

## Workforce slightly reduced

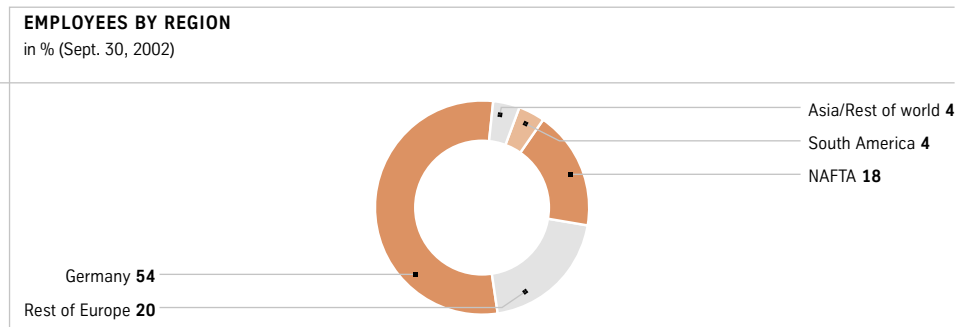
EMPLOYEES BY SEGMENT		
	Sept. 30, 2001	Sept. 30, 2002
Steel	51,418	50,184
Automotive	39,883	38,425
Elevator	28,501	28,768
Technologies	32,249	32,781
Materials	14,315	13,743
Serv	25,665	25,932
Real Estate	791	745
Corporate	694	676
<b>Group</b>	<b>193,516</b>	<b>191,254</b>

In the reporting period, the number of employees decreased by 2,262. On September 30, 2002, ThyssenKrupp had 191,254 employees worldwide, 1.2% fewer than a year earlier.

The workforce in Germany decreased by 2,445 to 102,850 employees. Outside Germany ThyssenKrupp employed 88,404 people, 183 more than the year before. The proportion of employees working at foreign subsidiaries remained unchanged at 46%. 18% of our employees are based in North America.

46% of all Group employees are based outside Germany.

Personnel expense increased 0.4% to €9.7 billion in the year under review.



Although slight overall, the reduction in the headcount hides considerable changes. Portfolio adjustments resulted in 3,208 new employees joining the workforce in 2001/2002. At the same time, 2,097 employees left the Group due to disposals. In addition, some companies had to reduce their headcount by 7,741 to adjust to a deterioration in the market, while others recruited 4,368 employees to cope with a higher workload.

Materials expense totaled  
€20.7 billion, a fall of 4%.

### **Relatively favorable climate on procurement markets**

Declining demand, free production capacities at suppliers and weaker oil prices led to a relatively favorable situation on the procurement markets. Price levels across the entire range of products and services remained stable or decreased. There were only a handful of cases where prices rose due to market changes. There were no supply bottlenecks in the year under review.

Materials expense was €20.7 billion, a fall of 4% against the previous year.

Despite the difficult situation on the steel market, world demand for iron ore remained strong. This was primarily due to the sharp rise in demand from China, where iron and steel output grew significantly. Notwithstanding this trend, we managed to attain lower us dollar-based prices in the 2002 calendar year. The key supplier countries continued to be Brazil, Canada and Australia.

The recent enormous price rises for coal impacted our cost prices through to the 1st half of 2002. Whereas coking coal increased in price again from April 2002, the sharp fall in prices for power station coal caused blast furnace coal prices to ease from early 2002. The trend in ocean shipping rates for bulk commodities remained favorable.

In the course of the year under review, prices for alloying elements rose sharply again from their previously very low level due to the strong growth in worldwide stainless steel output and the depletion of excessive raw material stocks. While nickel prices picked up strongly from their low in October 2001, the price of chromium remained depressed almost throughout the reporting period. It was not until the final quarter that chromium producers managed to implement price increases. With the availability of steel scrap and alloyed scrap still limited, prices here also climbed further.

Influenced by regional and quality factors, the price situation for purchased materials was very mixed. This affected steel long products and aluminum alloys. The prices of other materials such as plastics, cast iron and other steel products remained constant or fell – in part significantly – against the previous year. However, the final quarter also brought signs of an upward price trend for these materials.

Free production capacities worldwide generally put prices for parts, components and subsystems under pressure. However, by systematically coordinating our national and international purchasing strategies we were able to achieve lower cost prices, helped by additional marketing activities and the conclusion of further international framework agreements. ThyssenKrupp provides targeted training measures to strengthen the international outlook of its procurement staff. Collaborating with technical departments, our purchasers are working to reduce parts variety, expand system partnerships and optimize technical processes. It goes without saying that our main suppliers are integrated in these activities at an early stage.

Electricity prices rose generally in Germany against the previous year. For the first time since the market was liberalized, we were forced to accept higher prices in new purchase agreements. This affected roughly half our electricity purchases. However, by pooling our requirements and continually putting them out to tender, we were able to limit the increases to such an extent that the recent benefits of market liberalization remained largely intact. The long-term supply agreements covering our remaining electricity requirements ensure that we will continue to pay the low prices of recent years into the coming fiscal year.

Legislation in support of renewable energy sources and combined-cycle power generation as well as ecology taxes are having an increasing impact on the competitiveness of German electricity prices. The burden of unlimited subsidies for renewable energy sources is taking on ominous proportions. We have joined forces with other major electricity consumers and interest groups to push for limits such as those on subsidies for combined-cycle power generation. Rising electricity costs are also increasing the cost to the Group of electricity-intensive products such as industrial gases.

Competition in the likewise liberalized gas market developed only slowly in the year under review. Despite this, we managed to obtain lower base prices from almost all our gas suppliers. However, these reductions are compensated by the fact that gas prices are indexed to rising oil prices.

Subsidies for renewable energies are pushing up electricity prices.

### Continuing progress on environmental protection

A responsible approach to the environment, minimizing emissions and residues, and the economical use of raw materials and energy are objectives pursued by all our operations and employees. In addition, we work hard to develop and manufacture greener products, from lightweight automotive components and large-diameter bearings for wind turbines to metal foils for catalytic converters. This applies in particular to steel, which is virtually unrivalled in terms of environmental compatibility.

ThyssenKrupp spent over €340 million in Germany alone on protecting the environment in fiscal 2001/2002. 48% of this amount was for water pollution control, 31% for clean air activities and 18 % for the recycling of by-products. €30 million was spent on pollution control equipment. Environmental protection expenditure fell 19% against the prior year due to the closure of environmentally critical facilities.

Environmental management certified at over 90 production locations.

Over 90 of the Group's production locations are now certified to the internationally recognized ISO 14001 standard, which stipulates an environmental management system that ensures adequate environmental protection in both products and processes.

Investment in pollution control systems will play a big part in the expansion of the stainless steel cold rolling mill in Shanghai. Here too, the environmental protection measures are of the standard applied in the European Union. A good example from the Technologies segment is the new wastewater treatment facility at ThyssenKrupp Berco in Italy, which has now started operation. This facility biologically purifies all wastewater from operations and thus satisfies the higher requirements now in place for environmental protection and conservation of resources.

A key task for our Group is to reduce the emission of so-called greenhouse gases, in particular by cutting energy consumption. Lowering the volume of reducing agents used in the production of iron and improving energy efficiency are therefore goals which are consistently pursued by the companies in our Steel segment. For example, our Witten location reduced the electricity consumption of its electric arc furnace by 100 kWh per ton of steel. This will reduce the CO<sub>2</sub> emissions associated with power generation by almost 27,000 t per year.

In June 2002, ThyssenKrupp vDM received the BDI (Federation of German Industries) Environment Award in the "Environmental Technologies" category. The accolade was awarded in honor of the super-thin Aluchrom foil developed jointly with a partner company for use as an automotive catalytic converter substrate.

Since July 2002, ThyssenKrupp has been a member of the 'econsense' Forum for Sustainable Development initiated by German industry. The forum develops programs for sustainable development, draws up rules for sustainable action and communicates the sustainability of its members' own products to the public.

### Technological competencies strengthened further

For us as a technology-oriented industrial and services group, technical progress is one of the keys to market success. In the course of the past fiscal year, we developed new material grades and innovative components for capital goods and systems, enhanced our manufacturing methods and further optimized our service offering. Integrated in a network with customers, suppliers, external scientists and public-sector research institutes, we work on new ideas for products and production processes.

In 2001/2002, ThyssenKrupp spent €191 million on basic research and development programs, an increase of 6% against the previous year. A further €450 million related to customer-specific research, including quality assurance. Throughout the Group, some 3,000 people were involved in research and development projects, the majority of them engineers and technicians working in particular in materials, production, process and information technology.

The Steel segment developed a new heat-resistant steel for use in buildings which meets the requirements of the German F30 fire resistance class. The new material has been approved for building use by the Berlin Institute of Construction Technology and has also been patented.

Color, architecture and high-tech come together in Solartec, a new roof and facade system developed by Steel subsidiary ThyssenKrupp Bausysteme. It offers roof and facade cladding in attractive colors while providing insulating properties and generating electricity via integrated solar cells.

Demand for lightweight, crash-optimized yet low-cost steering columns prompted the Automotive segment to step up its activities in this area. Modularization helps meet customer demands for wide variety. A new electromagnetic power steering system, which can replace hydraulic power steering solutions, has been developed to production maturity. This product not only reduces fuel consumption, it also represents the first step toward an all-electric/electronic steering system.

A new power steering system developed by Automotive reduces fuel consumption.

Innovative, space-saving elevator designs and internet-based services are two examples of innovations in the Elevator segment. Machine-room-less elevators and a brand new vertical guide concept help new elevators make the best use of available space. Due to be launched shortly, the new "Radius" family of elevators will replace the conventional mechanically controlled vertical guide system with an electronically controlled system which permits extremely slimline designs. "Epoxy Gearless" is a new gearless elevator drive concept based on technology initially developed for the Transrapid magnetic train. Replacing the conventional gray iron housings, the engine coils are embedded in epoxy resin housings.

A current focus of development work in our shipyards (Technologies segment) is a new repair technique for the outer skin of ship's hulls which utilizes three-dimensional CAD software coupled with a measuring camera.

### Capital expenditure at €1.8 billion

In the reporting period, ThyssenKrupp made investments totaling €1.8 billion, 24% less than the previous year. €1.5 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 €0.2 billion lower than depreciation (€2.0 billion) in the reporting period. Eliminating goodwill write-offs of €347 million from the initial impairment test, capital expenditure would be €0.2 billion higher than depreciation.

INVESTMENT BY SEGMENT million €	2000/2001	2001/2002
Steel	1,152	833
Automotive	489	452
Elevator	69	91
Technologies	191	181
Materials	114	69
Serv	235	161
Real Estate	52	37
Corporate	65	52
Consolidation	(40)	(99)
<b>Group</b>	<b>2,327</b>	<b>1,777</b>
Intangible assets	121	82
Property, plant and equipment	2,084	1,453
Financial assets	122	242

New hot dip galvanizing line in Dortmund began operation.

Capital expenditure in the Steel segment amounted to €833 million with depreciation at €755 million. The biggest single project in the Carbon Steel business unit was the new hot dip galvanizing line in Dortmund, which went on stream at the end of October 2001. A new vacuum plant started operation in the steel mill to eliminate bottlenecks in the production of grades with a high degree of cleanliness. Capacities were optimized at the tinplate production facility in Andernach. Further significant investments related to our tailored blanks activities: demand for these products was so great that we built new production facilities in Italy and Mexico, with a third plant in China starting operations in the fall of 2002. Stainless Steel invested in new pickling and annealing lines at its Krefeld (Germany) und Terni (Italy) plants; both lines are scheduled to start up in early 2003. The line in Krefeld will eliminate bottlenecks in the production of conventionally annealed cold strip, while the new facility in Italy will replace several old annealing and pickling lines, simultaneously reducing pollution and lowering costs.



Investments in the Automotive segment totaled €452 million (depreciation €327 million) and were mainly order-related. A modern plant producing axle systems for the Porsche Cayenne started operation in Leipzig. From January 2003, our French plant in Hambach will be producing the rear axle drive module for the Smart Roadster. In the USA, we invested in a hydroforming line and a second transfer press with associated welding lines.

A hydroforming line and a transfer line were built in the USA.

€91 million was invested in the Elevator segment with depreciation at €52 million. The focus was on expenditure to maintain operations. The biggest single item was once again the replacement of service vehicles.

Investments in the Technologies segment amounted to €181 million, only €11 million higher than depreciation excluding goodwill impairment. The emphasis both in Germany and abroad was on modernizing and rationalizing operations and involved mainly small projects such as software implementation or replacing aging equipment with high-performance CNC machinery. Around one third of the investment total was spent on extending the product range and increasing production capacities. For example, Rothe Erde continued to expand its production of large-diameter antifriction bearings for wind turbines. Extensive investments were also made in environmental protection.

Investments in the Materials segment totaled €69 million (depreciation excluding impairment €75 million) and concentrated on expanding customer-centric services which deliver high value added. Investments focused on expanding storage capacities and improving processing and service capabilities in particular outside Germany, where two thirds of the capital expenditure was made.

Serv invested €161 million with adjusted depreciation at €139 million. Expenditure related mainly to maintaining operational readiness, in particular IT and communications systems. The only growth capital expenditure was made in the Information Services business unit to extend and modernize computer center services.

**Income, dividend** In 2001/2002 all segments contributed to consolidated income of €762 million before taxes on income and minority interest. Excluding disposal gains, normalized earnings are €419 million. The decline against the previous year is attributable above all to the poor workload situation in the steel business at the turn of the year 2001 and high restructuring expenses. Earnings per share is €0.42, compared with €1.76 a year ago. A correspondingly lower dividend of €0.40 per share will therefore be proposed to the Annual Stockholders' Meeting.

### Consolidated income lower

In fiscal 2001/2002, the ThyssenKrupp Group generated income before taxes and minority interest in the amount of €762 million as compared to €1,117 million in the previous year. The figures do not include any goodwill amortization pursuant to SFAS 142. Details hereon are provided in the Notes and are indicated separately in the following appropriation of income to the segments for fiscal 2000/2001. Further analyses of income development are based on the figures excluding goodwill amortization.

In both fiscal years, net gains from changes in the portfolio impacted income significantly. In 2000/2001 these gains totaled €343 million, including €333 million in the Steel segment, €71 million at Technologies and a loss of €61 million at Corporate. Without these disposal gains, normalized earnings in fiscal 2000/2001 would have been €774 million.

Gains from portfolio restructuring impacted income.

INCOME* BY SEGMENT million €	Year ending Sept. 30, 2001			Year ending Sept. 30, 2002
	After goodwill amortization	Goodwill amortization	Before goodwill amortization	Before goodwill amortization
Steel	616	57	673	167
Automotive	131	24	155	64
Elevator	226	50	276	317
Technologies	152	51	203	112
Materials	21	21	42	72
Serv	(54)	18	(36)	52
Real Estate	80	0	80	80
Corporate	(280)	20	(260)	(90)
Consolidation	(16)	0	(16)	(12)
<b>Group</b>	<b>876</b>	<b>241</b>	<b>1,117</b>	<b>762</b>

\* before taxes and minority interest

In fiscal 2001/2002 the ThyssenKrupp Group again generated gains from disposals of €343 million in total, of which €33 million was posted by Automotive, €36 million by Technologies, €19 million by Serv and €255 million by Corporate. Without these gains from disposals, normalized income would have amounted to €419 million.

The €355 million decline in consolidated income – excluding gains from the portfolio changes – is attributable in particular to the poor workload situation at Carbon Steel at the turn of the year 2001, high restructuring charges at Automotive and increased expenses at Corporate. The other activities achieved – in some cases significant – improvements. A detailed analysis of income by segment is included in the Management's discussion and analysis section of the financial report (pages 134-137).

### **ThyssenKrupp AG income €258 million**

ThyssenKrupp AG posted net income of €258 million against €355 million the previous year. This resulted primarily from profit and loss transfers as well as profit distribution of the Group companies and the recognition of income from investments, totaling €656 million. In addition, expenses incurred for intercompany reorganizational procedures in the amount of €640 million and gains from the disposal of the Ruhrgas and Kone Oy participations totaling €381 million were recognized. After taking into account expenses incurred for Group management activities, interest costs and pension costs for former employees of ThyssenKrupp AG as well as its predecessors, income from ordinary activities amounted to €340 million. Income from extraordinary activities contains €4 million as the repayment of the reorganization contribution of Blohm + Voss Holding AG. Furthermore, losses caused by the merger of Krupp Stahl GmbH and Bergische Stahlindustrie Vermögensverwaltung KG of €86 million in total were recognized. Due to the existing tax loss carry forwards, a tax expense of only €4 million was recognized. The net income as a result thereof amounting to €258 million is to be used for payment of a dividend totaling €206 million. €52 million is to be accrued in retained earnings.

### **Dividend of €0.40 per share**

Dividend payment is legally based on the annual financial statements of ThyssenKrupp AG, disclosing net income of €258 million, compared to €355 million in the previous year. A dividend payment in the amount of €0.40 per share – against €0.60 per share the previous year – will be up for approval at the Annual Stockholders' Meeting. The ThyssenKrupp capital eligible for dividend distribution amounts to €1,317 million, which would result in a distribution in the amount of €206 million. This would constitute a reduction from the previous year of €103 million.

Dividend of €0.40 gives total distribution of €206 million.

**Start of the new fiscal year and outlook** The new fiscal year began in a difficult environment. Most of the forecasts for 2003 point to a further delay in the recovery and a generally only moderate upswing. Political risks are increasing the economic uncertainties. Despite this difficult market environment we expect a generally positive trend for ThyssenKrupp. In fiscal year 2002/2003 we aim to improve our normalized earnings significantly against last year.

#### **Moderate economic recovery**

The economic revival expected in the 2nd half of 2002 failed to materialize. Important business climate indicators have fallen again recently, and there are no signs of a rapid and strong recovery of the world economy. Against this background we expect only a continuation of the current weak uptrend. Political tensions coupled with the possibility of sharp oil price rises could wreck even this moderate growth forecast.

World economic growth in 2003 will depend on US economy.

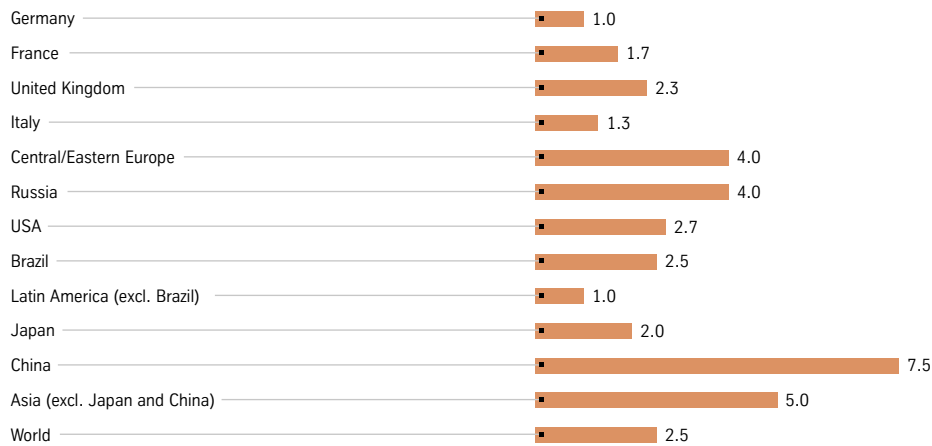
Developments in the USA will be crucial to the recovery of the world economy. The pace of growth in the USA in 2003 will again fail to reach the growth rates of previous years. With private consumption continuing to expand moderately, increased business spending should deliver additional impetus for growth. Japan expects a gradual brightening of the economic picture in 2003 after a long period of recession.

In the emerging markets, economic activity is expected to pick up. The upswing in Asia will continue. The same applies to Central and Eastern Europe, albeit with lower growth rates. In Latin America, uncertainty prevails following the recent economic turbulence.

In the Euro zone, the recovery will make only slow progress, with sluggish investment remaining the weak point. Exports will benefit from increased world trade, although their growth will be limited by the strengthening of the euro. In Germany there are no signs of a sustainable upswing at present. Increasing exports will be unable to offset the weaknesses on the domestic market. No significant impetus is expected from monetary policy, while fiscal policy is more likely to have a damping effect.

**GROSS DOMESTIC PRODUCT 2003\***

Real change compared to previous year in %



\* Forecast

In this overall economic setting we expect only gradual improvements on the markets important to ThyssenKrupp:

- International steel demand is expected to continue to rise in 2003. Unlike last year, the higher demand this time will not be due primarily to inventory cycle effects but to increasing consumption. Overall we forecast world steel production of 940 million metric tons in 2003, 6% higher than in 2002. In Germany, production will probably again be around 45 million tons.

World demand for steel is set to rise in 2003, driven by higher consumption.

In the carbon steel area the risk of a worldwide trade conflict as a result of the US steel import tariffs has receded. The US government has granted exemptions for a range of EU steel deliveries; in return the EU Commission chose not to impose tariffs on US exports.

In the stainless flat-rolled area, import restrictions, particularly the safeguard measures of the Chinese government, will have negative effects on capacity utilization and price levels if the volumes previously intended for China, particularly from Asian producers, stray onto the attractive European and US markets.

- World automobile production could remain stable overall in 2003. Incentive programs and new emissions requirements boosted sales in the USA in 2002; in part these exceptional factors no longer apply. Production numbers in 2003 will be down from 2002. In Western Europe, production is expected to increase slightly. Higher demand is also forecast for the German auto industry, with production expected to reach 5.5 million cars and trucks.
- Low investment levels will continue initially in most countries in 2003 and hamper the prospects of the capital goods sector. Mechanical engineering output in the main industrialized countries will rise only moderately in 2003. The German mechanical engineering industry expects growth of only 2% due particularly to weak domestic orders.
- The situation for the German construction sector will remain difficult. Repairing the flood damage will result temporarily in new orders, but a sustained improvement in building activity is not in sight. The prospects for the countries of Central and Eastern Europe remain more favorable.

#### **Subsequent events**

Subsequent events are presented under Note (28) in the Financial Report.

#### **Business in 2002/2003**

In view of these economic forecasts 2002/2003 is likely to be another difficult fiscal year for ThyssenKrupp. We expect the following developments:

ThyssenKrupp expects sales to rise to over €38 billion in 2002/2003.

- **Sales:** Based on current knowledge and excluding portfolio changes we expect sales of over €38 billion in the current fiscal year; in 2001/2002 sales were €36.7 billion.

Steel forecasts significantly higher sales due to increasing shipments and higher selling prices.

Automotive expects a slight improvement in sales mainly as a result of increased systems business.

Elevator expects sales to remain steady overall.

Technologies forecasts a sales rise based on higher order backlogs.

A slightly improving materials market should result in moderate sales growth for Materials.

To offset the difficult market situation in construction-related services, Serv intends to expand its industrial maintenance business; as a result the segment's sales should remain steady.

- **Earnings and dividend:** Against the background of continuing subdued economic expectations we believe that we can improve overall on 2001/2002 normalized earnings before taxes of around €419 million. This forecast is based not only on an economic recovery but primarily on the impact of internal measures. Particularly in the 1st half of the new fiscal year we expect earnings to be significantly higher than in the weak 1st half 2001/2002. This applies primarily to the Steel segment, where the effects of the price improvements we have implemented are now making themselves felt. The course of business in the 2nd half 2002/2003 will depend on how the economic and political situation develops. Our goal is to pay a higher dividend for fiscal year 2002/2003 appropriate to the improved level of earnings.

Normalized earnings before taxes expected to improve in 2002/2003.

The additional costs from changes in tax legislation and higher social security contributions arising out of the coalition negotiations as well as the effects of the planned trading system for emissions rights cannot be predicted at present and are therefore not included in the earnings projection.

- **Employees:** At September 30, 2003 the Group is expected to have more employees than a year previously. Whereas the workforce in Germany will decrease slightly, we expect an increase on a much larger scale at our companies outside Germany.

Research will focus on new material grades and innovative components.

- **Procurement:** We do not anticipate any bottlenecks in the procurement of raw and operating materials, goods and services in 2002/2003. We expect only minor variations in the world market prices for iron ore, alloying elements and coal. The same assumptions are made for materials, components and subsystems. However, if oil becomes scarce for political reasons, substantial increases in energy prices must be expected, and this will probably also affect other procurement goods.
- **Research and development:** Our expenditures for research and development projects in the current fiscal year will total around €650 million. This includes over €300 million for basic and customer-specific projects, plus €350 million in budgeted costs for technical quality assurance. The main focus of our projects will be the development of new material grades and innovative components mainly for energy-saving use in auto manufacture. In addition, we intend to push ahead with important developments in production technology to lower the manufacturing costs of components and systems. In the plant engineering area we are developing new processes focused on environmental protection and resource conservation. Through additional measures in information and communications technology we will also intensify technology cooperation and knowledge management in the Group. The number of employees engaged in research and development will probably remain unchanged at around 3,000, most of them engineers and technicians.
- **Environmental protection:** We will spend approximately €350 million on environmental protection at our plants in Germany in fiscal year 2002/2003. A major part of that will be for water protection and air emission control.

We will continue to reduce greenhouse gas emissions through energy-saving measures and equipment. This applies particularly to the segments Steel, Automotive and Technologies.

The importance we attach to environmental management is shown by the large number of companies aiming to have their environmental management systems certified in accordance with ISO 14001 this year. In the Automotive segment, for example, more than 80% of all our production sites will have achieved ISO 14001 certification by the end of 2002.



At the Duisburg site of the Steel segment, a new RWE combined heat and power plant began operation in October 2002 which uses combustible gases generated during steel production. Through improved fuel utilization the new plant exceeds the efficiency of the old power generating units by almost 40%. As a result 230,000 tons of CO<sub>2</sub> emissions can be avoided per year.

- **Investment and financing:** The volume of approved investment is currently €2.1 billion. Including additional investment of €1.0 billion to be decided by the Supervisory Board in December 2002, total approved investment will be €3.1 billion. The tight investment policy adopted last year in response to the weak business situation is being continued. In 2002/2003 we expect additions to fixed assets of €1.9 billion. Meeting our target for gearing of around 60% is a high priority.

Meeting our target for gearing of around 60% is a high priority.



FUTURE VALUE

## Environmental protection

Making careful use of limited resources.



Politician

“Let’s lead the way and make European environmental legislation into a successful export item: In the long term, everyone will feel the economic and ecological benefits – both we in Europe and our partners all over the world.”

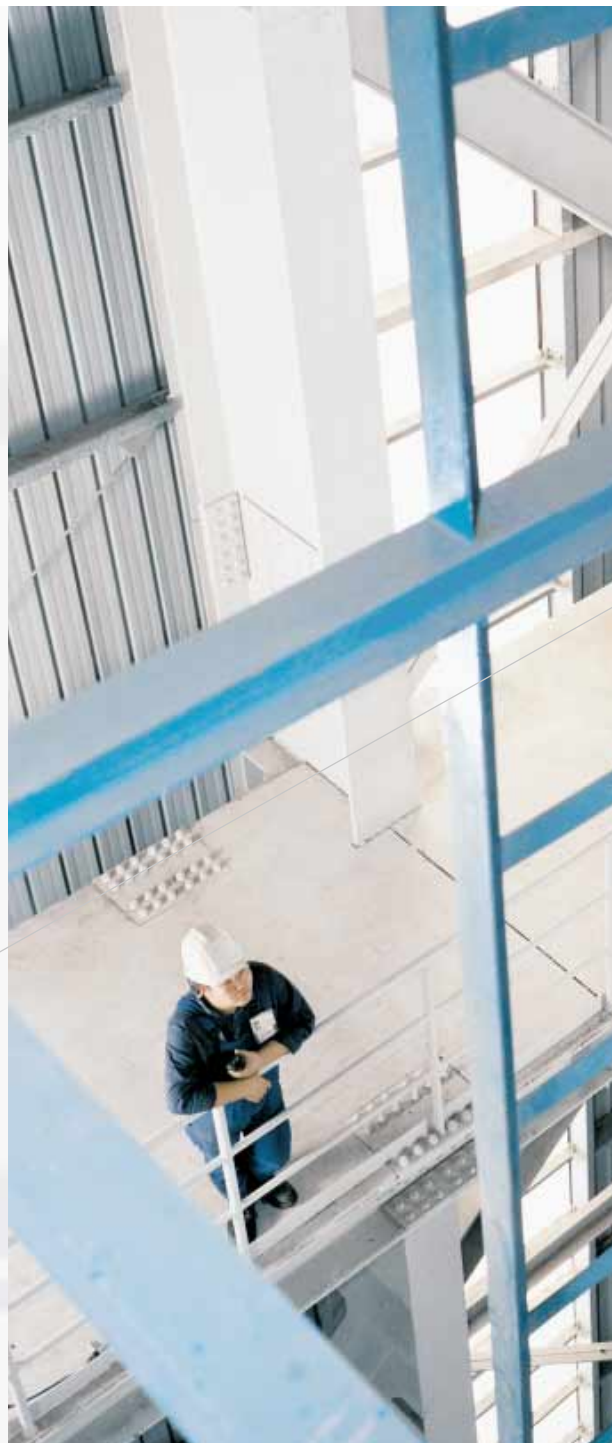
Prof. Dr. Klaus Hänsch, MEP, President of the European Parliament (retd.), Brussels, Belgium



ThyssenKrupp

“We invest in a future market like China to make money.  
But not at the expense of the environment.”

Ing. (grad.) Klaus-Peter Dahmen, Director of Investment Management,  
ThyssenKrupp Nirosta GmbH, Krefeld, Germany



FUTURE VALUE  
Environmental  
protection

**WE HAVE TO PROTECT THE FUTURE OF THE ENVIRONMENT IN EMERGING COUNTRIES TOO.** Especially when the local population has more pressing immediate concerns – like securing their own livelihood. So when ThyssenKrupp built its stainless steel plant in Pudong – in terms of design the most advanced in the world – we applied the strict environmental criteria laid down by the World Bank, which are comparable with the high standards imposed in Europe.

Carefully balancing economic and ecological needs also provides concrete benefits. Preventing pollution in the first place eliminates the need for expensive treatment and disposal facilities. With institutional investors and analysts placing increasing emphasis on protecting the environment, green production methods provide a key competitive advantage.



ThyssenKrupp

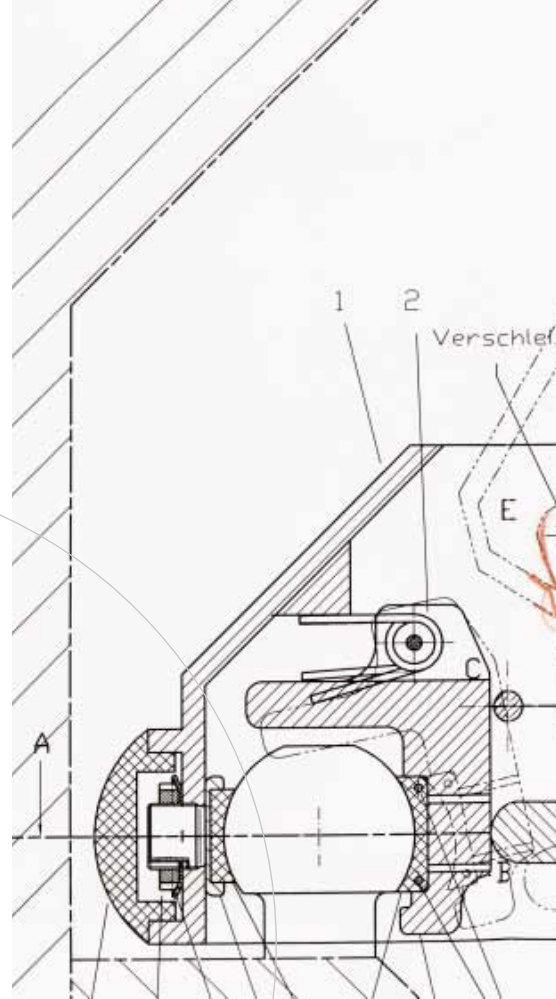
“China still needs a lot more skilled jobs to give the younger generation a future.”

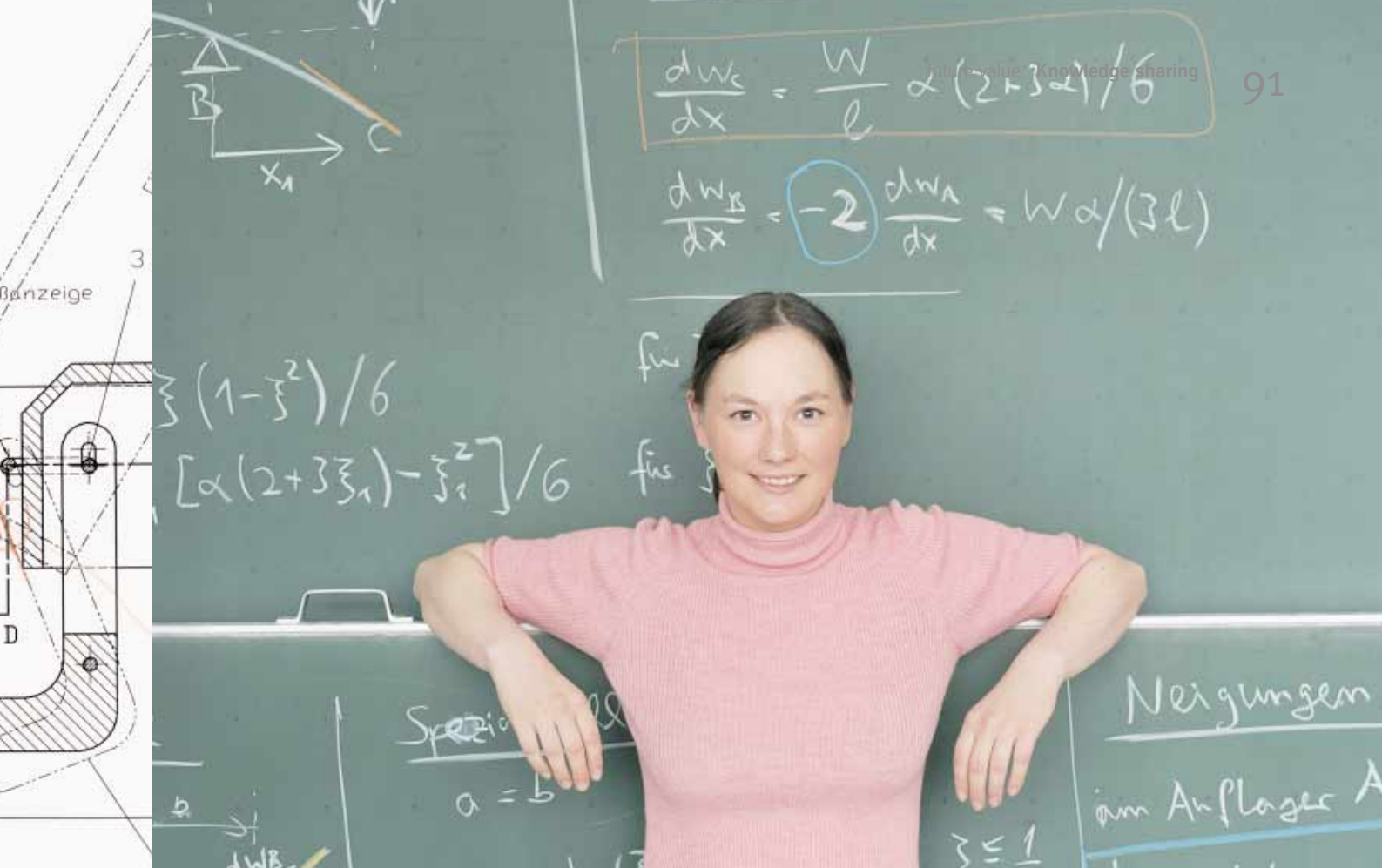
Dong Yi Feng, electrician, Ma Ji An, crane operator, Huang Yun Hai, BAL operator, Shanghai Krupp Stainless Co. Ltd., Pudong, China

FUTURE VALUE

# Knowledge sharing

Bringing together the brightest and best.





Student

“Is there any point in amassing knowledge that only exists in books but not in practice?”

Stefanie Mersmann, mechanical engineering student at RWTH Aachen and ThyssenKrupp Study Support scholarship holder, Düsseldorf, Germany

Scientist

“To provide education in line with practical requirements, we need support from industry. ThyssenKrupp leads by example.”

Dr. Klaus Neuking, University of Bochum, Germany



FUTURE VALUE  
Knowledge  
sharing





ThyssenKrupp

“Last year, ThyssenKrupp recruited more than 300 graduates. We therefore have a keen interest in shaping university training to the needs of industry.”

Kerstin Ney, Management Development, ThyssenKrupp AG, Düsseldorf, Germany

**HOW OUR FUTURE BUSINESS LEADERS ARE TRAINED IS TOO IMPORTANT TO LEAVE TO CHANCE.** That's why ThyssenKrupp cooperates with selected universities in Germany and abroad to strengthen links between research, teaching and practice. Competition to attract the best graduates each year is tough, so a central element of our commitment to higher education lies in establishing early contacts and interesting the top talent in a future with the Group. Under the ThyssenKrupp Study Support program, we provide outstanding students with professional mentoring and the opportunity to attend specialist seminars to complement their university studies.

**Our future potential** Creative, highly motivated employees with a feel for customer needs and the ability to translate good ideas into successful products are crucial to the future of ThyssenKrupp in the international marketplace. That's why we place so much emphasis on training and development. ThyssenKrupp expects and encourages excellence.



- 96 People at ThyssenKrupp
- 98 Management competency and motivation
- 100 ThyssenKrupp best
- 104 Innovations for long-term market success

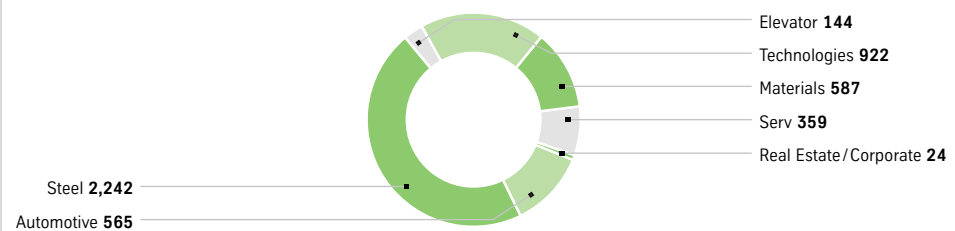
**People at ThyssenKrupp** Commitment, creativity, competency and integrity are key to the career success of our approximately 191,000 employees. This also characterizes the profile of the Group. Performance is something we expect and encourage, because performance pays, both for our people and for our Company.

### Apprenticeship training in excess of own needs

Apprenticeship training lays the foundations for a highly skilled workforce. Altogether 4,843 young people in Germany are learning one of over 70 different occupations offered at ThyssenKrupp. That corresponds to a training rate of 5.0%. The number of new hires fell slightly to 1,459 in the year under review.

#### APPRENTICES BY SEGMENT

(total 4,843 apprentices in Germany as of Sept. 30, 2002)



Good training is crucial to career success – at ThyssenKrupp as at other companies, in Germany and abroad.

Unfortunately, our experience this year confirms the general trend of declining standards among applicants for apprenticeship training places. ThyssenKrupp, too, had difficulty in part in filling training places with qualified applicants.

However, we remain true to our traditions and continue to train well in excess of our own needs. We see this as a socio-political responsibility which we are glad to fulfil. Particularly in today's times, a solid apprenticeship is decisive for career success and for the future of young people.

**New developments in company pensions**

Pensions were a topic of intense public debate in Germany last year. With the so-called “Riester pension” the Federal Government created an incentive for targeted retirement provision. An important role in this falls to companies. One of the main themes of personnel policy in the Group last year therefore was company retirement benefits, the task being to implement the government’s pension reforms and the associated changes in collective agreements at company level. For this, we developed a single Groupwide framework encompassing a wide range of plans.

State-supported private provision by employees augments the company pension schemes that have existed at ThyssenKrupp for decades. In the last three years we have overhauled these and geared them to the requirements of the future. Retirement provision is thus becoming more and more important as a personnel policy tool and is being made more calculable for the individual companies. The same applies to the special retirement plans for management staff, allowing ThyssenKrupp to better retain key personnel.

**Increasing take-up of partial retirement**

ThyssenKrupp recognized the importance of partial retirement as a key tool of personnel policy at an early stage and is one of the pioneers in this field in Germany. Only months after the first partial retirement law was enacted, we had a Groupwide framework plant agreement in place. Since then, more and more employees have taken advantage of the opportunity to retire early. At September 30, 2002, 1,342 employees were on partial retirement. In the years ahead we anticipate a further rise in take-up by our employees.

At the end of September 2002, 1,342 employees were taking advantage of partial retirement.



**Management competency and motivation** Competent and committed employees are the foundations of the future viability of our Group. To secure these foundations on a long-term basis, ThyssenKrupp gives special attention to attracting top talent and promoting high potentials/high performers in the Group.

#### **Graduate recruitment efforts intensified**

Innovations shape the future. One important goal of our long-term HR policy is therefore to attract young people to take on this challenge at ThyssenKrupp.

In the year under review we utilized numerous careers fairs at universities and technical colleges to introduce the Group to graduates and undergraduates as an attractive employer. In addition, our internet-based recruitment program was further strengthened. Among other things, an online job market for interns, graduates and people with job experience was added to the our internet program.

To meet future needs for engineers, we intensified our existing contacts with selected universities in Germany. ThyssenKrupp supports these universities among other things through knowledge transfer and by getting young people interested in engineering courses at an early stage. We hope that in the medium term this will enhance our image and improve our prospects in recruiting future leaders.

To meet medium- and long-term needs for future management staff, the ThyssenKrupp Study Support Program provides support for undergraduates in the fields of engineering, economics, industrial engineering and information technology. We place great value on international training. Almost all of the 125 scholarship holders spend at least one or two semesters abroad.

As well as receiving regular financial support the students are mentored by experienced managers from the Group and take part in seminars to gain additional training. In the past fiscal year a large number of program graduates began a career with ThyssenKrupp.

#### **Challenging and nurturing today's and tomorrow's high performers**

Attracting, developing and retaining first-class managers and specialists represents a key competitive advantage. We therefore work consistently to fill our leadership positions optimally, to further train our managers in line with job requirements and to utilize the vast know-how that exists in the Group in an integrated and professional way.

The ThyssenKrupp Study Support Program now has 125 scholarship holders who receive tailored financial and academic support.

Transparency in the selection process for key leadership positions and the targeted development of executive staff are facilitated by the ThyssenKrupp management competencies. These are central requirements that top executives at ThyssenKrupp have to fulfil. They are used to assess management potential and help us make better-informed succession decisions.

In fiscal year 2001/2002, potential and succession planning at ThyssenKrupp was further expanded. All candidates for top management positions are assessed annually in terms of their strengths and weaknesses. The Executive Board of ThyssenKrupp AG holds special meetings with the segment leaders to discuss the respective candidates. Development goals are defined and subsequently implemented in a graduated plan. These assessments are augmented by targeted management audits. Key leadership skills are taught at the Group seminars for executive staff.

### **Management compensation policy**

Performance- and results-based remuneration is an elementary component of modern salary management at ThyssenKrupp. For managers this takes the form of bonus schemes as well as the Long Term Management Incentive (LTMI) plan for top management. In addition the Group offers an attractive retirement benefit plan that helps provide financial security after retirement.

In fiscal year 2001/2002 the 4th installment of the LTMI plan was implemented. As in the previous year the plan was used as an additional capital market-oriented element of compensation not only for Executive Board members and managing directors of Group subsidiaries but also for a wider group of senior management staff in Germany and abroad.

Our managers are paid based on performance and results, including bonuses and stock appreciation rights.



**ThyssenKrupp best** In fall 2001 we launched ThyssenKrupp best, a program designed to increase efficiency at all levels of the Group. One year on, the structures of the program are firmly established. Throughout the Group, numerous projects are being implemented with significant earnings potential. An extensive portfolio of methods and tools has been created to support efficient project work.

ThyssenKrupp best is firmly established internationally – with the main focus in Europe and America.

#### **Approximately 1,000 projects underway worldwide**

The program utilizes all levers to increase value added, with project work focused on the areas of operating efficiency, sales leadership and capital productivity. In addition there are projects to improve performance quality, increase employee and management involvement, expand service-based business and widen the use of e-technologies. The aim of the program is to address and optimize all of the factors relevant to business success.

At the end of the reporting period, we had defined a total of 984 projects. 734 were underway in Europe, the main countries being Germany, France, Italy and the UK. There were 217 projects running at our operations in the USA, Canada, Mexico and Brazil. 33 projects involved companies in more than one country. ThyssenKrupp best is thus firmly established internationally and is mobilizing the entire Group.

#### **Initial impetus provided by screening and pilot projects**

ThyssenKrupp best began in October 2001 with a three-month screening phase in which all areas of the Group in Germany and abroad were investigated and more than 400 action areas for improvement activities were identified. Based on this, we defined improvement targets and concrete projects to achieve the targets. The rollout of the first projects began in January 2002. The project landscape has developed rapidly – aided by the systematic screening process. Additional impetus came from eight pilot projects launched during the screening phase which highlighted solutions for the central themes of the program.

#### **Project organization and training lay the groundwork**

We created a strong organizational structure for ThyssenKrupp best which ensures that projects are implemented swiftly and concertedly throughout the Group. Bodies at parent company level and in the segments coordinate the running of the program and the efficient exchange of experience. Project work is actively supported by the Executive Board of ThyssenKrupp AG and by the boards of the segment lead companies, for example through regular project visits on the ground in Germany and abroad.



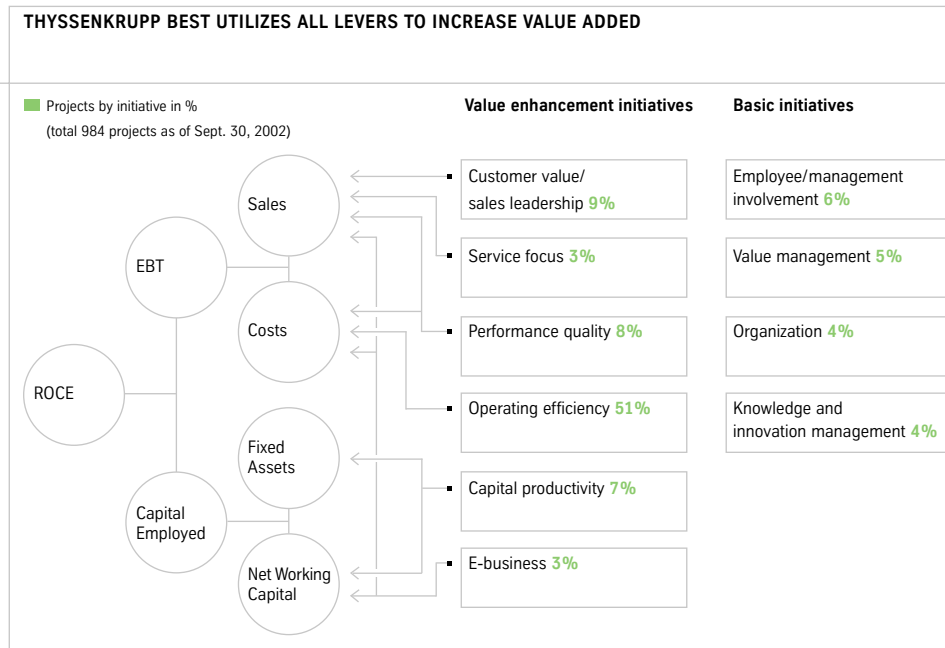
A Groupwide program management tool for project control and reporting has been implemented in the shape of best pl@za. People involved in the program can access best pl@za via internet and intranet to obtain a transparent overview of ongoing projects in all areas of the Group and share know-how with others.

best pl@za provides information about the program and supports the exchange of project know-how.

For the key themes of ThyssenKrupp best a Groupwide knowledge pool of methods, best practices and training modules has been created. A centrally organized training program was carried out to kick start a train-the-trainer cascade in the segments and subsidiaries. The central training modules – focusing on performance quality, capital productivity, value management, sales leadership and operating efficiency – are now being continued and further developed on a segment-specific basis.

### Ten ThyssenKrupp best initiatives

Ten initiatives form the systematic framework for ThyssenKrupp best and highlight the key themes of project work across the segments:

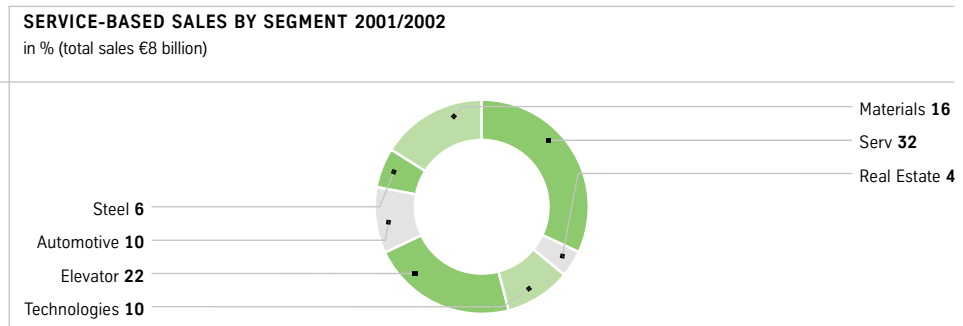


At the same time these initiatives provide a central orientation point for the collection of know-how, the development of training modules and the sharing of knowledge and methods to support the implementation of new projects.

Reflecting the program’s holistic approach, pre-existing Groupwide performance enhancement initiatives have also been integrated in ThyssenKrupp best, including the service and e-business initiatives.

### Service focus as ThyssenKrupp best initiative

For three years a central element of ThyssenKrupp's strategy has been a firm focus on services, concentrating on innovative solutions which add value for our customers. By integrating this initiative in ThyssenKrupp best we are ensuring that we remain focused on services in the future.



In the year under review, over 40 ThyssenKrupp best projects were carried out aimed at expanding our service-based sales. ThyssenKrupp best creates new ways of sharing knowledge: via best pl@za, new service projects are documented and made available to employees throughout the Group. Regular ThyssenKrupp best events are held to monitor the progress of the service offensive and share project experiences. Visits by members of the ThyssenKrupp AG Executive Board give added weight to projects on the ground.

The proportion of service-based sales increased slightly to 21% in 2001/2002.

Despite difficult market conditions and negative us dollar effects, the Group's service-based sales in 2001/2002 remained at around €8 billion against lower overall sales. The slight increase in the proportion of service-based sales by one percentage point to 21% is a sign of the relative stability of the service business. All the segments managed to hold or even expand their service ratio. We intend to build on this and grow our service-based business in the future.

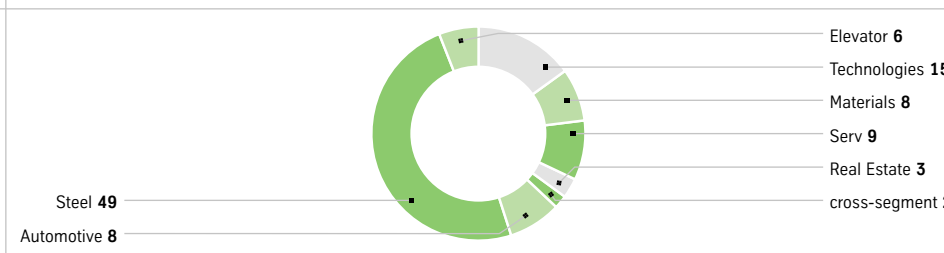
A major challenge for all our segments is to develop a segment-specific service culture. Employees from the various functions are becoming increasingly sensitive to the service focus and are working to implement it. The Elevator segment documents this impressively with specific training courses for employees in the service area, improvements to the service organization and a single worldwide management and control system that monitors the growth of the service business on a monthly basis.

**E-business successfully integrated into day-to-day operations**

Linking e-business with ThyssenKrupp best makes it possible to better utilize the economic potential of e-business for the Group. Improved supplier and customer relationships, higher product and service quality and an offering more suited to market needs will increase long-term market success. E-business has now been incorporated into day-to-day operations throughout the Group and is supporting the integration of business processes. One sign of this are the approximately 180 e-business projects currently running in the Group, including around 30 being carried out as part of ThyssenKrupp best. The main focus of the projects is to optimize both internal business processes, e.g. through knowledge management, and procurement and selling processes, e.g. through online requests for quotations and catalogue purchasing. The e-business initiative is organized on a largely decentralized basis to allow the operating companies to respond flexibly to new developments, costs and competition. Corporate Center performs a systematizing function and acts as an information hub both internally and externally. E-business activities are pooled only in those areas where synergies can be achieved by centralization, for example in e-procurement. Only four of the projects are therefore cross-segment.

The e-business initiative is bearing fruit: e-business has now been integrated into day-to-day operations throughout the Group.

**E-BUSINESS PROJECTS BY SEGMENT**  
in % (total 181 projects as of August 31, 2002)



The ThyssenKrupp E-Business Guide gives an overview of typical problems encountered in e-business and ways to solve them. It combines the expertise of the segments in this area and gives concrete information about online buying and selling, websites, digital signatures, data security and insurance protection. It also contains check-lists for considering the legal, tax and accounting effects and risks of e-business transactions in Germany as well as information on EU regulations, international developments, useful links and relevant legislation.



**Innovations for long-term market success** Innovations are the engine of growth and competitiveness and therefore crucial to business success. Based on precise knowledge of customer needs, our engineers and technicians use their expertise and creativity to develop new and improved products and drive the transfer of know-how in the Group.

#### **Steel – material for the future**

The customers of ThyssenKrupp Steel are increasingly demanding tailored materials and processing technologies. Modern steels most importantly have to display a combination of high strength and good formability. Materials development at ThyssenKrupp Stahl has rigorously followed this path and further improved the microstructure of steel by means of ultra-fine nanostructures. With their high strength levels, such steels offer great potential for use in auto body parts. We actively support our customers in using newly developed steels by providing data on fabrication and service properties. A joint research project by German steel producers into this was completed successfully at the beginning of 2002. ThyssenKrupp Stahl led the working group supporting the project. The results of the project give customers important information for determining the fabricating and service behavior of the main steel grades. Customers can also obtain company-specific data from our own materials database.

Development efforts at ThyssenKrupp Nirosta and ThyssenKrupp Acciai Speciali Terni continue to focus on near-net-shape casting. At the Krefeld plant, activities are concentrated on strip casting the austenitic stainless steel NIROSTA® 4301 under industrial conditions.

We are systematically pursuing the development of new materials which promise to offer special advantages through rapid solidification. In mid-2001 the first thin-slab caster for stainless steels began trial operation in Terni. In the course of the reporting period the performance capabilities of the line were tested successfully both for austenitic and ferritic stainless steels and for electrical steel grades.

The quality management system at ThyssenKrupp Steel meets the very highest requirements. Toward the end of the reporting period, all the plants of ThyssenKrupp Stahl were recertified by Rheinisch-Westfälischer TÜV on the basis of both the tightened-up ISO/TS 16949, the new standard in the international auto industry, and the new ISO 9001:2000. The quality management system at ThyssenKrupp Nirosta was also enhanced and successfully tested by Rheinisch-Westfälischer TÜV in accordance with the same standards as at ThyssenKrupp Stahl. ThyssenKrupp Nirosta is thus one of the first stainless steel flat producers to have achieved this certification.

Near-net-shape casting a focus of process-oriented development in Steel segment.

**Automotive: For greater safety and comfort in the car**

The research and development activities of the Automotive segment are influenced by the shift in responsibilities between automotive manufacturers and suppliers, with suppliers taking on an ever greater share of development work.

Competition between products is increasingly being augmented by competition between innovative technologies. The focus is on customized development. ThyssenKrupp Automotive has developed various solutions to meet our customers' main concerns such as vehicle weight, safety, comfort and fuel consumption. For example, for body and chassis parts the segment offers solutions in many different materials such as high-strength steel, stainless, aluminum, magnesium or plastic or in combinations of these, allowing reductions in vehicle weight and fuel consumption. The use of high-strength steel products also enhances the safety of vehicle occupants.

In the suspension area, customers' requirements focus on comfort and driving dynamics. As a systems partner of the major auto manufacturers, ThyssenKrupp Automotive offers a wide variety of solutions, e.g. for adjustable air spring dampers and air suspension systems, which allow a vehicle to be adapted to particular driving and load conditions and comfort requirements. ThyssenKrupp Automotive Mechatronics develops special controls for these sensitive suspension systems. New developments include active roll stabilizers and switchable (on-off) stabilizer bars, which will go into production shortly.

Increased safety and comfort, reduced weight and fuel consumption – Automotive delivers solutions.

**Top service as competitive advantage at Elevator**

Service is writ large in the Elevator segment. Half of the segment's sales are service-based. An internet-based e-service platform has been introduced which allows customer and company staff to access elevator operating data online. This provides constant monitoring of equipment condition, speeds up service, and facilitates preventive maintenance. It makes equipment operation and maintenance more transparent, widens the range of services offered and helps retain customers. In the escalator field, this concept has been realized in a new generation of "e-escalators"; on these escalators all operating data and signals are collected electronically and can be transmitted over the internet.

**High engineering input the hallmark of Technologies**

A newly developed cost-effective production method for titanium aluminide compressor blades will soon make it possible to expand the use of forged blades in aircraft engines and open up further potential for weight reduction and energy saving in the aviation industry. Together with Rolls-Royce the use of a compressor disk with titanium aluminide blades is planned in an experimental engine. The successful development of the production technology for these high-pressure compressor blades opens up a market for components made of this new class of materials, both in high-pressure compressors in future aircraft engines and in ground-based gas



turbines. A spin-off of this development are exhaust valves for Formula 1 engines which have now gone into volume production to meet growing demand.

Research and development at Plant Technology is also geared toward environmental protection and resource conservation for sustainable development. Examples include the use of scrap tires, railroad ties and cement plant wastes to generate energy, and the use of catalytic gas decomposition to drastically reduce emissions of the greenhouse gas  $N_2O$  (laughing gas) in plants producing nitric acid.

With regard to the Transrapid magnetic train, Deutsche Bahn AG in conjunction with the states of North Rhine-Westphalia and Bavaria are currently drawing up the operator requirements to be met by the 'Regio' intercity version of the train. In parallel with this, a start was made on preparing the specifications for the design and development of the Metrorapid vehicles. Work in China on the world's first commercial Transrapid line is proceeding on schedule. Following completion of the guideway, a 3-section vehicle was delivered by ThyssenKrupp Transrapid GmbH in June 2002 and trials commenced. The maiden voyage will take place on December 31, 2002.

#### **Technology cooperation and know-how transfer in the Group**

Technology collaborations, for example between Steel and Automotive in the field of lightweight components for cars, or between Technologies and Automotive in the field of modern production and assembly methods, are becoming more and more important. Modern information and communications technology in the form of cross-segment information systems supports cooperation and knowledge sharing in the Group. For example, the transfer of manpower and knowledge from the development of the Transrapid is stimulating the development of mechatronic components for various applications in the Group. The doc Dortmund Oberflächencentrum surface engineering center acts as a central link to the external research facilities of Fraunhofer Gesellschaft in the development of innovative surface technologies.

#### **ThyssenKrupp innovation contest firmly established**

In an effort to improve the innovation climate in the Group and create an effective incentive system, an annual innovation contest was set up in the year 2000. The response so far has been encouraging, with interest increasing from year to year. Following the annual award ceremony, all entrants take part in an innovation day to exchange experiences and views. The winners of the fourth innovation contest will be announced in March 2003.

The 2002 innovation contest demonstrated once again the R&D capabilities of the segments. First prize was awarded jointly to employees of ThyssenKrupp Stahl and ThyssenKrupp vdm – both part of the Steel segment. For the frames of large flat screens ThyssenKrupp Stahl developed a high-strength complex-phase steel. A key feature of these frames is that their

Knowledge transfer between segments steadily increasing – to benefit of customers.

strength levels increase even further during production and are adapted precisely to the high stresses caused by the shadow mask mounted in the frame. In addition, the steel does not use expensive alloying elements, which makes it more cost-efficient. In the second project ThyssenKrupp vDM developed an iron-nickel alloy as the frame material for pre-tensioned shadow masks in TV sets with true-flat screens. The chemical composition of the material, Pernifer 42 TVR, was selected so that expansion is avoided after heat treatment of the finished frame and the shadow mask remains pre-tensioned during cooling.

Second prize was awarded to a new analysis method developed by a team from Rothe Erde for integrating antifriction bearings into companion structures. The technique allows thorough and extremely cost-effective analysis of the entire bearing/companion structure system. For the first time, the interaction between race system and bolts at different load levels can be simulated and calculated on a PC. The calculated data show a high level of agreement with experimental findings, and the use of simulation eliminates the need for physical component testing and so reduces prototype development times significantly. Computing requirements at Rothe Erde have been reduced by up to 90% compared with previous finite element-based methods.

Third prize went to ThyssenKrupp Automotive for the "Flexwheel". As a leading producer of starter ring gears the segment has developed and filed for patent a new starter ring gear/flywheel system designed to save energy and reduce pollution in stop-and-go driving conditions in heavy inner-city traffic. The core component is a flexible flywheel called a "flexwheel".

Prizes in 2002 innovation contest awarded to two specially developed materials for flat-screen TV sets.



FUTURE VALUE

## Efficiency

Using our own resources to keep on improving.





ThyssenKrupp

“A company like ThyssenKrupp brings together a huge reservoir of knowledge. We have to make it accessible to everyone.”

Dipl.-Ing. Christian Burkat, ThyssenKrupp best project leader, Bochum, Germany



ThyssenKrupp

“Colleagues in Germany are carrying out a similar project to ours. Sharing our experiences helps us all make faster progress.”

Fabrizio Crasti, employee, ThyssenKrupp Acciai Speciali Terni S.p.A., Terni, Italy

FUTURE VALUE  
Efficiency



**GETTING BETTER AT EVERYTHING WE DO.** That's what our customers expect of us every day. In ThyssenKrupp best we have launched an international program aimed at harnessing and growing the potential within the Group. We want to share our knowledge on a worldwide scale to improve in all areas: from costs and the quality of our products and services to speeding up our business processes and focusing them even more firmly on the needs of our customers. Rather than starting from scratch every time, new projects can benefit from the experience gathered on similar projects in the Group, wherever in the world they may have been carried out. One example is the way our stainless steel plants in Terni/Italy and Bochum/Germany are cooperating on extending their quality management systems.

**ThyssenKrupp**

“ThyssenKrupp best is focused on the interests of all stakeholders – employees, owners, customers, suppliers and the general public. As employees, we regard this as the right approach and a challenge to our professional and social skills.”

Thomas Schlenz, Chairman of the ThyssenKrupp Group Works Council, Düsseldorf, Germany



FUTURE VALUE

## Motivation

Bringing out hidden potential.

ThyssenKrupp

“You’re unlikely to put much into a job that doesn’t give you anything in return .”

Jane Martin, Regional Key Account Manager,  
ThyssenKrupp Lifts & Escalators Ltd., London, UK





FUTURE VALUE  
Motivation



ThyssenKrupp

“What I like about my job is that I have to make decisions every day and not every move is pre-defined.”

Jane Martin, Regional Key Account Manager,  
ThyssenKrupp Lifts & Escalators Ltd., London, UK

Customer

“As a customer, you quickly notice whether someone enjoys his work or not. And that’s what you base your decisions on.”

Douglas Blythe, Facilities Manager, The Royal Opera House, Covent Garden,  
London, UK

ThyssenKrupp

“Anyone failing to bring out the potential in his employees won’t stay at the top for very long.”

Peter Dollhausen, Head of Corporate Personnel and Social Policy and Corporate  
Senior Executives, ThyssenKrupp AG, Düsseldorf, Germany

**MOTIVATED EMPLOYEES ARE A COMPANY’S MOST VALUABLE ASSETS.** That’s why we try to create conditions which are best suited to motivating our staff. Wherever possible, we let our people on the ground decide how to solve a particular problem . We have confidence in their personalities, their creativity and their talents. That also means supporting initiative – new ways of working, for example, such as flexible production groups. Ultimately, this helps our workforce identify more strongly with their products. Motivated employees can use our internal job market to further their careers and take on new challenges in the Group.

Job satisfaction is a measurable indicator of motivation, and this is not just reflected in low sickness absence and job turnover rates: the extremely positive response to our employee stock program reveals a high level of identification with ThyssenKrupp, as do the large numbers of intelligent ideas for improvement submitted to our suggestion scheme.

**Business areas and segments** What once began at Thyssen and Krupp with iron and steel is today a vast network of competencies. Materials, capital goods, ships, auto components, industrial services, e-business – our capabilities are wide-ranging, our expertise extensive. Our products and services are focused above all on industrial customers.

In its three main business areas Steel, Capital Goods and Services, ThyssenKrupp holds top 3 positions on the international markets and is a key technology driver. Our operating activities are grouped in six segments – Steel, Automotive, Elevator, Technologies, Materials and Serv.

- The importance of Steel is reflected in almost €12 billion of sales and over 50,000 jobs in the Steel segment. Through targeted capital expenditures and constant innovations we are ensuring that we remain competitive in the future.
- Capital Goods is represented by three segments: Automotive, Elevator and Technologies. With sales of nearly €16 billion and almost 100,000 employees, this is the largest of our business areas.
- In Services, formed by the segments Materials and Serv, we generate sales in excess of €11 billion and employ around 40,000 people. With our materials and services we ensure that customers can focus on their core tasks.



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118	Steel
120	Automotive
122	Elevator
124	Technologies
126	Materials
128	Serv
130	Other Group business Real Estate

**Steel** With the establishment of new production facilities in countries such as China, the Steel segment is broadening its international base step by step. Our concentration on high-quality carbon and stainless flat-rolled steels is also paying dividends on the global markets. Sales in the year under review were €11.7 billion.

STEEL IN FIGURES		2000/2001	2001/2002
Order intake	million €	11,777	11,732
Sales	million €	12,521	11,686
EBITDA	million €	1,657	1,032
Income*	million €	673	167
Employees (September 30)		51,418	50,184
<small>* before taxes and minority interest</small>			

Our Carbon Steel and Stainless Steel activities specialize in flat-rolled products.

Both our Carbon Steel and Stainless Steel business units are focused on the manufacture of flat-rolled products (sheet and strip) which are in high demand in the automotive, engineering and construction sectors. Our third business unit is Special Materials.

#### **Carbon Steel: Improved performance and globalization**

The concentration of iron and steel production on the River Rhine in Duisburg coupled with substantial investments in the downstream production steps have strengthened the competitive position of our Carbon Steel business unit in recent years. The investments include an innovative casting-rolling mill and the world's most advanced cold rolling mill in Duisburg and a new hot dip coating line in Dortmund. A cost-effective, environmentally friendly supply of coke for our blast furnaces will be provided in the future by the world's most advanced coke plant, currently being built in Duisburg by Carbonaria.

The improved performance of our core locations in Germany provides the basis for our policy of downstream globalization initiated in recent years, establishing local coating, processing and service centers for flat steel in key foreign markets.

Following our involvement in the GalvaSud joint venture in Brazil, we are now building a new hot dip galvanizing line in northern China with our local partner Angang New Steel Co. Representing an investment of us\$180 million, the line is scheduled to go on stream in mid-2003. We have submitted an offer to purchase the remaining interests in Galmed, a Spanish hot dip galvanizing facility in which we already hold a 24.5% stake. In addition to coated sheet, national and international demand is also growing for tailored blanks. Laser welded to customer specifications from sheets of varying grades and thickness, these products are used by automakers worldwide. The combination of high strength and low weight makes our steel

tailored blanks an increasingly sought-after product, and we see a bright future for our three new production facilities in Italy, Mexico and China. In April 2002 we agreed on a strategic alliance with the Japanese steel companies NKK and Kawasaki – now the JFE group – under which we will collaborate on supplies and R&D activities in the automotive sector. Work is now being stepped up in these areas.

### **Stainless Steel: Leading international market positions**

The Stainless Steel business unit managed to consolidate and strengthen its leading international market positions in its stainless cold rolled and nickel-base alloy operating groups. We have established and extended production facilities and distribution channels in our key regional markets to ensure that we stay close to our customers and can supply them quickly. In Western Europe – still our most important market – we adjusted our capacities moderately in line with rising demand and further expanded our customer-focused distribution and service center network. The markets of Central and Eastern Europe are becoming increasingly attractive, and here too we are looking to strengthen our positions.

ThyssenKrupp Mexinox in Mexico manufactures stainless cold rolled products and has a sales organization which is ideally placed to serve the North American stainless market. In the Asian market, China holds a key position. The first phase of the Shanghai Krupp Stainless cold rolling mill, a joint venture with Baosteel Group Shanghai Pudong Iron and Steel Co., Ltd. in which we hold a controlling interest, commenced production at the start of the reporting year with a capacity of approx. 75,000 t. Expansion to an integrated stainless steel mill with a capacity of approx. 400,000 t is scheduled for completion by late 2006. These two cold rolling mills – in Mexico and China – are supplied with starting material (hot rolled stainless strip) from our European plants.

The starting material for the new stainless cold rolling mill in Shanghai is supplied by our European plants.

Stainless Steel also produces other high-performance materials – primarily nickel- and cobalt-base alloys – and processes them into strip, sheet, rod and wire. These materials are used to meet demanding requirements in the chemical, petrochemical, energy, environmental, electronics, auto and aerospace sectors.

### **Special Materials: Electrical steel for wind energy**

Electrical steel from our Special Materials business unit is in demand for applications which reduce the environmental impact of producing and utilizing energy. Special Materials also supplied electrical steel strip for the stator propulsion system of the Transrapid magnetic train. The business unit additionally manufactures high-quality specialty steel long products as well as nonferrous metal wire.



**Automotive** Virtually every car built by the big international manufacturers relies on components, modules and systems from our Automotive segment. Our ideas and innovations make cars safer, longer-lasting, more comfortable and cheaper to run. At around 120 locations in 16 countries, our employees at Automotive generated sales of €6.3 billion.

<b>AUTOMOTIVE IN FIGURES</b>		2000/2001	<b>2001/2002</b>
Order intake	million €	6,179	<b>6,410</b>
Sales	million €	6,115	<b>6,337</b>
EBITDA	million €	521	<b>430</b>
Income*	million €	155	<b>64</b>
Employees (September 30)		39,883	<b>38,425</b>
<small>* before taxes and minority interest</small>			

The Automotive segment is one of the world's leading manufacturers of carbody components, engine parts such as crankshafts and assembled camshafts as well as adjustable steering columns and steering systems. We are also among the top suppliers of air spring and suspension systems, axles and complete chassis systems.

Our materials and systems competency reaps rewards on the market – auto manufacturers the world over rely on our expertise in metals and plastic.

One of our major strengths is our materials capability. We can offer the best solution for manufacturers' requirements, be it steel, aluminum, magnesium or plastic. For example, we make body panels of steel for DaimlerChrysler's new Vaneo, of aluminum for the BMW Z8 and almost entirely of plastic for the new Ford Thunderbird. For steel components we call on the expertise available in the Steel segment. Many products are the result of joint development projects.

With this materials competency we have gained a competitive edge as a supplier of complete systems solutions. The systems business underwent strong expansion with new orders for chassis and air suspension systems and the start of production on numerous steering system and body assembly orders. Electronic components are becoming increasingly important in chassis and suspension systems. We prepared for this at an early stage by building up the appropriate expertise.

We took important steps toward achieving our strategic goal of expanding our presence in Asia in 2001/2002. Our cooperative venture with a Chinese partner in Shanghai is proving successful; together we manufacture steering columns for the VW Santana and VW Gol. In Japan we established a new sales company and plan to build a production plant for steering columns in Hiroshima.

**Chassis: Modules for successful models**

Owing to the successful introduction of new vehicle models and increased demand for light trucks and cars, automobile manufacturers ordered more chassis components and assemblies from us. Despite a decline in the sales volume for springs, the sales revenue of the Chassis business as a whole increased. We set up new manufacturing lines for an array of new orders from almost all the major automobile companies. At the Hopkinsville plant in Kentucky/USA, for example, a modern hydroforming plant was built. Our UK operations invested in welding lines which they need for new orders from Nissan, Ford, Honda and General Motors.

**Body: Production optimized**

The launch of new models together with the first-time consolidation of two companies led to increased sales in the Body business unit. The unit produces body outer skin parts such as doors, engine hoods and side panels. It also manufactures a full range of structural components through to full frames. ThyssenKrupp Automotive is closely integrated in the development process and in cooperation with the automobile companies helps create new solutions in design and technology. We invested in expanding our manufacturing facilities, further optimizing production and adapting capacities in line with orders.

The launch of successful new models brought ThyssenKrupp Automotive additional orders.

**Powertrain: Boosted by diesel boom**

The continued boom in the diesel engine sector and pre-buying in anticipation of new emissions standards for heavy truck engines, which became effective in the USA from October 2002, benefited the Powertrain business unit. Steering columns, crankshafts, camshafts and precision forgings are the unit's main product lines; thanks to their outstanding technical quality, these products are used by numerous major vehicle manufacturers. In electronically, electrically and mechanically adjustable steering columns and systems, we are world market leaders. In response to high demand, we expanded our production facilities in Liechtenstein, France and the USA.

**Full-vehicle capability**

At the beginning of the reporting year, the Automotive segment acquired a 10% interest in Valmet Automotive in Finland with an option to purchase the remaining 90% at a later date. Valmet Automotive is a competent and experienced manufacturer of complete niche vehicles. For example, it manufactures the Porsche Boxster. With the investment in Valmet and the associated cooperation, ThyssenKrupp significantly expanded its full-vehicle capability.

Leading-edge technology, high cost-efficiency and a broad spectrum of competencies from individual components to complete vehicles are the hallmarks of the segment's range.



**Elevator** The Elevator segment is at home on all five continents. Almost 90% of the segment's €3.5 billion sales are generated outside Germany. Its brand stands for outstanding product quality and innovative technology, solidity and reliability, as well as first-rate, customer-focused service. Our employees produce, sell and service elevators, escalators, moving walks, passenger boarding bridges and stair and platform lifts throughout the world.

<b>ELEVATOR IN FIGURES</b>		2000/2001	2001/2002
Order intake	million €	3,702	3,615
Sales	million €	3,515	3,500
EBITDA	million €	417	418
Income*	million €	276	317
Employees (September 30)		28,501	28,768

\*before taxes and minority interest

#### **Good opportunities for expansion in Eastern Europe and Asia**

The segment's business is mainly organized on a regional basis, with only the passenger boarding bridges and stair/platform lift activities being managed centrally. 23 production locations and over 750 operating and service outlets ensure we have a reliable local presence throughout the world.

By providing innovative, high-quality products and strengthening customer loyalty, we are striving to further increase our market shares in the new equipment and service businesses. To this end we are not only expanding our existing activities in established markets, we are also developing new markets. Above all in Eastern Europe and Asia we see good opportunities in the medium term.

Our service business is becoming increasingly important. The high-quality maintenance of elevators, escalators and moving walks along with modernization services now account for around half the segment's sales.

#### **North America the biggest market**

With a share of 13% of the global market for elevators and escalators, ThyssenKrupp is the world's third largest supplier. In the past year the world market was worth around €28 billion. Our biggest market is the USA and Canada. Our elevators and escalators are in service in virtually all the major cities of North America. We are expanding our presence on the Latin American market, too. Following the acquisition of Elevadores Sûr – now ThyssenKrupp Elevadores S.A. – in 1999 and the South American activities of Kone at the beginning of the

Over 750 operating and service outlets worldwide ensure customers never have far to go.

reporting year, we are now the second biggest supplier of elevators and number-one for escalators in Latin America. Our products and service engineers can be found throughout the continent, from the World Trade Center in Mexico City to the Almeda Tower in Lima to Fortaleza Airport in Buenos Aires.

Around 38% of sales in the reporting year were achieved with European customers. Spain and Portugal, France, the UK and of course Germany are the key markets in Europe. Alongside new elevators for the Four Seasons Hotel George V and the headquarters of France Télécom in Paris, key reference projects include the Palau de les Arts in Valencia.

Eastern Europe and Asia are important markets for the future. In Russia, for example, we have established our own organization and acquired the service business of the Russian elevator company ZAO Interlift. In Malaysia and Jordan we have acquired majority shareholdings in two elevator companies.

### Current projects

Examples of projects currently being pursued by ThyssenKrupp are as follows: In New York 73 high-tech units are being installed in the AOL Tower and 66 passenger boarding bridges are being supplied to JFK Airport. A particularly extensive package for Fort Worth Airport in Dallas comprises 92 elevators, 95 escalators and moving walks and up to 42 boarding bridges. In Madrid 176 elevators and 212 escalators are being installed at the airport and in the subway system. In Germany, one outstanding project in the heart of Munich is the tower of the Uptown München with its 18 elevators with a rise of up to 148 meters.

### Escalators with internet connection

In the escalator business, our new “e-escalator” range, featuring a completely new data transmission system, has proved successful on the market. Operating data gathered by an internal computer can be accessed immediately by customers and service engineers. Numerous escalators are already linked to the internet, allowing data to be transmitted online. Our international tele-service for escalators has already gained valuable experience in online maintenance. Our service centers monitor elevators around the world and ensure that they remain functional.

The Elevator segment will continue to develop its own strengths – including above all innovative products and outstanding services – but the successful integration of newly acquired companies especially in Eastern Europe, South America and Asia will also be a key task. We aim to further strengthen our market position and customer relationships by developing new technologies for enhanced comfort and cost-efficiency.

Online monitoring of elevators and escalators ensure the systems remain functional round the clock.



**Technologies** The Technologies segment offers specialized machinery, systems, components and services from world leading market positions. Common to all products and services is a high level of engineering in research and development, design and process technology, accounting for a correspondingly high share of value added. Despite the economic slowdown in many sectors, the segment's sales rose slightly to €5.8 billion.

TECHNOLOGIES IN FIGURES			
		2000/2001	2001/2002
Order intake	million €	5,705	5,304
Sales	million €	5,733	5,806
EBITDA	million €	371	267
Income*	million €	203	112
Employees (September 30)		32,249	32,781

\*before taxes and minority interest

Our Production Systems unit serves discerning customers in growth sectors such as automobile, aerospace and instrumentation and controls.

#### **Production Systems: Discerning customers**

The Production Systems business unit brings together our specialized machine building activities in Metal Cutting, Autobody Manufacturing Systems and Assembly Plant. Alongside the automotive industry, we also serve discerning customers in key growth sectors such as aerospace, instrumentation and controls, and specialty valves.

In July 2002, Gildemeister and ThyssenKrupp agreed to examine the possibility of combining their metal-cutting machine tool activities.

Our Autobody Manufacturing Systems and Assembly Plant businesses chiefly supply complete manufacturing systems which integrate perfectly into customers' production operations. Their expertise and high engineering potential makes them the ideal partners for industrial system solutions from the earliest planning stages. Our objective here is to consolidate our world leading market positions and break into new markets.

#### **Plant Technology: Strong technology base**

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; however, as part of ThyssenKrupp's strategic focusing there are no plans to expand these activities. Full order books and improved profitability in the past fiscal year indicate that the future potential of Plant Technology lies in a best-owner solution.



**Marine: Engineering excellence**

The special-purpose vessels built at our shipyards in Hamburg and Emden enjoy outstanding reputations on all the seven seas; they are innovative, cost-effective and built to meet the specific requirements of our customers. We are world market leaders in frigates and corvettes, while our mega-yachts, high-speed container freighters and gas tankers are also shining examples of maritime technology. Together with Howaldtswerke-Deutsche Werft AG (HDW), with whom we have collaborated closely in the past, we build the world's most advanced conventionally powered submarines.

In spring 2002, our shipyards concluded new agreements with HDW on cooperation in the production of naval surface vessels and submarines. At the same time they provide the opportunity to take other international partners on board.

In shipbuilding, we seek cooperation at national and international level.

**Mechanical Engineering: Transrapid is the highlight**

Mechanical Engineering is a collection of international, innovative companies which manufacture components and systems for the transportation, construction and machine building industries. For example, our large-diameter bearings have proven particularly successful in wind turbines, where they are called upon to handle high and sometimes rapidly alternating loads.

The Transrapid magnetic levitation train enjoys special status at Mechanical Engineering. Developed by ThyssenKrupp and Siemens, it is shortly to go into commercial use for the first time in China on a 31 kilometer line linking Pudong International Airport with Shanghai's financial quarter. The maiden voyage with Chinese Prime Minister Zhu Rongji and German Chancellor Gerhard Schröder will take place on December 31, 2002, with commercial operations planned to commence in January 2004.

**Materials** “One-stop shopping” best describes the business concept of the Materials segment. With the business units MaterialsServices Europe, MaterialsServices North America and Special Products we supply not only an extremely broad and deep range of products but also customer-oriented, all-round service packages. In the fiscal year sales totaled €8.9 billion.

<b>MATERIALS IN FIGURES</b>		2000/2001	<b>2001/2002</b>
Order intake	million €	9,817	<b>8,886</b>
Sales	million €	9,622	<b>8,875</b>
EBITDA	million €	223	<b>191</b>
Income*	million €	42	<b>72</b>
Employees (September 30)		14,315	<b>13,743</b>

\* before taxes and minority interest

#### **MaterialsServices: Services dominate**

Materials and applications advice, storage, processing, project and inventory management, e-commerce solutions and just-in-time logistics – these are the main elements of our service strategy with which we operate chiefly in Europe and North America. Some 300 branches, warehouses and service centers supply customers in a wide range of sectors. Every year we process around 20 million inquiries and quotes from all over the world.

#### **Unique range and outstanding logistics**

Our warehousing and service offering is precisely tailored to the national and regional requirements of processors. In Germany we stock over 125,000 articles of carbon and stainless steel, nonferrous metal and plastic. A system of central warehouses together with regional and branch warehouses ensures our customers can be supplied just in time throughout Europe. The key to getting goods to customers in the shortest possible time – within a maximum 48 hours – is a digital information network with which every branch in Germany and an increasing number in neighboring countries can view inventories and place orders. This ensures customer satisfaction and fast inventory turnover and reduces the volume of capital tied up.

Key to our European logistics is our central warehouse complex for stainless steel and nonferrous metals in Dortmund, the biggest and most advanced of its kind. In the successful expansion of our Eastern European activities, particularly in Poland and Hungary, Dortmund together with the other central warehouses for rolled steel and plastics played a decisive role. This nucleus function will also be of instrumental importance in gaining access to other markets such as the Czech Republic.

An intricate network of warehouses allows our customers to purchase over 125,000 articles of carbon and stainless steel, nonferrous metal and plastic.

Because of the vast distances involved, our logistics concept in North America is different from that in Europe. A hub-and-spoke system ensures materials are supplied to our customers on schedule, based on an integrated logistics and IT system with central warehouses in the industrial centers. Customers contact us via call centers. In stainless steel, nonferrous metals and plastics we have established a leading position in this market in recent years. We make systematic use of new market opportunities, among other things by constantly reviewing and adjusting our organizational and workflow structures.

The majority of our customers have been working with us for many years. One reason for the high level of customer satisfaction is without doubt our comprehensive service offering in Europe and North America. Our broad spectrum of processing capabilities, including slitting, cutting to length, plasma and laser cutting, sawing, drilling, milling and coating, means we can cater to the needs of our customers. Other services include various forms of surface treatment and the hardening of tool steel. Our customers benefit not only from optimized internal material flows and enhanced productivity, but also from savings in investments for storage space and machinery.

The high level of customer satisfaction is due not least to our comprehensive processing capabilities.

### **Special Products: A distinctive profile**

In the Special Products unit, which was formed in the reporting year by combining the former Materials Trading and Special Materials units, project management expertise, worldwide connections, specialist market knowledge and systems services are key assets.

We play a leading role in world trade with not only tubes and rolled steel but also new and used industrial facilities and engineering components as well as offshore equipment. In the Middle and Far East several hundred kilometer-long pipeline projects were booked in fiscal 2001/2002. Another project being handled by this business unit is the sale to China of the Steel segment's closed-down facilities in Dortmund. The dismantling of this integrated steel mill is thought to be one of the biggest projects of this kind. In raw materials trading, we are Europe's leading specialists for coke, ferroalloys and nonferrous metals.

The Materials segment also leads the European market in port construction, specialist civil engineering and railway equipment. We see ourselves as a systems supplier, offering planning, material supplies, logistics, technical consultancy services and in some cases machinery hire from a single source. This applies in particular to our sheet piling systems, which proved invaluable during the flooding in Germany in summer 2002, as dikes fitted with these systems were able to withstand enormous pressure.



**Serv** The Serv segment offers round-the-clock services. Its range is unique in Europe, extending from industrial maintenance and repair to technical facility management and high-quality IT and communication services. Behind these services is a network of specialist companies which together in 2001/2002 generated sales of €2.5 billion.

<b>SERV IN FIGURES</b>		2000/2001	<b>2001/2002</b>
Order intake	million €	2,580	2,540
Sales	million €	2,589	2,549
EBITDA	million €	186	211
Income*	million €	(36)	52
Employees (September 30)		25,665	25,932

\* before taxes and minority interest

Industrial customers increasingly wish to outsource non-core activities. Serv is profiting from this and expanding its business.

With its one-stop-shopping concept, the Serv segment is a major problem solver and service provider in all the technology and IT-related activities of its customers. Long-term outsourcing agreements guarantee the sales of the four business units Industrial Services, Construction Services, Facilities Services and Information Services. Mostly industrial companies with international operations, Serv's customers are increasingly keen to have non-core business processes carried out by external service providers.

The guiding principle of all four business units is to provide customer-oriented services focusing on specific industries. Our core strategic capabilities lie in the key automobile, steel, chemical and petrochemical sectors. We are working systematically on transferring the expertise gained in these sectors to other branches of industry and on integrating the service offerings of our individual business units. In addition to expanding systems services, we aim above all to handle entire value creation chains for our customers.

#### **Industrial Services: Technically challenging projects**

At more than 100 locations in Europe, the Industrial Services business unit engages in particular in maintenance and repair, assembly, shop services and internal operating logistics. This can also include the management of entire production areas. When industrial companies have to temporarily close down production, say for maintenance reasons, they increasingly turn to us to carry out all the complex tasks involved; in this market we are among the leading suppliers in Germany.

We are profiting from a continued trend towards outsourcing in all key customer groups. The three chemical companies Air Products Polymers, Vinolit and Wacker/BASF, for example, concluded a joint services agreement, under which we provide comprehensive services for the

maintenance of production facilities and the operating control of infrastructural and ancillary units. To fulfil these tasks we have taken on 65 Wacker employees. In the machine tool service business, we doubled the number of inspection and service orders despite the more difficult market conditions.

#### **Construction Services: Active in 20 countries**

At over 150 locations in 20 countries, the Construction Services business unit offers extensive services for the building, maintenance and repair of industrial facilities and buildings. This includes, for example, insulation, corrosion protection, and concrete repair services. In addition, we develop, sell and hire innovative formwork and scaffolding systems. An example of our maintenance business is the order from the Lingen oil refinery in Emsland for new fire protective coating. Our us subsidiary Safway Steel Products has now gained a foothold in Canada with its scaffolding services.

#### **Facilities Services: Optimum facility management**

In the Facilities Services business unit, we develop tailor-made solutions for complex projects in electrical and mechanical facility systems, especially building automation systems. The one-stop-shopping principle applies here, too, as we take care of complex facility system and automation projects, including all the main tasks of facility management. The acquisition of a company engaged in commercial and technical facility management services not only rounded off our service portfolio but also helped us secure better access to key customers such as banks, insurance companies and real estate funds at operating and strategic level.

#### **Information Services: Holding up well**

The Information Services business unit focuses on wide-ranging and highly complex IT services for industrial customers. Financial service providers and health insurance companies are a growing customer group. We have now almost completely withdrawn from our media business activities. At 38 locations in ten countries we successfully provide computer center services as well as "on-the-spot" services for PCs, networks and telephone systems including satellite communications. A milestone in 2001/2002 was the strengthening of relations with Basell Polyolefine, the world's biggest producer of polypropylene with production sites in 18 countries on all five continents. In addition, Triaton, the lead company of the Information Services business unit, signed a five-year agreement with the German Foreign Office to set up a satellite network between the headquarters and numerous foreign missions in countries with poor communication infrastructures. The telephone and data communication network will initially encompass 72 locations in Europe, Africa, Asia and Central America.

Our IT services are used by chemical companies, financial service providers, health insurance companies and the German Foreign Office.



**Real Estate** Private tenants and investors, property developers and companies use the services of our Real Estate business. We provide people with a place to live, develop industrial property, realize building projects and perform a wide range of real-estate services. High-quality living space and cost effectiveness are the hallmarks of our real estate activities, which in the year under review generated sales of €320 million.

<b>REAL ESTATE IN FIGURES</b>		2000/2001	<b>2001/2002</b>
Order intake	million €	317	320
Sales	million €	317	320
EBITDA	million €	147	141
Income*	million €	80	80
Employees (September 30)		791	745

\* before taxes and minority interest

With 51,000 housing units in the Rhine/Ruhr region, we are one of the biggest industry-based real estate companies.

To improve the strategic and operational integration of our activities, we streamlined our organization. The former Management, Development and Consulting units were combined to form the Real Estate Services and Development business unit. The Residential Real Estate unit was not affected by the changes. Managing some 51,000 housing units, mostly Group-owned, in the Rhine/Ruhr region, this unit is one of Germany's biggest industry-based real estate companies.

The newly formed Real Estate Services and Development unit optimizes utilization of the Group's commercial property and at the same time manages, rents and sells commercially used land and buildings. It also acts as project developer, building contractor, project manager, general contractor and architectural consultant.

Our real estate clearing system, under which the properties and requirements of the individual subsidiaries are monitored and balanced, has now been extended to include our foreign subsidiaries. Real estate officers in the segments obtain the required data for this from more than 70 countries.

We have approached all the cities in North Rhine-Westphalia in which our Group has non-operating property to discuss ways of developing additional areas of Group-owned land for residential or commercial purposes. A positive factor in our favor is our experience in project development and building contracting.

For private customers we develop and realize single-family semi-detached and terraced houses in all price ranges as well as apartments at the luxury end of the market. There is currently little demand for mid-priced apartments. At present we are working on various projects involving just under 600 housing units.

### **Integrated planning concept**

In commercial construction, we are pressing ahead with the development of Business Park West in the Krupp belt of Essen, where the North Rhine-Westphalian finance department intends to locate three of Essen's tax offices. The first construction phase will see the completion of just under 30,000 square meters of office space. Altogether some 240 hectares of land will be developed close to the center of Essen. Under the integrated planning concept, a balanced mixture of high-quality office buildings, cultural, sport and leisure facilities, attractive housing, commercial space and parks will be built.

The Residential Real Estate business unit, the primary source of sales and earnings in the Real Estate group, further increased the value of Group-owned housing in the reporting year under an intensive modernization and maintenance program. In addition, we enhanced our services for tenants. Following the introduction of new organizational and working time regulations, customers now have improved access to our experts and offices. We are increasingly finding new tenants through our advertisements on the internet. Showing lists of available housing and other property, our website is proving to be good for business.

An ambitious development combining housing, office space and leisure facilities is being built on 240 hectares of land at the heart of Essen.



**Financial report** Enhanced transparency through extensive information disclosure is the aim of our consolidated financial statements. The figures and information they contain provide a full picture of our Group's business situation. Since 1998/1999 our financial statements have been prepared under US GAAP accounting rules. We also provide additional information required by the German Commercial Code (HGB).



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## Management's discussion and analysis

### 1. Income before income taxes and minority interest / dividend

In fiscal 2001/2002, the ThyssenKrupp Group generated income before taxes and minority interest in the amount of €762 million as compared to €1,117 million in the previous year. The figures do not include any goodwill amortization pursuant to SFAS 142. Details hereon are provided in the Notes and are indicated separately in the following appropriation of income to the segments for fiscal 2000/2001. Further analyses of income development are based on the figures excluding goodwill amortization.

<b>INCOME* BY SEGMENTS</b> million €	after goodwill amortization	2000/2001 goodwill amortization	before goodwill amortization	<b>2001/2002 before goodwill amortization</b>
Steel	616	57	673	167
Automotive	131	24	155	64
Elevator	226	50	276	317
Technologies	152	51	203	112
Materials	21	21	42	72
Serv	(54)	18	(36)	52
Real Estate	80	0	80	80
Corporate	(280)	20	(260)	(90)
Consolidation	(16)	0	(16)	(12)
<b>Group</b>	<b>876</b>	<b>241</b>	<b>1,117</b>	<b>762</b>

\* before income taxes and minority interest

The income situation in both fiscal years was primarily influenced by revenue generated through changes in the portfolio. In 2000/2001 the Group posted total gains of €343 million, of which €333 million is allocable to the Steel segment, €71 million to the Technologies segment and €(61) million to Corporate. Without these gains, normalized income in 2000/2001 would have been €774 million.

In fiscal 2001/2002 the ThyssenKrupp Group also generated gains from disposals of €343 million in total, of which €33 million was posted by Automotive, €36 million by Technologies, €19 million by Serv and €255 million by Corporate. Without these gains from disposals, normalized income would have amounted to €419 million.

#### Steel

The Steel segment in fiscal 2001/2002 managed to generate income of €167 million. This represents a reduction in income of €173 million compared to the previous year (without taking into account the gains from the disposal of the Brazilian iron ore mining corporation, Ferteoco, of €333 million). This reduction in income is largely attributable to the development in Carbon Steel. Stainless Steel, on the other hand, recorded a significant increase in income. Carbon Steel sustained a significant loss in the first two quarters of the reporting period owing to a drastic decline in revenue and a marked decrease in production around the calendar year end but managed to post considerable profits in the third and

fourth quarters. In total this business unit generated annual income of €5 million. Compared to the previous year, however, a decline in income of €160 million was recognized which was largely caused by lower shipment volumes and lower average proceeds. On the cost side, the overall development in procurement prices was favorable, with the appreciation of the Euro also having a positive effect. Additionally, implemented cost reduction measures could not fully compensate for the negative market effects. The Stainless Steel business unit managed to increase its income by €82 million resulting in €141 million in total. This result is largely attributable to larger sales volumes as well as procurement prices below the level of the previous year for the two major materials scrap and chromium. The German activities managed to sustain the high income level of the previous year. The Italian and Mexican companies returned to posting profits after recording high losses in the previous year. The improved income situation in Italy resulted from price recovery as well as successful restructuring measures. The positive development in Mexico was favored by strong growth of the Mexican markets, a slight recovery of the US markets as well as positive structural effects. The start-up losses of the Chinese cold rolling mill in Shanghai were not higher than expected. A positive development in the income situation is expected for fiscal 2002/2003. The nickel-base alloy business posted considerably high income, albeit lower than that of the previous year, which is primarily due to the receding mining business and weak aviation and space travel industries worldwide. The Special Materials business unit, which now also includes Electrical Steel, generated income of €27 million compared to €72 million in the previous year. All activities contributed to the decrease in income.

### **Automotive**

The Automotive segment recorded income before taxes of €64 million. This figure includes €33 million in gains from the disposal of the investment in Sinterstahl GmbH and various casting activities. Restructuring programs implemented in some American plants and in the Springs and Coils activities had an adverse effect on income resulting in a decrease of €149 million in total. Without these processes, income would have amounted to €180 million. Compared to the income of the previous year of €155 million, the income situation improved noticeably. The Chassis business unit experienced a remarkable improvement on the result of the previous year, without consideration of expenses incurred for restructuring methods in the North American plants and Springs and Coils activities. Adding to this increase in income were some North American plants, which experienced positive production development. The continuation of chassis assemblies, which the Kitchener plant in Canada started in the previous year, continued to cause significant losses in the reporting period. These losses, however, were considerably lower than those of the previous year. Income as posted by the Body business unit falls short of that of the previous year, not taking into account the restructuring expenses for the American metal forming activities. The Powertrain business unit did not quite reach the income of the previous year, without taking into account one-time expenses and gains from disposals.



**Elevator**

The Elevator segment in the reporting period succeeded in continuing the positive development of the last few years. Income rose by €41 million to €317 million. All business units contributed to this result. The North America/Australia as well as Spain/Portugal/South America business units posted good results. The business unit Germany/Austria/Switzerland as well as the Rest of World business unit also experienced a positive development, which was mainly achieved by the market oriented service and sales organization in Elevator. Noticable rises in efficiency were also achieved in production. The Passenger Boarding Bridges and Accessibility business units again posted losses, which however, are below those of the previous year, in particular for Passenger Boarding Bridges. Reorganization measures are being continued in these business units. In the Rest of World business unit, which clearly surpassed the good result of the previous year, activities in Great Britain and China in particular developed extremely well. Income in China rose noticeably.

**Technologies**

The Technologies segment, recognized income before taxes of €112 million, compared to €203 million in the previous year. Both income figures include gains from the disposals of participations, which impacted on fiscal 2000/2001 in the amount of €71 million from the disposal of Krupp Werner & Pfleiderer and on fiscal 2001/2002 in the amount of €36 million from the disposal of Krupp Berco Bautechnik. Without these gains from disposals, income would have been reduced by €56 million to €76 million. Production Systems recognized substantial losses in the reporting period. One major reason for the persisting loss situation in the Metal Cutting business unit was the persistently weak machine tool market in the USA as well as high reorganization expenses at Cross Hüller Knowsley in Britain. Autobody Manufacturing Systems suffered a reduction in income but recorded positive earnings. Assembly Plant was forced to recognize a loss for the first time owing to additional technological expenses in the processing of a major contract in the USA. Plant Technologies, which consists of activities in special and plant construction, managed to further increase income despite extensive restructuring expenses in coking activities. Uhde, in particular, posted a substantial increase in income with an improved order backlog whereas Polysius nearly reached the result of the previous year. Problems in processing a major contract in Brazil were the main reasons for the drastic decline in profits suffered by the Fördertechnik business unit. Marine succeeded in once again in improving on the excellent result of the previous year. Mechanical Engineering failed to reach the excellent results of the previous year. High restructuring expenses at Henschel Kassel and Stahlbau Berlin could not be compensated for by continuously rising income of Rothe Erde, Polymer, Novoferm and Transrapid. Turbine components remained stable inspite of the events of September 11 and the Enron collapse.

### Materials

Materials managed to raise its income by €30 million to €72 million, largely because of the Special Products business unit achieving a remarkable increase in profits. Apart from improved operating conditions, the nonrecurrence of the high expenses of the previous year caused by restructuring methods in the South American activities added to this development. Suffering losses in the previous year, MaterialsServices North America succeeded in posting profits; this development was positively influenced by reorganizational measures and a slight recovery of the US economy. MaterialsServices Europe, with its broad spectrum of services and customizing activities was affected by the sluggish economic conditions in Germany, but still recorded substantial profits.

### Serv

Serv improved its income by €88 million to €52 million in total. This positive development was primarily carried by the Information Services business unit, which was burdened by extensive restructuring expenses in the previous year. After the loss sustained in 2000/2001 profits could be recorded for fiscal 2001/2002. The Industrial Services business unit, maintained the income level of the previous year. Posting losses in the previous year, Construction Services generated good earnings. The only business unit suffering a negative development in the reporting period was Facilities Services, thus resulting in a loss. The major reason for the deteriorating income situation is discontinued remuneration for building related services rendered by Real Estate.

### Real Estate

Posting an income of €80 million, Real Estate matched the previous year's income. The main contributor to income was residential housing, in which, apart from income from leases, proceeds from the disposal of apartments no longer fitting into the Real Estate portfolio could be recognized. Facility Services, a business unit of the Serv segment, was no longer reimbursed for facility management services in the current fiscal year. The remaining Real Estate activities posted profits.

### 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 AG and Krupp Hoesch Stahl AG. As operating companies, Corporate includes insurance services and equity investments as well as the remaining activities of Krupp Seeschiffahrt. In the reporting period Corporate recorded a loss of €90 million in total. This figure contains gains from the portfolio restructuring in the amount of €255 million. Without these gains from disposals a loss in the amount of €345 million was recognized. The previous years loss of €260 million contained a loss sustained from the disposal of the bulk carrier activities of Krupp Seeschiffahrt amounting to €62 million, so that without this loss from disposal the loss in 2000/2001 would have totaled €198 million. Of the loss of the reporting period in the amount of €345 million, €95 million are allocable to Corporate administration costs. Another major item is pension costs in the amount of €206 million. It further contains interest costs amounting to €21 million. Write-offs of receivables is also recorded here. Expenses assumed by Corporate for the Segments were recognized in the amount of €14 million compared to €18 million in the previous year.

### **Income taxes**

Income taxes in 2001/2002 amounted to €175 million against €193 million the previous year. A tax rate of 23%, compared to 22% in the previous year, has been calculated on income before taxes and minority interest of €762 million. The main reason for the tax rate in both years is the low taxation on the gains from the disposal of participations as well as the changes in the permanent differences between the carrying amounts in the tax balance sheet and the consolidated financial statements.

### **Changes in valuation**

In the reporting period new regulations pertaining to goodwill amortization pursuant to SFAS 142 became applicable. Consequently, goodwill was no longer amortized but subjected to an impairment test. This resulted in an impairment charge of €347 million, presented as a change in valuation net of tax in the amount of €(338) million. Of the impairment charge, €217 million was allocable to the Metal Cutting business unit and €49 millions to the Berco business unit in the Technologies segment, €15 million to the Materials Trading business unit in the Materials segment and €66 million to the Construction Services business unit in the Serv segment.

In the previous year effects from the first time application of the new regulations pertaining to the realization of sales in accordance with SAB 101 were recognized as a change in valuation. These regulations primarily affected on-site assembly products. Revenue is only realized after assembly is completed, the product is accepted and payment is rendered.

### **Net income/Earnings per share**

After the deduction of minority interest in the amount of €33 million, net income of €216 million fell short of that of the previous year by €449 million. Earnings per share (EPS) of €0.42 in 2001/2002, compared to €1.29 in 2000/2001, was calculated by dividing consolidated net income by the weighted average number of shares as of the end of the reporting period (514,489,044 shares). After eliminating from net income the effects of the goodwill amortization, the EPS would have been €1.76. Adjusting these income figures by after-tax adjustments and portfolio restructuring, a normalized income per share of €0.48 resulted, compared to €1.05 in 2000/2001.

### **Dividend**

A dividend payment in the amount of €0.40 per share – against €0.60 per share the previous year – will be up for approval at the Annual Stockholders' Meeting. The ThyssenKrupp capital eligible for dividend distribution amounts to €1,317 million, which would result in a distribution in the amount of €206 million. This would constitute a reduction from the previous year of €103 million. The payout ratio is 95.4% (2000/2001: 46.5%) of consolidated net income and 79.8% (2000/2001: 87.0%) of net income of ThyssenKrupp AG.

ThyssenKrupp AG's net income of €258 million – against €355 million the previous year - is the legal basis for the distribution of a dividend. €52 million of ThyssenKrupp AG's net income, which is not required for the distribution of a dividend, will be accrued in ThyssenKrupp AG's retained earnings.

## 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 liability items is as follows:

<b>GROUP</b> million €	Oct. 01, 2000	Sept. 30, 2001	<b>Oct. 01, 2001</b>	<b>Sept. 30, 2002</b>
Total Stockholders' Equity	8,797	8,786	8,786	8,287
+ Minority interest	399	363	363	297
+ Pension and similar obligations	6,970	6,908	6,908	7,065
+ Financial payables	8,751	7,665	7,665	5,683
./. Marketable securities/cash and cash equivalents	1,021	1,258	1,258	941
+ Deferred tax liabilities	1,106	1,161	1,161	556
./. Deferred tax assets	1,357	1,445	1,445	1,003
Total as of measurement date	23,645	22,180	22,180	19,944
<b>Average</b>		<b>22,913</b>		<b>21,062</b>
Adjustment goodwill amortization		(121)		(61)
<b>Average (adjusted)</b>		<b>22,792</b>		<b>21,001</b>

For better comparison, the capital employed of the previous year was adjusted to the level of fiscal 2001/2002 due to goodwill amortization no longer being recognized. The numerator of the ROCE ratio of the previous year was raised accordingly by the goodwill amortization in 2000/2001.

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.

<b>2000/2001*</b>	Income before interest ** (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (%-points)	EVA (million €)
<b>Group</b>	<b>2,005</b>	<b>22,792</b>	<b>8.8</b>	<b>9.0</b>	<b>(0.2)</b>	<b>(46)</b>
thereof:						
Steel	917	9,331	9.8	10.0	(0.2)	(16)
Automotive	286	3,181	9.0	9.5	(0.5)	(16)
Elevator	362	1,967	18.4	9.0	9.4	186
Technologies	247	1,740	14.2	10.0	4.2	73
Materials	157	2,727	5.8	9.0	(3.2)	(88)
Serv	6	1,159	0.5	9.0	(8.5)	(98)
Real Estate	102	1,842	5.5	7.5	(2.0)	(37)

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



2001/2002*	Income before interest ** (million €)	Capital employed (million €)	ROCE (%)	WACC (%)	Spread (%-points)	EVA (million €)	Change in EVA (million €)
<b>Group</b>	<b>1,477</b>	<b>21,001</b>	<b>7.0</b>	<b>9.0</b>	<b>(2.0)</b>	<b>(413)</b>	<b>(367)</b>
thereof:							
Steel	359	8,976	4.0	10.0	(6.0)	(538)	(522)
Automotive	159	3,122	5.1	9.5	(4.4)	(137)	(121)
Elevator	372	1,826	20.4	9.0	11.4	208	22
Technologies	151	1,297	11.7	10.0	1.7	22	(51)
Materials	136	2,468	5.5	9.0	(3.5)	(87)	1
Serv	82	1,071	7.7	9.0	(1.3)	(14)	84
Real Estate	100	1,842	5.4	7.5	(2.1)	(39)	(2)

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

Income before tax of the ThyssenKrupp Group in 2001/2002 decreased by €528 million to €1,477 million. This deterioration, however, was partly compensated for by the reduction of tied-up funds within the measurement of return on capital. Capital employed fell by €1,791 million to €21,001 million. The ROCE in 2001/2002 was 7.0%, against 8.8% in the previous year. Hence, the cost of capital relevant to the group of 9.0% was not attained. Economic Value Added decreased by €367 million to €(413) million.

In the [Steel](#) segment income before interest fell by €558 million to €359 million. With a relatively slight decrease in capital employed, the ROCE was considerably reduced from 9.8% in 2000/2001 to 4.0% in 2001/2002. Cost of capital of 10.0% could not be achieved. The EVA decreased by €522 million to €(538) million.

Even in the [Automotive](#) segment, the decrease in income before interest by €127 million, largely attributable to the restructuring expenses in 2001/2002, was not compensated for by a sufficient reduction of capital employed. Accordingly, the ROCE fell from 9.0% to 5.1%. Consequently, the cost of capital of 9.5% was not attained. In comparison to the previous year, the EVA decreased by €121 million to €(137) million.

The [Elevator](#) segment posted an increase in the ROCE from 18.4% to 20.4%. An increase by €10 million in income before interest as well as a decrease by €141 million in capital employed contributed to the positive development of the ROCE. In view of cost of capital of 9.0%, the EVA rose by €22 million to €208 million.

The [Technologies](#) segment recorded a fall in income before interest from €247 million to €151 million. The consequent decrease in profitability could not be offset completely by the reduction of capital employed, amounting to €443 million. The ROCE fell from 14.2% to 11.7%, but still significantly exceeds cost of capital of 10.0%. The EVA decreased by €51 million to €22 million.

The EVA of €(87) as recorded by **Materials** in 2001/2002 remains unchanged against the previous year. The decrease in income before interest could be largely balanced through a reduction in tied-up funds. The ROCE was 5.5%, against 5.8% in the previous year.

The **Serv** segment managed to remarkably increase its income before interest by €76 million to €82 million, simultaneously reducing its tied-up funds. As a result, the ROCE noticeably rose from 0.5% in 2000/2001 to 7.7% in 2001/2002. Although cost of capital of 9% was not achieved, the EVA improved by €84 million to €(14) million.

The return on capital of 5.4% as posted by **Real Estate** remained stable in 2001/2002, compared to the previous year. The ROCE of 7.5% continued to fall short of the cost of capital. The EVA was calculated at €(39) million which was €2 million less than in 2000/2001.

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

The funds 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 both been determined based on payments. In contrast, the cash flow from operating activity is determined indirectly based on the annual Group net income. 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 conform to the corresponding changes based on the consolidated balance sheets.

Operating activities provided €2.5 billion during fiscal 2001/2002. The increase compared to the previous year in the amount of €0.2 billion is due to a further improvement of tied-up funds in net working capital; decreasing effects result from the reduction of net income.

The cash flows used in investing activities was increased by €0.8 billion to €(0.5) billion in the reporting period. The reasons for this improvement are the reduction in investment activities by €0.6 billion to €1.8 billion and an increase in proceeds from disposals by €0.2 billion to €1.2 billion,

including the disposal of the Ruhrgas participation (€486 million). Furthermore, proceeds in fiscal 2001/2002 resulted from the disposal of the shareholding in Kone (€133 million) as well as the sale of the car carrier activities (€105 million). Further portfolio adjustments (€0.2 billion) and the disposals of property, plant and equipment and intangible assets (€0.3 billion) led to a cash inflow totaling €0.5 billion.

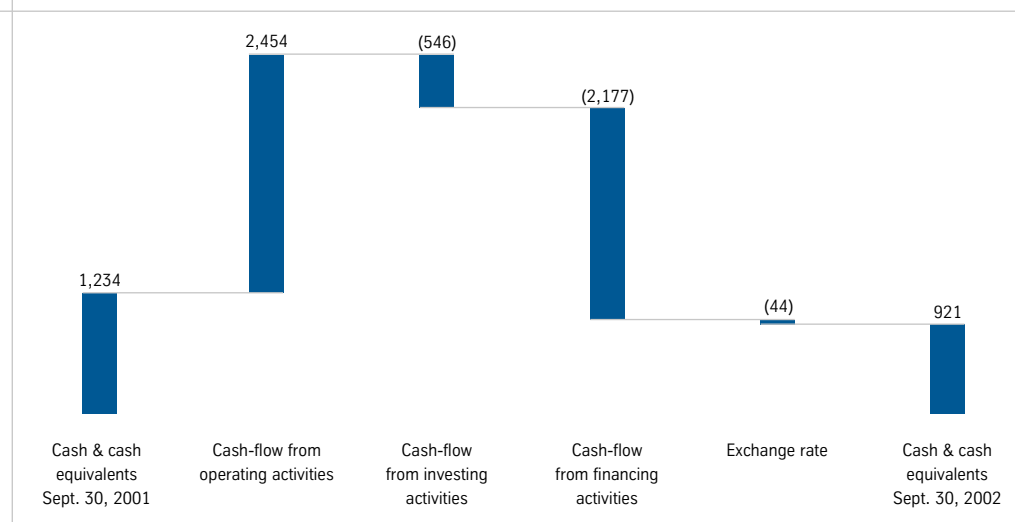
As a result the cash flows from operating activities in 2001/2002 was sufficient to completely cover net capital expenditures of €0.6 billion. The excess amount (free cash flow) of €1.9 billion (2000/2001: €0.9 billion) was used – after taking into account dividend payments of €0.3 billion – to decrease indebtedness by €1.6 billion.

Other financing activities presented within financing activities for fiscal year 2001/2002 include payments of €25 million, resulting from Group overnight money transactions with non-consolidated subsidiaries (2000/2001: €15 million payments), and cash outflows of €24 million from short-term financial accounts receivable (2000/2001: € 12 million cash inflows).

A decrease in cash and cash equivalents of €(44) million (2000/2001: €(41) million) is a result of changes in foreign exchange rates, which primarily related to the decrease in the value of the u.s.dollar during fiscal 2001/2002.

#### 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 significantly improved to 4.5 (2000/2001: 1.7). 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, further decreased and is now 2 years (2000/2001: 3 years).

#### 4. Balance sheet presentation

The balance sheet total as well as all significant balance sheet line items, with the exception of accrued pension and similar obligations, declined considerably, in parts, compared to September 30, 2001. This mainly resulted from the changed exchange relation of the Euro to USD and measures taken to lower tied-up capital, in particular through disposals. Due to an increase in the value of the Euro from 0.92 USD/€ as of September 30, 2001 to 0.98 USD/€ as of September 30, 2002, the balance sheet figures of the Group companies preparing their accounts in USD decreased on a Euro-basis. Shifts in exchange rate relations led to a reduction of the balance sheet total by €528 million.

Fixed assets decreased by €1,563 million or 8.8% from €17,818 million to €16,255 million, with €428 million due to currency differences. Disposals further reduced fixed assets by €943 million. Major individual transactions were the disposals of Ruhrgas, the investments in Kone OY and the car carrier activities of Krupp Seeschiffahrt, amounting to €548 million in total. Goodwill impairment due to the first-time application of SFAS 142 resulted in a further decline of €347 million. The change in fixed assets due to additions of €1,754 million was counterbalanced by depreciation of €1,554 million.

Inventories fell by €524 million to €6,001 million.

million €	Sept. 30, 2001	Sept. 30, 2002	Change
Steel	2,690	2,546	(144)
Automotive	677	509	(168)
Elevator	316	246	(70)
Technologies	1,423	1,282	(141)
Materials	1,137	1,098	(39)
Serv	178	199	21
Real Estate	104	121	17
<b>Total</b>	<b>6,525</b>	<b>6,001</b>	<b>(524)</b>

The trade accounts receivable as of September 30, 2002 were down by €368 million compared to September 30, 2001.

million €	Sept. 30, 2001	Sept. 30, 2002	Change
Steel	1,266	1,201	(65)
Automotive	807	812	5
Elevator	749	719	(30)
Technologies	1,034	880	(154)
Materials	1,274	1,197	(77)
Serv	518	485	(33)
Real Estate	32	25	(7)
Corporate/Consolidation	41	34	(7)
<b>Total</b>	<b>5,721</b>	<b>5,353</b>	<b>(368)</b>

Deferred income tax assets and liabilities notably decreased by €442 million and €605 million, respectively. These decreases were caused by the expansion of the German tax group of ThyssenKrupp AG to include additional members. Therefore, the deferred tax assets and liabilities of the new tax group members were offset against one another. On the other hand, there was an increase in deferred tax assets by €312 million which was caused by a rise in tax loss carryforwards and accrued pension and similar obligations.

Stockholders' equity fell short of the previous year's by €499 million, or 5.6%, largely attributable to a reduction in accumulated other comprehensive income by €406 million. Currency differences also contributed to this result in the amount of €223 million. The recognition of accrued pensions and similar obligations led to a decline of €132 million, primarily resulting from the recognition of additional minimum liabilities for fully funded pensions and similar obligations of the USA and UK.

Minority interest decreased by €66 million, largely due to the acquisition of the remaining 10% participation in AST, an Italian stainless company.

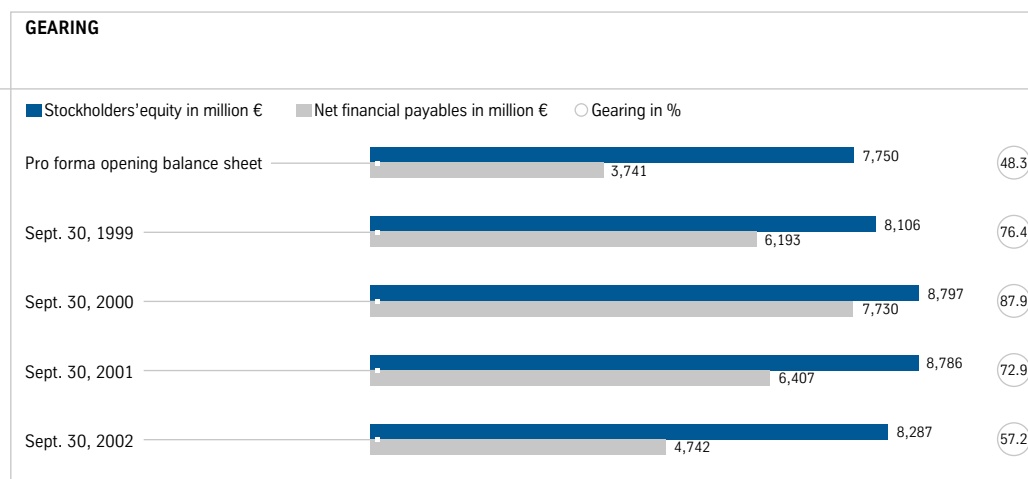
Accrued pension and similar obligations rose by €157 million. Whereas currency differences lowered these obligations by €57 million, the recognition of additional minimum liabilities resulted in an increase by €192 million. Additional minimum liabilities were mainly to be recognized for a number of pension providers in the USA and UK due to a deterioration in the value of the plan assets.

Trade accounts payable decreased by €120 million.

million €	Sept. 30, 2001	Sept. 30, 2002	Change
Steel	1,100	1,024	(76)
Automotive	606	576	(30)
Elevator	202	182	(20)
Technologies	639	590	(49)
Materials	473	512	39
Serv	193	216	23
Real Estate	22	23	1
Corporate/Consolidation	13	5	(8)
<b>Total</b>	<b>3,248</b>	<b>3,128</b>	<b>(120)</b>

Other accrued liabilities were €70 million lower than at the end of the previous year, which was caused by changing currency relations.

Gross financial payables decreased by €1,982 million from €7,665 million as of September 30, 2001 to €5,683 as of September 30, 2002. Net financial payables, i.e. gross financial payables less cash and cash equivalents and marketable securities, declined by €1,665 million from €6,407 million to €4,742 million. Currency differences contributed to this result in the amount of €124 million. Gearing, i.e. the ratio of net financial payables to stockholders' equity, improved to 57.2% against 72.9% in the previous year.



## 5. Central financing of the ThyssenKrupp Group

The financing of the ThyssenKrupp Group is centrally managed. Thus, 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 mode 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 alternative to operate in international capital markets with the Group's own foreign financing companies is used.

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 the intercompany pricing between the Group companies 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

In 2001, ThyssenKrupp received an issuer rating from two rating agencies, Moody's and Standard & Poor's. This issuer rating is necessary in order to utilize larger financing volumes through international capital markets. The rating agencies made assessments as follows, which remain unchanged:

	Long-term rating	Short-term rating	Outlook
Moody's	Baa1	Prime-2	negative
Standard & Poor's	BBB	A-2	stable

Bond issuances will require an additional issuance rating which provides an assessment of the respective bond. The issuance rating received by the rating agencies for the €500 million bearer bonds issued by ThyssenKrupp Finance Nederland B.V. was of the same classification as the ThyssenKrupp issuer rating.

### Active interest rate risk management as a central task

Due to the international orientation of our business activities, the procurement of funds of the ThyssenKrupp Group in international financial and capital markets is effected in different currencies – predominantly in Euro and U.S. dollar – and with various maturities. The resulting liabilities are partly exposed to risks from changing interest rates. Our interest rate management is responsible for minimizing the risk from changing interest rates resulting from such liabilities. This is achieved by regular interest rate risk analyses in currency areas that are important for our business activities. Those analyses include present value analyses, 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 information on the results of the interest rate risk analyses is a part of our risk management system.

**Foreign currency management of the ThyssenKrupp Group**

The international orientation of our business activities entails numerous cash flows in different currencies – in particular in u.s.dollar. Therefore, economic 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 moment the position is exposed to charges in foreign currency rates. All domestic companies are obliged to submit documents to the central clearing office on the hedging of foreign currency positions from trade activities. 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 our domestic subsidiaries that meet the requirements of 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 determination of hedging budgets, the general requirement to cooperate with central Group management, the regular review of exchange rate hedging transactions executed by means of Group-wide surveys as well as a regular examination performed by our central internal auditing team help ensure that currency risk management is in compliance with the Group's requirements.

**6. Risk management**

Within the scope of value-oriented management as pursued in the ThyssenKrupp Group, systematic risk management is designed to support the identification and optimization of risks and rewards.

Bearing full responsibility of risk management within the Group, the 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 each company.

Status and significant changes in major risks are communicated bottom up within regular reporting, in line with the multi-layered corporate structure. Apart therefrom, the Segments inform the Board about the current risk situation on a bi-weekly basis.

External auditors and Internal Auditing have examined the risk management system inland and abroad. The consequent findings serve to further improve early risk identification and control.



The risk policy aims at systematically and continuously increasing corporate value and achieving our mid-term financial key performance targets. Apart therefrom, rules of conduct have been set forth in guidelines and other directives to be observed throughout the Group. Measures of speculative character are inadmissible. Our conduct towards suppliers, customers and the company is marked by fairness and a sense of responsibility.

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

The central service provider ThyssenKrupp Versicherungsdienst GmbH in agreement with the Board of ThyssenKrupp AG controls the transfer of risk to insurers using inter-company insurance contracts. This also includes the further development of the risk management system on the basis of damage analyses and evaluations.

### **Risks of future developments**

ThyssenKrupp with its worldwide activities is exposed to typical business risks, which primarily include a decline in demand, foreign exchange fluctuations, country-related risks and risks from technological advancement in industrial goods.

We counteract risks from foreign currency transactions and raw material price volatility through the use of derivative financial instruments.

The disposal of real estate, companies or other business activities may entail certain processing risks. We have taken appropriate accounting measures to cover any such risks as are likely to arise. Assuring the safe processing of business transactions also requires continuous checking and adjusting of the information technologies in use. Considering the growing threat potential due to the extensive integration of IT-supported business transactions among group companies and with third parties, as well as the risks related thereto, the further development of measures to improve information security has become a matter of high priority. In view of accumulated losses sustained by the insurers in industrial business, a significant rise in premiums, imposed restrictions on insurance coverage and an increase in our own risk might well be followed by further stringent measures. In order to maintain an affordable insurance coverage of major risks and reduce the cost in cases of loss or damage, we have intensified measures to prevent loss or damage, thus countering the likelihood of an increase in our own risk.

Furthermore, weak international stock markets have led to a significant rise in the expenses of our North American subsidiaries due to the system of fully funded pension plans and other similar obligations. 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.



In how far the plans of the German Government to raise taxes and ancillary wage costs will affect us directly or indirectly depends on the actual legal implementation.

Pending legal actions and compensation claims are dealt with in detail in the Notes under Item (24).

Whereas standards on environmental protection and conservation of resources have led to higher expenses on the one hand, the use of modern plant and equipment has reduced rates and energy costs on the other. The growing number of group companies with certified environmental management systems has reduced environmental risks.

The volatility of steel prices and the dependency on economic activities 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 rather stabilizing effect. Therefore, from the Group's point of view, any risks arising from individual group companies or segments concentrating on specific industries, customers or countries are contained.

Deteriorating economic conditions have impeded the proposed settlement of financial payables. These aspects were also taken into account for the ratings of Moody's and Standard and Poor's.

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

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 markets.

The Carbon Steel business unit is exposed to the identified risks, among others, of cyclical downturns in demand, foreign exchange fluctuations and country-related risks.

We meet the risk of limited core markets through globalization of manufacturing in downstream activities and enhanced internationalization of sales. This also serves to counteract the currency risk of rising raw material prices due to the parity between the Euro and the US Dollar. Risks regarding the enhanced internationalization of sales arise from import restrictions, such as those imposed by the USA, due to antidumping or penal tariffs for breach of quota regulations. ThyssenKrupp Stahl AG counteracts the high competitive intensity in the market for quality flat steel products through its innovation strategy, allowing competitive advantages to be attained. Preventive maintenance, modernization and investments contain 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 capacity overshoots 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 as well as local production units being established. Rising competitive pressure is countered with innovative products and applications as well as modern and cost-saving process technologies.

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 areas 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 experienced only a slight recovery in the automotive industry. The positive development in the market for light and heavy commercial vehicles was largely attributable to purchases brought forward in view of more stringent exhaust standards to be enforced. A renewed decline in demand is to be expected in this sector. A further downturn is expected to affect the markets in Germany and Europe.

The structural market development was carried by concentration tendencies on the part of automobile manufacturers and competitors. ThyssenKrupp Automotive counteracts such tendencies through internal and external, quantitative and qualitative growth.

Automotive will expand its market position as a system vendor. Through research and development, cooperation with partners or acquisition of participations, Automotive is countering possible risks arising from the discontinuation of automotive products manufactured so far. Major consideration is given to the increased use of alternative materials and the use of electricity/electronics instead of mechanics. 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 fiscal year. Sluggish building and construction activities and mounting competitive pressure are met through cost reductions, higher productivity, higher customer retention, further acquisitions and restructuring measures. Profitable growth is thus made possible in spite of more challenging conditions. We do not foresee any major risks for this Segment.

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

Within Production Systems, the implementation of the metal cutting integration program in the Metal Cutting business unit was vigorously pursued to improve the still dissatisfying income situation. Significant cost reduction possibilities are furthered through modularization and standardization, accompanied by a restructuring of the sales organization. An extensive restructuring and project-controlling scheme has been launched in the Assembly Plant business unit to compensate for risks arising from the processing of ever more complex contracts.

Exploiting new sales areas through the internationalization of business activities reduces the danger of a reliance too strong on only a few major customers.

Plant Technology further curbs calculation 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. Stronger sales activities in other world regions are to ensure that contract risks resulting from a probable conflict in the Middle East are limited to a controllable extent.

Marine is extending its project management and controlling system to tackle any risks arising from order processing through further improved technical and economic performance.

Mechanical Engineering braves risks arising from the persistently sluggish European building industry, aviation industry and general mechanical engineering through the exploration of further markets, program extensions and internal measurement programs for the reduction of costs. The first track for commercial use of the Transrapid is under construction in Shanghai. Intensive technical and commercial project management on site and in Germany curtail differences in targeted and actual performance.

Due to its business structure, the **Materials** segment is mainly exposed to the risks of adverse price and inventory developments as well as bad receivables.

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. Further extension of the centralized warehousing concept as well as constant advancement of the logistics control systems lessens inventories, thus buffering the effects of short-term price volatility even further. Moreover, experience has shown that decreases in income due to falling prices are compensated for by the positive effects of price recovery phases.

By and large, ThyssenKrupp Materials is able to cover the risk of bad receivables. Apart from the employment of hedging instruments, a broad customer portfolio and worldwide business activities ensure extensive risk diversification.

In the **Serv** segment, the persistently slow development of the building and construction industry in Germany and North America may negatively impact the business units supplying this industry, in particular Construction Services and Facilities Services. The effects are cushioned through stepped-up industrial maintenance activities. Changes in the market situation are tackled with a broader customer portfolio and adjustment to expected capacities.

**Real Estate** at present is not faced with any major risks arising from structural or legal changes or other external influences.

In conclusion, it must be noted that market risks such as economic price and volume developments as well as the dependency on the development of major customers and industries are of primary relevance. Performance processes are well controlled in general and, therefore, are afflicted with fewer 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. Neither are there any risks discernible that may jeopardize the existence of the company in the future. An active portfolio management further ensures secure continuation of the Group.

## 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 counter-measures.

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 2001/2002 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, 2001 to September 30, 2002. 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, 2001 to September 30, 2002, 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, 2001 to September 30, 2002 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, December 3, 2002

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft



Reinke  
Wirtschaftsprüfer  
(German public auditor)



Nunnenkamp  
Wirtschaftsprüfer  
(German public auditor)

## ThyssenKrupp AG

### Consolidated Statements of Income

million €, earnings per share in €	Note	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
Net sales	(27)	37,209	38,008	36,698
Cost of sales		(30,036)	(30,972)	(30,222)
<b>Gross margin</b>		<b>7,173</b>	<b>7,036</b>	<b>6,476</b>
Selling expenses	(2)	(2,941)	(3,102)	(2,960)
General and administrative expenses		(2,419)	(2,679)	(2,526)
Other operating income	(3)	399	514	541
Other operating expenses	(4)	(899)	(824)	(809)
Gain on the disposal of subsidiaries, net		131	343	41
<b>Income from operations</b>		<b>1,444</b>	<b>1,288</b>	<b>763</b>
Financial expense, net	(5)	(354)	(412)	(1)
<b>Income before income taxes, minority interest and cumulative effects of changes in accounting principles</b>		<b>1,090</b>	<b>876</b>	<b>762</b>
Provisions for income taxes	(6)	(531)	(193)	(175)
Minority interest		(32)	4	(33)
<b>Income from operations before cumulative effects of changes in accounting principles</b>		<b>527</b>	<b>687</b>	<b>554</b>
Cumulative effects of changes in accounting principles (net of tax)	(1)	0	(22)	(338)
<b>Net income</b>		<b>527</b>	<b>665</b>	<b>216</b>
<b>Basic earnings per share</b>	(30)	<b>1.02</b>	<b>1.29</b>	<b>0.42</b>
<b>Adjusted basic earnings per share (before goodwill amortization)</b>	(7)	<b>1.46</b>	<b>1.76</b>	<b>0.42</b>

See accompanying notes to consolidated financial statements



## ThyssenKrupp AG

### Consolidated Balance Sheets

ASSETS million €	Note	Sept. 30, 2001	Sept. 30, 2002
Intangible assets, net	(7)	4,169	3,691
Property, plant and equipment, net	(7) (8)	12,167	11,609
Financial assets, net	(7) (13)	1,482	955
<b>Fixed assets</b>	(7)	<b>17,818</b>	<b>16,255</b>
Inventories	(9)	6,525	6,001
Trade accounts receivable, net	(10) (12)	5,721	5,353
Other receivables and other assets, net	(11) (12)	1,637	1,357
Marketable securities	(13)	24	20
Cash and cash equivalents		1,234	921
<b>Operating assets</b>		<b>15,141</b>	<b>13,652</b>
<b>Deferred income taxes</b>	(6)	<b>1,445</b>	<b>1,003</b>
<b>Prepaid expenses and deferred charges</b>	(14)	<b>245</b>	<b>250</b>
<b>Total assets</b> (current amount is €15,246 and €13,766 million respectively)		<b>34,649</b>	<b>31,160</b>

STOCKHOLDERS' EQUITY AND LIABILITIES million €	Note	Sept. 30, 2001	Sept. 30, 2002
Capital stock		1,317	1,317
Additional paid in capital		4,684	4,684
Retained earnings		2,577	2,484
Accumulated other comprehensive income		208	(198)
<b>Total Stockholders' Equity</b>	(15)	<b>8,786</b>	<b>8,287</b>
<b>Minority interest</b>		<b>363</b>	<b>297</b>
Accrued pension and similar obligations	(17)	6,908	7,065
Other accrued liabilities	(18)	3,136	3,066
<b>Accrued liabilities</b> (current amount is €3,079 and €3,180 million respectively)		<b>10,044</b>	<b>10,131</b>
Financial payables	(19)	7,665	5,683
Trade accounts payable	(20)	3,248	3,128
Other payables	(21)	3,324	3,013
<b>Payables</b> (current amount is €7,042 and €6,610 million respectively)		<b>14,237</b>	<b>11,824</b>
<b>Deferred income taxes</b> (current amount is €423 and €333 million respectively)	(6)	<b>1,161</b>	<b>556</b>
<b>Deferred income</b> (current amount is €47 and €61 million respectively)	(22)	<b>58</b>	<b>65</b>
<b>Total Stockholders' Equity and Liabilities</b>		<b>34,649</b>	<b>31,160</b>

See accompanying notes to consolidated financial statements.

## ThyssenKrupp AG

### Consolidated Statements of Cash Flows

million €	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
<b>Operating:</b>			
Net income	527	665	216
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest	32	(4)	33
Depreciation and amortization of fixed assets	1,874	1,918	1,949
(Earnings)/losses from companies valued at equity, net of dividends received	(72)	(26)	8
Gain from disposal of assets	(137)	(342)	(364)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
- inventories	(728)	105	520
- trade accounts receivable	(886)	479	365
- other assets not related to investing or financing activities	445	(437)	112
- accrued pensions and similar obligations	42	(58)	1
- other accrued liabilities	(364)	(62)	30
- trade accounts payable	321	50	(122)
- other liabilities not related to investing or financing activities	275	(43)	(294)
<b>Net cash provided by operating activities</b>	<b>1,329</b>	<b>2,245</b>	<b>2,454</b>
<b>Investing:</b>			
Purchase of financial assets and businesses (excluding securities)	(395)	(116)	(236)
Cash acquired from acquisitions	38	20	9
Purchase of securities presented as financial assets	(2)	(6)	(6)
Capital expenditures for property, plant and equipment	(2,008)	(2,084)	(1,453)
Capital expenditures for intangible assets	(90)	(121)	(82)
Proceeds from the sale of financial assets and businesses (excluding securities)	390	768	780
Cash of disposed businesses	(12)	(39)	0
Proceeds from the sale of securities presented as financial assets	11	35	159
Proceeds from disposals of property, plant and equipment	256	238	277
Proceeds from disposals of intangible assets	24	6	6
<b>Net cash used in investing activities</b>	<b>(1,788)</b>	<b>(1,299)</b>	<b>(546)</b>

million €	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
<b>Financing:</b>			
Proceeds from issuance of bonds	0	500	500
Repayment of bonds	(6)	(9)	(7)
Proceeds from payables to financial institutions	1,653	560	334
Repayments of payables to financial institutions	(745)	(1,217)	(2,508)
Net proceeds from/(repayments on) notes payable and other loans	91	(72)	(88)
Increase/(decrease) in bills of exchange	2	(21)	(20)
Decrease in securities classified as operating assets	8	38	4
Payment of ThyssenKrupp AG dividend from the preceding year	(368)	(386)	(309)
Profit distributions to entities outside the Group	(7)	(24)	(34)
Other financing activities	(19)	(3)	(49)
<b>Net cash provided by/(used in) financing activities</b>	<b>609</b>	<b>(634)</b>	<b>(2,177)</b>
Effect of exchange rate changes on cash and cash equivalents	45	(41)	(44)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>195</b>	<b>271</b>	<b>(313)</b>
Cash and cash equivalents at beginning of year	768	963	1,234
<b>Cash and cash equivalents at end of year</b>	<b>963</b>	<b>1,234</b>	<b>921</b>

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
<b>Balance as of September 30, 1999</b>	<b>514,444,774</b>	<b>1,315</b>
Net income		
Other comprehensive income		
<b>Total comprehensive income</b>		
Conversion of capital stock from DM to €		2
Capital increase at subsidiaries		
Dividend payment		
Treasury stock issued	15,310	
<b>Balance as of September 30, 2000</b>	<b>514,460,084</b>	<b>1,317</b>
Net income		
Other comprehensive income		
<b>Total comprehensive income</b>		
Capital increase at subsidiaries		
Dividend payment		
Treasury stock purchased	(860,318)	
Treasury stock issued	864,118	
<b>Balance as of September 30, 2001</b>	<b>514,463,884</b>	<b>1,317</b>
Net income		
Other comprehensive income		
<b>Total comprehensive income</b>		
Dividend payment		
Treasury stock issued	4,140	
<b>Balance as of September 30, 2002</b>	<b>514,468,024</b>	<b>1,317</b>

See accompanying notes to consolidated financial statements.

Accumulated other comprehensive income							
Additional paid in capital	Retained earnings	Cumulative translation adjustment	Available-for-sale securities	Minimum pension liability	Derivative financial instruments	Treasury stock	Total
<b>4,668</b>	<b>2,139</b>	<b>(9)</b>	<b>7</b>	<b>(13)</b>	<b>0</b>	<b>(1)</b>	<b>8,106</b>
	527						527
		494	31	(1)	0		524
							<b>1,051</b>
(2)							0
7							7
	(368)						(368)
						1	1
<b>4,673</b>	<b>2,298</b>	<b>485</b>	<b>38</b>	<b>(14)</b>	<b>0</b>	<b>0</b>	<b>8,797</b>
	665						665
		(230)	(7)	(34)	(30)		(301)
							<b>364</b>
10							10
	(386)						(386)
						(14)	(14)
1						14	15
<b>4,684</b>	<b>2,577</b>	<b>255</b>	<b>31</b>	<b>(48)</b>	<b>(30)</b>	<b>0</b>	<b>8,786</b>
	216						216
		(223)	(30)	(132)	(21)		(406)
							<b>(190)</b>
	(309)						(309)
0							0
<b>4,684</b>	<b>2,484</b>	<b>32</b>	<b>1</b>	<b>(180)</b>	<b>(51)</b>	<b>0</b>	<b>8,287</b>

## Notes to the consolidated financial statements of ThyssenKrupp AG

### Summary of significant accounting policies

1

Summary of significant  
accounting policies

#### Consolidation

The consolidated financial statements include the accounts of ThyssenKrupp Aktiengesellschaft (“ThyssenKrupp AG”) and all material controlled subsidiaries, collectively the “Group”. Included in the Group financial statements are 331 (2000/2001: 325) domestic and 460 (2000/2001: 461) foreign controlled subsidiaries that are consolidated. During fiscal year 2001/2002, 52 subsidiaries were consolidated for the first time, while 47 subsidiaries were deconsolidated.

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 246 (2000/2001: 290) 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 0.9%, their net loss amounts to (0.7)% and their Stockholders’ Equity amounts to 0.5% 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 also has 66 (2000/2001: 69) Associated Companies that are accounted for under the equity method. Another 95 (2000/2001: 89) Associated Companies are accounted for under the cost method because their combined results are not material to the Group. Their net gain, attributable to the Group, amounts to 2.2% and their Stockholders’ Equity amounts to 0.2% of the Group’s respective balances. These 95 (2000/2001: 89) 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 € are translated using their functional currency which is generally the respective local currency. The translation is computed according to the current rate method, i.e. 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 u.s. dollar use the u.s. 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 u.s. 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 current 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 u.s. dollar annual financial statements are translated into the reporting currency using the current rate method.

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

CURRENCIES	Exchange rate as of		Annual average exchange rate for the year ending		
	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2000	Sept. 30, 2001	Sept. 30, 2002
	(Basis 1 €)		(Basis 1 €)		
U.S. Dollar	0.92	0.98	0.96	0.89	0.92
Canadian Dollar	1.45	1.55	1.42	1.36	1.44
Pound Sterling	0.62	0.63	0.62	0.62	0.62
Brazilian Real	2.45	3.81	1.77	1.94	2.43

### 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. 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.

Goodwill and indefinite lived intangible assets are no longer 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.

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 expanded 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

Based on a change in accounting estimate, Management has adjusted the useful lives of certain equipment utilized in the Serv Segment from five to eight years, effective October 01, 2001.

**Leases**

Leases are classifieded 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 on each balance sheet date or 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 assets 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 acquisition/manufacturing cost or market. In the Steel segment, the inventory cost of similar inventories is determined predominately using the 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, 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 German 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 guarantees and provisions for contingent losses are calculated using full production cost.

**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 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 takes place. The ThyssenKrupp Group uses a form of accounting in which the fair value changes that are due to time value changes are disregarded 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 Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards (SFAS) s141, "Business Combinations" and SFAS 142, "Goodwill and Other Intangible Assets". SFAS 141 requires that the purchase method of accounting be used for all business combinations. SFAS 141 specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported separately from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

The Group adopted the provisions of SFAS 141 as of July 01, 2001, and early adopted SFAS 142 as of October 01, 2001. Goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination completed after June 30, 2001, are not amortized. Goodwill and indefinite useful life intangible assets acquired in business combinations completed before July 01, 2001 continued to be amortized through September 30, 2001. Amortization of such assets ceased on October 01, 2001 upon adoption of SFAS 142.

Upon adoption of SFAS 142, the Group was required to evaluate its existing intangible assets and goodwill that were acquired in purchase business combinations, and to make any necessary reclassifications in order to conform with the new classification criteria in SFAS 141 for recognition separate from goodwill. The Group was also required to reassess the useful lives and residual values of all intangible assets acquired, and make any necessary amortization period adjustments by the end of the first interim period after adoption. For intangible assets identified as having indefinite useful lives, the Group was required to test those intangible assets for impairment in accordance with the

provisions of SFAS 142 within the first interim period. Impairment was measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. The results of this analysis did not require the Group to recognize an impairment loss.

In connection with SFAS 142's transitional goodwill impairment evaluation, the Statement required the Group to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this, the Group was required to identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of October 01, 2001. The Group was required to determine the fair value of each reporting unit and compare it to the carrying amount of the reporting unit within six months of October 01, 2001. To the extent the carrying amount of a reporting unit exceeded the fair value of the reporting unit, an indication existed that the reporting unit goodwill may be impaired and the Group was required to perform the second step of the transitional impairment test. The second step was required for the following four reporting units:

- Technologies segment: Metal Cutting and Berco reporting units
- Materials segment: Materials Trading reporting unit
- Serv segment: Construction Services reporting unit

In this step, the Group compared the implied fair value of each reporting unit goodwill with the carrying amount of the reporting unit goodwill, both of which were measured as of the date of adoption. The implied fair value of goodwill was determined by allocating the fair value of the reporting unit to all of the assets (recognized and not recognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation in accordance with SFAS 141. The residual fair value after this allocation was the implied fair value of the reporting unit goodwill. The carrying amounts of the goodwill for the four above mentioned reporting units exceeded their respective implied fair values resulting in an initial 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 as of October 01, 2001.

### Recently issued 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. SFAS 143 requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset. The Statement also requires the enterprise to increase the carrying amount of the related long-lived asset (i.e., the associated asset retirement cost) and to depreciate that cost over the remaining useful life of the asset. The liability is adjusted at the end of each period to reflect the passage of time (i.e., accretion expense) and changes in the estimated future cash flows underlying the initial fair value measurement. SFAS 143 is to be adopted for fiscal years beginning after June 15, 2002, with early adoption encouraged.

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. Statement 144 supersedes both SFAS 121, and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". However, SFAS 144 retains many of the fundamental provisions of SFAS 121 and retains the requirement in Opinion 30 to report separately discontinued operations and extends that reporting to a "component of an entity" that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. SFAS 144 is effective for fiscal years beginning after December 15, 2001, with early application encouraged.

ThyssenKrupp has not yet finally determined what effect these statements will have on its consolidated financial statements.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 replaces previous accounting guidance provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)", and 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. Examples of costs covered by the Standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closings, or other exit or disposal activities. The provisions of SFAS 146 are to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Although management believes the adoption of SFAS 146 will not have a material impact on the Group's financial statements, adoption of the Standard will result in timing differences in the recognition and measurement of expenses relating to exit and disposal activities.



### Acquisitions and divestitures

During the fiscal year 2001/2002 the Group completed the following transactions:

On November 14, 2001, ThyssenKrupp acquired 100% of the South American activities of Kone Oy in Brazil, Argentina and Venezuela in the Elevator segment. The results of these operations have been included in the consolidated financial statements since November 01, 2001. The acquired 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 acquired 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
<b>Total assets acquired</b>	<b>58</b>
Accrued liabilities	9
Payables	8
Deferred income taxes	2
<b>Total liabilities assumed</b>	<b>19</b>
<b>Net assets acquired</b>	<b>39</b>

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. Due to immateriality pro forma sales and results are not included.

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 acquired 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
<b>Total assets acquired</b>	<b>105</b>
Accrued liabilities	13
Payables	46
Deferred income taxes	4
<b>Total liabilities assumed</b>	<b>63</b>
<b>Net assets acquired</b>	<b>42</b>

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.

## Notes to the consolidated statements of income

Selling expenses include direct shipping and handling cost including related insurance premiums in the amount of €675 million (2000/2001: €687 million; 1999/2000: €699 million).

②

Selling expenses

Other operating income includes gain on the disposal of property, plant and equipment and intangible assets in the amount of €76 million (2000/2001: €70 million; 1999/2000: €75 million) and insurance compensation in the amount of €115 million (2000/2001: €126 million; 1999/2000: €33 million), mainly resulting from a flood and fire in the Steel segment.

③

Other operating income

Other operating expenses include loss on the disposal of property, plant and equipment and intangible assets in the amount of €62 million (2000/2001: €84million; 1999/2000: €81 million), restructuring charges in the amount of €186 million (2000/2001: €21 million; 1999/2000: €46 million) and provisions for accruals (excluding restructuring) in the amount of €64 million (2000/2001: €43 million; 1999/2000: €156 million). Additional expenses in connection with non-customer related research activities are shown here in the amount of €191 million (2000/2001: €180 million; 1999/2000: €116 million).

④

Other operating expenses

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

million €	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
Income from profit and loss sharing agreements	1	1	1
Losses from profit and loss sharing agreements	(3)	(3)	(1)
Income from companies accounted for at equity	72	62	18
Income from investments accounted for at cost	12	22	14
<i>amount thereof from non-consolidated subsidiaries</i>	2	1	3
Gains, net from disposals of investments in non-consolidated companies and other investments	13	9	233
Write-down of investments in non-consolidated companies and other investments	(24)	(17)	(2)
<b>Income from equity investments</b>	<b>71</b>	<b>74</b>	<b>263</b>
Income from other securities and loans classified as financial assets	13	17	7
<i>amount thereof from non-consolidated subsidiaries</i>	1	1	0
Other interest and similar income	125	102	116
<i>amount thereof from non-consolidated subsidiaries</i>	4	6	2
Interest and similar costs	(557)	(592)	(407)
<i>amount thereof from non-consolidated subsidiaries</i>	(3)	(4)	(2)
<b>Interest expense, net</b>	<b>(419)</b>	<b>(473)</b>	<b>(284)</b>
Gains from disposals of loans and securities, net	6	10	75
Write-down of loans and securities	(10)	(1)	(30)
Miscellaneous, net	(2)	(22)	(25)
<b>Other financial income/(loss), net</b>	<b>(6)</b>	<b>(13)</b>	<b>20</b>
<b>Total</b>	<b>(354)</b>	<b>(412)</b>	<b>(1)</b>

⑤

Financial expense, net

The increase in income from equity investments is primarily attributable to the sale of the Group's 13.48% investment in Bergemann GmbH, which is the owner of 34.76% of the shares of Ruhrgas AG. This sale results in a gain from disposals of investments in non-consolidated companies and other investments in the amount of €191 million and in a decrease in income from companies accounted for at equity.

The improvement of the net interest expense is a consequence of a decline in net financial payables by € 1,982 million to €5,683 million (see note (19)) and in interest rates.

Other financial income/(loss) includes a €74 million gain from the sale of Kone shares.

Interest capitalized in connection with long-term construction activities resulted in a decrease of interest expense in the amount of €8 million (2000/2001: €22 million; 1999/2000: €13 million).

6

Income taxes

In the fiscal year ending September 30, 2002, 52% (2001: 73%) of income before income taxes and minority interest was attributable to Germany and 48% (2001: 27%) to foreign countries. In fiscal 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, 2002 and the two previous years consists of the following:

million €	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
Current income taxes			
Germany	(13)	62	27
Foreign	297	98	166
Deferred income taxes			
Germany	229	(49)	(51)
Foreign	18	82	33
<b>Total</b>	<b>531</b>	<b>193</b>	<b>175</b>

The new German corporate income tax law applicable for 2001/2002 sets a statutory income tax rate of 25% (2000/2001 and 1999/2000: 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 13.04% (2000/2001 and 1999/2000: 10.2%). As a result of the 2001 tax reform, domestic distributions within the Group in fiscal 2001/2002 as well as gains realized on certain dispositions of shares of domestic companies occurring on or after January 01, 2002 are tax exempt.

In September 2002, the German government enacted new tax legislation which will temporarily raise the statutory corporate income tax rate to 26.5% (plus a solidarity surcharge of 5.5%) for 2003 in order to help support the victims of this year's flood in East Germany. At year-end September 30, 2002, those deferred tax assets and liabilities of German companies which are expected to be realized or settled within the next year are, therefore, calculated with a combined income tax rate of 40.71%

(including 12.75% trade tax rate). This resulted in deferred tax expense in the amount of €9 million. Other deferred taxes of German companies are calculated with the future combined income tax rate of 39.42% (effective beginning with 2004) which was already applied at year-end September 30, 2001 (2000: 52.4%). 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 2001/2002, the combined income tax rate of 39.42% (2000/2001 and 1999/2000: 52.40%) was applied to income before taxes and minority interest.

million €	Year ending Sept. 30, 2000	in %	Year ending Sept. 30, 2001	in %	Year ending Sept. 30, 2002	in %
Expected income tax	571	52.4	459	52.4	300	39.4
German tax reform	0	0.0	(124)	(14.2)	9	1.2
Foreign tax rate differential	(160)	(14.7)	2	0.2	55	7.2
Gains on disposal of businesses	0	0.0	(99)	(11.3)	(102)	(13.4)
Non-deductible expenses	18	1.6	26	3.0	13	1.7
Amortization of non-tax-deductible goodwill	78	7.2	76	8.7	0	0.0
Change in valuation allowance	4	0.4	5	0.6	70	9.2
Tax losses not taken for financial statement	0	0.0	(153)	(17.5)	(172)	(22.6)
Other, net	20	1.8	1	0.1	2	0.3
<b>Actual income tax expense</b>	<b>531</b>	<b>48.7</b>	<b>193</b>	<b>22.0</b>	<b>175</b>	<b>23.0</b>

As of September 30, 2002, domestic corporate tax loss carryforwards amount to €2,454 million (2001: €1,610 million), domestic trade tax loss carryforwards amount to €1,606 million (2001: €877 million) and foreign tax loss carryforwards amount to €593 million (2001: €358 million). According to German tax legislation as of September 30, 2002, domestic losses may be carried forward indefinitely and in unlimited amounts. An amount of €447 million (2001: €238 million) of the foreign tax loss carryforwards will expire until the year 2022 if not utilized.

For deferred tax assets, a valuation allowance of €254 million (2001: €129 million) was established mainly for tax loss carryforwards. An amount of €70 million of the increase in valuation allowance is attributable to Germany and €55 million to foreign countries. 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, 2001	Sept. 30, 2002
Intangible assets	31	25
Property, plant and equipment	447	465
Financial assets	50	7
Inventories	86	59
Other assets	156	182
Tax loss carry forwards	691	1,093
Accrued pension and similar obligations	645	678
Other accrued liabilities	427	379
Other liabilities	954	692
	<b>3,487</b>	<b>3,580</b>
Valuation allowance	(129)	(254)
<b>Deferred tax assets</b>	<b>3,358</b>	<b>3,326</b>
Intangible assets	140	124
Property, plant and equipment	1,470	1,401
Financial assets	50	42
Inventories	498	537
Other assets	371	333
Accrued pension and similar obligations	10	8
Other accrued liabilities	264	198
Other liabilities	271	236
<b>Deferred tax liabilities</b>	<b>3,074</b>	<b>2,879</b>
<b>Net deferred tax assets</b>	<b>284</b>	<b>447</b>

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

million €	Sept. 30, 2001	Non current portion	Sept. 30, 2002	Non current portion
Deferred tax assets	1,445	1,297	1,003	909
Deferred tax liabilities	1,161	738	556	223
<b>Net deferred tax assets</b>	<b>284</b>	<b>559</b>	<b>447</b>	<b>686</b>

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, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
Income tax expense as presented on the income statement	531	193	175
Income tax expense/(benefit) for "other comprehensive income"	29	(55)	(119)
Income tax benefit on the cumulative effects of changes in accounting principles	0	(14)	(9)
<b>Total</b>	<b>560</b>	<b>124</b>	<b>47</b>

## Notes to the consolidated balance sheets

Changes in the Group's fixed assets are presented in the Consolidated Fixed Assets Schedule included herein.

7

Fixed assets

### Goodwill and other intangible assets

Amortization expense related to goodwill was €224 million and €241 million for the years ending September 30, 2000 and 2001, respectively. 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 years 1999/2000 and 2000/2001.

million €	Note	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
<b>Total amount in million €:</b>				
Reported income before taxes and minority interest		1,090	876	762
Add back: Goodwill amortization*		224	241	0
<b>Adjusted income before income taxes and minority interest</b>	(27)	<b>1,314</b>	<b>1,117</b>	<b>762</b>
<b>Total in million €:</b>				
Reported net income		527	665	216
Add back: Goodwill amortization*		224	241	0
<b>Adjusted net income</b>		<b>751</b>	<b>906</b>	<b>216</b>
<b>Earnings per share in €:</b>				
Reported net income		1.02	1.29	0.42
Goodwill amortization*		0.44	0.47	0.00
<b>Adjusted net income</b>		<b>1.46</b>	<b>1.76</b>	<b>0.42</b>

\*including goodwill of equity method investments

## Consolidated Fixed Assets Schedule

million €	Gross values		
	Sept. 30, 2001	Currency differences	Acquisitions/ disposals of businesses
<b>Intangible assets</b>			
Franchises, trademarks and similar rights and values as well as licenses thereto	596	(20)	12
Goodwill	4,553	(207)	25
Advance payments on intangible assets	17	0	0
Intangible pension asset	73	(2)	(4)
	<b>5,239</b>	<b>(229)</b>	<b>33</b>
<b>Property, plant and equipment</b>			
Land, leasehold rights and buildings including buildings on third-party land	7,576	(84)	2
Technical machinery and equipment	13,593	(215)	(51)
Other equipment, factory and office equipment	2,519	(43)	(4)
Assets under capital lease	320	(1)	(5)
Advance payments on property, plant and equipment	1,082	(17)	(1)
	<b>25,090</b>	<b>(360)</b>	<b>(59)</b>
<b>Financial assets</b>			
Investments in non-consolidated subsidiaries	127	0	(10)
Loans to non-consolidated subsidiaries	6	0	(4)
Associated Companies valued at equity	1,083	(23)	(1)
Other investments	104	0	1
Loans to Associated Companies and other investees	19	0	0
Securities classified as financial assets	161	(2)	0
Other loans	150	(1)	0
	<b>1,650</b>	<b>(26)</b>	<b>(14)</b>
<b>Total</b>	<b>31,979</b>	<b>(615)</b>	<b>(40)</b>



Gross values			Amortization/Depreciation/ Impairment			Net values	
Additions	Transfers	Disposals	Sept. 30, 2002	Amortization, depreciation, impairment year ending Sept. 30, 2002	Accumulated amortization, depreciation, impairment as of Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002
77	13	25	653	91	362	299	291
0	(6)	105	4,260	347	962	3,780	3,298
19	(6)	0	30	0	0	17	30
27	0	22	72	0	0	73	72
<b>123</b>	<b>1</b>	<b>152</b>	<b>5,015</b>	<b>438</b>	<b>1,324</b>	<b>4,169</b>	<b>3,691</b>
186	189	173	7,696	213	2,816	4,908	4,880
647	619	394	14,199	947	9,066	5,110	5,133
259	24	213	2,542	274	1,710	882	832
46	0	50	310	44	133	187	177
371	(833)	13	589	1	2	1,080	587
<b>1,509</b>	<b>(1)</b>	<b>843</b>	<b>25,336</b>	<b>1,479</b>	<b>13,727</b>	<b>12,167</b>	<b>11,609</b>
8	0	5	120	0	89	41	31
1	2	2	3	0	0	6	3
76	3	356	782	0	0	1,083	782
7	(1)	6	105	2	63	47	42
0	(4)	3	12	4	6	14	6
7	0	149	17	0	0	160	17
5	0	38	116	26	42	131	74
<b>104</b>	<b>0</b>	<b>559</b>	<b>1,155</b>	<b>32</b>	<b>200</b>	<b>1,482</b>	<b>955</b>
<b>1,736</b>	<b>0</b>	<b>1,554</b>	<b>31,506</b>	<b>1,949</b>	<b>15,251</b>	<b>17,818</b>	<b>16,255</b>

### Intangible assets

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

million €	Gross values Sept. 30, 2002	Accumulated amortization Sept. 30, 2002	Net values Sept. 30, 2002
Brand names and trademarks	1	0	1
Customer base and relationship	23	15	8
Prohibition to compete	1	1	0
Licences and franchises	153	79	74
Patents, copyrights and similar	13	9	4
Service contracts	133	39	94
Other contractual positions	10	5	5
Acquired software and website	271	197	74
Internally developed software and website	39	17	22
<b>Intangible assets subject to amortization</b>	<b>644</b>	<b>362</b>	<b>282</b>

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

The aggregate amortization expense related to intangible assets for the year ending September 30, 2002 was €91 million. Estimated amortization expense for the next five years is: €80 million in 2002/2003, €73 million in 2003/2004, €73 million in 2004/2005, €72 million in 2005/2006, and €72 million in 2006/2007.

### Goodwill

The change in the carrying amount of goodwill (excluding goodwill of equity method investments) for the year ending September 30, 2002 is as follows:

million €	Steel	Automotive	Elevator	Technologies	Materials	Serv	Real Estate	Corporate	Total*
<b>Balance as of September 30, 2001</b>	<b>827</b>	<b>386</b>	<b>1,271</b>	<b>807</b>	<b>239</b>	<b>234</b>	<b>1</b>	<b>15</b>	<b>3,780</b>
Currency changes	(15)	(22)	(103)	(13)	(10)	(1)	0	0	(164)
Acquisitions/(disposals)	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)
<b>Balance as of September 30, 2002</b>	<b>825</b>	<b>368</b>	<b>1,185</b>	<b>495</b>	<b>216</b>	<b>195</b>	<b>0</b>	<b>14</b>	<b>3,298</b>

\* excluding goodwill of equity 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 depreciation		Net values	
	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002
Land, leasehold rights and buildings including buildings on third-party land	135	125	32	31	103	94
Technical machinery and equipment	57	59	22	26	35	33
Other equipment, factory and office equipment	128	126	79	76	49	50
<b>Assets under capital lease</b>	<b>320</b>	<b>310</b>	<b>133</b>	<b>133</b>	<b>187</b>	<b>177</b>

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 €108 million (2001: €258 million) and is treated as embedded goodwill.

Included in Associated Companies valued at equity is a 20.6% interest in RAG Aktiengesellschaft. The carrying amount of RAG Aktiengesellschaft is €395 million (2001: €410 million). The difference between the carrying amount and underlying net assets amounts to €50 million (2001: €50 million), which is treated as embedded goodwill which was amortized until September 30, 2001.

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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 €2,234 million (2001: €2,271 million) and accumulated depreciation is €594 million (2000/2001: €556 million).

As of September 30, 2002, the future minimum lease payments to be received on non-cancelable operating leases are as follows:

million €	
(for fiscal year)	
2002/2003	67
2003/2004	15
2004/2005	12
2005/2006	10
2006/2007	9
nach 2006/2007	33
<b>Total</b>	<b>146</b>

The amounts reflected as future minimum lease payments do not contain any contingent rentals. Contingent rentals in the amount of €1 million (2000/2001: €1 million; 1999/2000: €1 million) have been recognized in the consolidated statements of income.

9

Inventories

million €	Sept. 30, 2001	Sept. 30, 2002
Raw materials	1,047	1,017
Supplies	436	416
Work in process	2,422	2,211
<i>amount thereof relating to percentage-of-completion contracts</i>	535	564
<i>amount thereof relating to completed contracts</i>	13	10
Finished products	2,163	1,973
Merchandise	784	775
Advance payments to suppliers	494	413
	<b>7,346</b>	<b>6,805</b>
Less customer advance payments received	(821)	(804)
<b>Total</b>	<b>6,525</b>	<b>6,001</b>

Inventories in the amount of €1,411 million (2001: €1,612 million) are valued according to the LIFO method. The current market value is €49 million (2001: €52 million) in excess of the LIFO value.

million €	Sept. 30, 2001	Sept. 30, 2002	⑩ Trade accounts receivable
Receivables from sales of goods and services (excluding long-term contracts)	5,516	5,286	
Unbilled receivables from long-term contracts, less customer deposits received	576	417	
	<b>6,092</b>	<b>5,703</b>	
Less allowance for doubtful accounts	(371)	(350)	
<b>Total</b>	<b>5,721</b>	<b>5,353</b>	

Receivables from the sales of goods and services in the amount of €48 million (2001: €68 million) have a remaining term of more than 1 year.

The Group regularly sells receivables under securitization programs. The amount of receivables and notes sold and still outstanding as of September 30, 2002, was €1,281 million (2001: €1,028 million), resulting in net proceeds in the amount of €1,203 million. When the Group sells receivables it retains, in some cases, 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 €120 million as of September 30, 2002 (2001: €74 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 €36 million (2000/2001: €24 million), and are included in "Financial expenses, net" in the consolidated statements of income. The risk of loss associated with discounted notes receivable is included in note (23) "Commitments and contingencies".

The following table summarizes certain cash flow movements in fiscal years 2000/2001 and 2001/2002:

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

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Other receivables and  
other assets

million €	Sept. 30, 2001	Sept. 30, 2002
Receivables due from non-consolidated subsidiaries	123	95
Receivables due from Associated Companies and other investees	128	154
Other assets	1,589	1,307
	<b>1,840</b>	<b>1,556</b>
Less allowance for doubtful accounts	(203)	(199)
<b>Total</b>	<b>1,637</b>	<b>1,357</b>

Other assets include tax refund claims in the amount of €280 million (2001: €499 million).

Other receivables and other assets in the amount of €170 million (2001: €186 million) have a remaining term of more than 1 year.

12

Allowance for doubtful  
accounts

million €	Trade accounts receivable	Other receivables and other assets
<b>Balance as of September 30, 1999</b>	<b>297</b>	<b>126</b>
Acquisitions/(divestitures)	2	0
Additional charges	126	64
Amounts utilized	(67)	0
Amounts reversed	(35)	(17)
Other changes	13	3
<b>Balance as of September 30, 2000</b>	<b>336</b>	<b>176</b>
Acquisitions/(divestitures)	2	3
Additional charges	159	34
Amounts utilized	(73)	(3)
Amounts reversed	(47)	(6)
Other changes	(6)	(1)
<b>Balance as of September 30, 2001</b>	<b>371</b>	<b>203</b>
Acquisitions/(divestitures)	18	0
Additional charges	127	20
Amounts utilized	(119)	(14)
Amounts reversed	(41)	(9)
Other changes	(6)	(1)
<b>Balance as of September 30, 2002</b>	<b>350</b>	<b>199</b>

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

13  
Marketable securities  
classified as financial and  
operating assets

million €	Sept. 30, 2001		Sept. 30, 2002	
			Current portion	Non current portion
Securities presented as financial assets	160	17	0	17
Securities presented as operating assets	24	20	20	0
<b>Total</b>	<b>184</b>	<b>37</b>	<b>20</b>	<b>17</b>

The amortized cost, gross unrealized holding gain and fair value of available-for-sale securities by major security type and class of security as of September 30, 2001 and September 30, 2002, were as follows:

million €	Sept. 30, 2001			Sept. 30, 2002		
	Cost, amort. cost	Gross unrealized holding gain	Fair value	Cost, amort. cost	Gross unrealized holding gain	Fair value
Shares	83	63	146	0	1	1
Foreign government bond certificates	5	0	5	2	0	2
Corporation bond certificates	26	0	26	21	0	21
Debt based securities	3	0	3	7	0	7
Other marketable securities	3	1	4	6	0	6
<b>Total</b>	<b>120</b>	<b>64</b>	<b>184</b>	<b>36</b>	<b>1</b>	<b>37</b>

The contractual maturities of debt securities available for sale as of September 30, 2002, regardless of their balance sheet classifications, are as follows:

Fair values in million €		Sept. 30, 2002
Due within one year		7
Due between 1 and 5 years		20
Due between 5 and 10 years		1
Due after 10 years		1
<b>Total</b>		<b>29</b>

Proceeds from the sale of available-for-sale securities amounted to €226 million (2000/2001: €67 million; 1999/2000: €35 million). Gains of €75 million (2000/2001: €11 million; 1999/2000: €6 million) and losses of 0 (2000/2001: €1 million; 1999/2000: 0) were realized. These amounts were determined using the specific identification method.

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Prepaid expenses and  
deferred charges

million €	Sept. 30, 2001	Sept. 30, 2002
Prepaid pension costs	98	84
Other prepaid expenses and deferred charges	147	166
<b>Total</b>	<b>245</b>	<b>250</b>

Prepaid expenses and deferred charges in the amount of €12 million (2001: €34 million) have a remaining term of more than 1 year.

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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 514,468,024 and 514,463,884 outstanding as of September 30, 2002 and September 30, 2001, respectively. Each share of common stock has a stated value of €2.56.

During 1999/2000, capital stock was converted from DM to the € without the issuance of new shares. As a result of rounding in connection with this conversion, as of September 30, 2000, capital stock was increased and additional paid in capital was decreased by €1,821,596.83.

### Principal owner

The Alfred Krupp von Bohlen und Halbach Foundation holds 18.83% of ThyssenKrupp AG. It is a "principal owner" according to SFAS 57 "Related Party Disclosures".

### Treasury stock

During 2000/2001, the Group offered its eligible members of the domestic workforce the right to participate in the ThyssenKrupp employee share 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 (16)).

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, 2002, ThyssenKrupp AG held 21,020 of its own shares at a book value €0.2 million, which is a decrease of 4,140 shares compared to September 30, 2001.



### Additional paid in capital

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

As a result of the capital increase by subsidiaries, additional paid in capital increased by €7 million, while the conversion of the capital stock from DM to Euro lowered the additional paid in capital by €2 million as of September 30, 2000.

### Other comprehensive income

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

million €	Year ending Sept. 30, 2000			Year ending Sept. 30, 2001			Year ending Sept. 30, 2002		
	Pre tax	Tax effect	Net	Pre tax	Tax effect	Net	Pre tax	Tax effect	Net
<b>Foreign currency translation adjustment:</b>									
Change in unrealized gains/(losses), net	494	0	494	(202)	0	(202)	(241)	0	(241)
Net realized (gains)/losses	0	0	0	(28)	0	(28)	18	0	18
<b>Net unrealized gains/(losses)</b>	<b>494</b>	<b>0</b>	<b>494</b>	<b>(230)</b>	<b>0</b>	<b>(230)</b>	<b>(223)</b>	<b>0</b>	<b>(223)</b>
<b>Unrealized gains/(losses) from market valuation of securities:</b>									
Change in unrealized holding gains/(losses), net	64	(32)	32	(2)	1	(1)	0	0	0
Net realized (gains)/losses	(1)	0	(1)	(11)	5	(6)	(63)	33	(30)
<b>Net unrealized holding gains/(losses)</b>	<b>63</b>	<b>(32)</b>	<b>31</b>	<b>(13)</b>	<b>6</b>	<b>(7)</b>	<b>(63)</b>	<b>33</b>	<b>(30)</b>
<b>Minimum pension liability adjustment</b>	<b>(4)</b>	<b>3</b>	<b>(1)</b>	<b>(61)</b>	<b>27</b>	<b>(34)</b>	<b>(207)</b>	<b>75</b>	<b>(132)</b>
<b>Unrealized gains/(losses) on derivative instruments:</b>									
Change in unrealized gains/(losses), net	0	0	0	(53)	22	(31)	(28)	10	(18)
Net realized (gains)/losses	0	0	0	1	0	1	(4)	1	(3)
<b>Net unrealized gains/(losses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(52)</b>	<b>22</b>	<b>(30)</b>	<b>(32)</b>	<b>11</b>	<b>(21)</b>
<b>Other comprehensive income</b>	<b>553</b>	<b>(29)</b>	<b>524</b>	<b>(356)</b>	<b>55</b>	<b>(301)</b>	<b>(525)</b>	<b>119</b>	<b>(406)</b>

### Dividend proposal

The Executive Board has agreed to propose to the stockholders' meeting a dividend in the amount of €206 million to be distributed from unappropriated net income of the stand-alone entity ThyssenKrupp AG for fiscal 2001/2002 as determined in conformity with the principles of the German Commercial Code (HGB); this corresponds to a dividend per share in the amount of €0.40.

16

Long-term management  
incentive plan

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, 2002, 2.9 million appreciation rights were granted to 585 beneficiaries in the second installment, 3.0 million appreciation rights were granted to 615 beneficiaries in the third installment and 3.0 million appreciation rights were granted to 618 beneficiaries in the fourth installment. The 1.8 million appreciation rights which were granted within the framework of the first installment expired in 2001/2002 without any payment because at the end of the 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. The performance periods for the second, third and fourth installments are from May 25, 2000 until the regular stockholders’ meeting in 2003, from March 05, 2001 until the regular stockholders’ meeting in 2004 and from March 04, 2001 until the regular stockholders’ meeting in 2005, 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 installments which are still running for the start reference period of the second installment, the average value of the share price was €18.33, and the average value of the DJ STOXX was 491.02, 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 and 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. The comparable values as of September 30, 2002 are €14.07 for ThyssenKrupp's share price applicable to the second installment (adjusted by the dividend payment for the 1999/2000 fiscal year and 2000/2001 fiscal year), €13.32 for the third installment (adjusted by the dividend payment for the 2000/2001 fiscal year) and €12.72 for the fourth installment. The comparable value of the DJ STOXX as of September 30, 2002 was 291.31.

Pursuant to SFAS 123, "Accounting for Stock-Based Compensation", the Group has elected to apply APB No. 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for its stock-based compensation plans.



The incentive plan is accounted for 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 must be accrued for the appreciation rights issued, reflecting the estimated intrinsic value of the appreciations rights as of the measurement date. Due to the fact that as of September 30, 2002 neither of the performance hurdles was fulfilled for either the second, the third or the fourth installment as the prerequisite for the remuneration of the appreciation rights, the accrued liability recognized in the previous interim periods in the amount of €14 million was reversed. Therefore – as in prior years – no compensation expense for the incentive plan is included in income.

Had compensation expense for this plan been determined in accordance with the fair value method prescribed by SFAS 123, ThyssenKrupp's pro forma net income would have been €211 million and pro forma earnings per share would have been €0.41 for the year ending September 30, 2002.

The fair value calculation is based on the Black-Scholes option pricing model modified for the special features of the incentive plan. The following assumptions were used:

	Sept. 30, 2002		
	2nd installment	3rd installment	4th installment
Risk-free interest rate	3.17 %	3.07 %	3.30 %
Expected stock price volatility	51 %	41 %	33 %
Expected index volatility	40 %	31 %	28 %
Term until end of performance-period (months)	5	16	28

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Accrued pension and similar obligations

million €	Sept. 30, 2001	Sept. 30, 2002
	Accrued pension liability	6,064
Accrued postretirement obligations other than pensions	580	567
Other accrued pension-related obligations	264	275
<b>Total</b>	<b>6,908</b>	<b>7,065</b>

Pensions and similar obligations in the amount of €6,581 million (2001: €6,484 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 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. Amounts of deferred compensation 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, 2001		Sept. 30, 2002	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
<b>Change in projected benefit obligations (PBO):</b>				
PBO at the beginning of the fiscal year	1,804	5,844	1,875	5,906
Service cost	51	58	50	64
Interest cost	142	343	130	336
Participant contributions	6	0	6	0
Plan amendments	29	1	3	0
Actuarial loss	50	147	54	32
Acquisitions/(divestitures)	(8)	(59)	0	6
Curtailments	(1)	0	36	0
Currency changes	(88)	0	(111)	0
Benefit payments	(110)	(428)	(119)	(444)
<b>PBO at the end of the fiscal year</b>	<b>1,875</b>	<b>5,906</b>	<b>1,924</b>	<b>5,900</b>
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of fiscal year	2,194		1,907	
Actual return on plan assets	(98)		(127)	
Acquisitions/(divestitures)	(22)		0	
Employer contributions	31		42	
Participant contributions	6		6	
Currency changes	(94)		(93)	
Benefit payments	(110)		(119)	
<b>Fair value of plan assets at the end of fiscal year</b>	<b>1,907</b>		<b>1,616</b>	

The divestitures in 2000/2001 consist primarily of the benefit plan from the Krupp Werner & Pfleiderer group.

The following represents the funded status of these plans:

million €	Sept. 30, 2001		Sept. 30, 2002	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Funded status at end of fiscal year	32	(5,906)	(308)	(5,900)
Unrecognized net obligation at initial date of application of SFAS 87	(4)	125	(3)	88
Unrecognized prior service cost	49	1	36	0
Unrecognized actuarial (gain)/loss	(44)	(61)	327	(28)
<b>Net amount recognized</b>	<b>33</b>	<b>(5,841)</b>	<b>52</b>	<b>(5,840)</b>
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid benefit cost	98	0	84	0
Accrued pension liability	(94)	(5,970)	(263)	(5,960)
Intangible asset	10	63	34	38
Accumulated other comprehensive income*	19	66	197	82
<b>Net amount recognized</b>	<b>33</b>	<b>(5,841)</b>	<b>52</b>	<b>(5,840)</b>

\* including minorities

The valuation of the post-retirement benefits in Germany was 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 €1,695 million (2001: €772 million) versus plan assets in the amount of €1,389 million (2001: €693 million). Pension plans for which the aggregated accumulated benefit obligation exceeds the plan assets relate to accumulated benefit obligations in the amount of €1,317 million (2001: €367 million) versus plan assets in the amount of €1,094 million (2001: €334 million).

The assumptions for interest 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 capital

gains 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, 2000		Year ending Sept. 30, 2001		Year ending Sept. 30, 2002	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Weighted-average assumptions as of July 01:						
Discount rate	7.47	6.12*	7.15	5.88*	6.91	5.90*
Expected return on plan assets	9.28	–	9.22	–	9.03	–
Rate of compensation increase	4.48	3.00	4.31	3.00	4.22	3.00

\* Germany: 1999/2000: 6.25 %; 2000/2001: 6.00 %; 2001/2002: 6.00 %

The net periodic pension costs for the defined benefit plans were as follows:

million €	Year ending Sept. 30, 2000		Year ending Sept. 30, 2001		Year ending Sept. 30, 2002	
	Funded plans	Unfunded plans	Funded plans	Unfunded plans	Funded plans	Unfunded plans
Service cost	43	55	51	58	50	64
Interest cost	116	333	142	343	130	336
Expected return on plan assets	(160)	0	(201)	0	(185)	0
Amortization of transition obligations	(2)	38	(2)	38	(2)	37
Amortization of prior service cost	9	1	12	0	12	0
Amortization of actuarial gain	(29)	0	(39)	(6)	(21)	0
Settlement and curtailment (gain)/loss	1	0	(1)	0	39	0
<b>Net periodic pension cost</b>	<b>(22)</b>	<b>427</b>	<b>(38)</b>	<b>433</b>	<b>23</b>	<b>437</b>

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 €24 million (2000/2001: €17 million; 1999/2000: €15 million).

#### Postretirement obligations other than pensions

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 Budd Company and are mainly unfunded.



The changes in benefit obligations are as follows:

million €	Sept. 30, 2001 US/Canadian plans	Sept. 30, 2002 US/Canadian plans
<b>Change in accumulated postretirement benefit obligation:</b>		
Accumulated postretirement benefit obligation at beginning of fiscal year	600	614
Service cost	12	10
Interest cost	46	44
Plan amendments	0	1
Actuarial loss	32	298
Curtailments	0	35
Currency changes	(29)	(65)
Benefit payments	(47)	(65)
<b>Accumulated postretirement benefit obligation at end of fiscal year</b>	<b>614</b>	<b>872</b>

The following represents the unfunded status of these plans:

million €	Sept. 30, 2001 US/Canadian plans	Sept. 30, 2002 US/Canadian plans
Unfunded status at end of fiscal year	(614)	(872)
Unrecognized prior service cost	(34)	(22)
Unrecognized actuarial loss	68	327
<b>Net amount recognized for postretirement obligations other than pensions</b>	<b>(580)</b>	<b>(567)</b>

The determination of the actuarial obligations was based on the following weighted average assumptions:

in %	Year ending Sept. 30, 2000 US/Canadian plans	Year ending Sept. 30, 2001 US/Canadian plans	Year ending Sept. 30, 2002 US/Canadian plans
Weighted-average assumptions as of July 01			
Discount rate	7.89	7.45	7.23
Health care cost trend rate for the following year	5.65	5.67	11.63
Ultimate health care cost trend rate	5.50	5.46	5.46

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

million €	Year ending Sept. 30, 2000 US/Canadian plans	Year ending Sept. 30, 2001 US/Canadian plans	Year ending Sept. 30, 2002 US/Canadian plans
Service cost	8	12	10
Interest cost	40	46	44
Amortization of prior service cost	(3)	(3)	(3)
Amortization of actuarial (gain)/loss	(2)	1	3
Curtailement loss	0	0	29
<b>Net periodic postretirement benefit cost</b>	<b>43</b>	<b>56</b>	<b>83</b>

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	8	(6)
Effect on postretirement benefit obligation	115	(94)

#### 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 4.0% and 4.5% as of September 30, 2002 and September 30, 2001, respectively. A rate of compensation increase of 2.6% has been assumed.

million €	Sept. 30, 2001	Sept. 30, 2002
Accrued liability at the beginning of the fiscal year	179	119
Service cost	3	17
Interest cost	6	3
Actuarial (gain)/loss	(11)	3
Benefit payments	(58)	(52)
<b>Accrued liability at the end of the fiscal year</b>	<b>119</b>	<b>90</b>

The increase of service cost as of September 30, 2002 is mainly caused by the result of a new plan in the Steel segment which is a continuation of an existing arrangement. Actuarial gains recognized as of September 30, 2001 largely result from higher cash payments for short-time work as a consequence to a change in the German Social Code No. III.

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 €90 million (2001: €59 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.

million €	Sept. 30, 2001	Sept. 30, 2002
<b>Accrued income taxes and other taxes (for current taxes)</b>	<b>592</b>	<b>594</b>
<b>Other provisions</b>		
Accrued contractual costs	802	778
Accrued compensation and benefit costs	752	738
Restructuring activities	67	117
Environmental protection and remediation obligations	159	174
Other miscellaneous accruals	764	665
	<b>2,544</b>	<b>2,472</b>
<b>Other accrued liabilities</b>	<b>3,136</b>	<b>3,066</b>

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Other accrued liabilities

Accrued income taxes and other taxes in the amount of €13 million (2001: €12 million) and other provisions in the amount of €357 million (2001: €469 million) have a remaining term of more than 1 year.

Accrued contractual costs represent pending losses from uncompleted contracts and warranties.

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, 2002, consists mainly of €77 million within the Automotive segment and €14 million within the Technologies segment. Of the total expense (net of additional charges and reversals) for fiscal 2001/2002 in the amount of €186 million, €149 million is within the Automotive segment. The change in the accrual balance is as follows:

million €	Involuntary employee termination benefits and relocation costs	Exit costs	Total
<b>Balance as of September 30, 2000</b>	<b>68</b>	<b>39</b>	<b>107</b>
Acquisitions/(divestitures)	14	1	15
Additional charges	26	3	29
Amounts utilized	(60)	(14)	(74)
Reversals	(5)	(3)	(8)
Currency changes	(1)	(1)	(2)
<b>Balance as of September 30, 2001</b>	<b>42</b>	<b>25</b>	<b>67</b>
Acquisitions/(divestitures)	(1)	0	(1)
Additional charges	152	54	206
Amounts utilized	(111)	(19)	(130)
Reversals	(8)	(12)	(20)
Currency changes	(2)	(3)	(5)
<b>Balance as of September 30, 2002</b>	<b>72</b>	<b>45</b>	<b>117</b>

As a result of personnel restructuring, approximately 1,000 (2000/2001: 1,200) employees left the company in fiscal 2001/2002 and approximately 2,100 employees will leave in subsequent years under restructuring measures. Of the total amount of restructuring accruals as of September 30, 2002, €2 million (2001: €6 million) relate to restructuring charges in connection with acquisitions.

As of September 30, 2002, the accumulated accrued liability for environmental protection and remediation obligations amounted to €174 million (2001: €159 million). These amounts include liabilities for subsidence damage in the amount of €83 million (2001: €81 million) which relate primarily to the operation of pumping stations for the removal of water in soil as a consequence of mining in the Ruhr District. The operation of the pumping stations is a continual obligation. The accrued liability is recorded at twenty times the amount of average expenses during the last five years. These amounts also include expenses for structural damage, shaft backfills and similar measures. The accrued liability for environmental protection obligations in the amount of €91 million (2001: €78 million) relates mainly to the recultivation and surface sealing of company waste disposal sites and clean-up of closed company sites.

BOOK VALUES in million €	Sept. 30, 2001	amount thereof with remaining term more than 1 year	Sept. 30, 2002	amount thereof with remaining term of		
				up to 1 year	more than 1 year	amount thereof more than 5 years
Bonds	1,021	1,015	1,513	207	1,306	499
Notes payable	425	399	296	10	286	100
Payables to financial institutions	5,746	5,031	3,432	657	2,775	1,346
Acceptance payables	49	2	29	29	0	0
Capital lease obligations	266	213	240	47	193	97
Other loans	158	64	173	125	48	29
<b>Financial payables</b>	<b>7,665</b>	<b>6,724</b>	<b>5,683</b>	<b>1,075</b>	<b>4,608</b>	<b>2,071</b>

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Financial payables

Financial payables in the amount of €650 million (2001: €658 million) are collateralized by real estate. Of these collateralized payables, €271 million (2001: €327 million) are related to mortgage loans of Real Estate.

As of September 30, 2002, the financial payables reflect a total discount in the amount of €9 million (2001: €11 million), which is offset by a total premium in the amount of €2 million (2001: €3 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 €4 million (2001: €5 million).

<b>BONDS, NOTES PAYABLE</b>	Book value in million € Sept. 30, 2001	Book value in million € Sept. 30, 2002	Nominal value in million € Sept. 30, 2002	Interest rate in %	Fair value in million € Sept. 30, 2002	Maturity date
ThyssenKrupp Finance Nederland B.V. bond (DM 400 million) 96/03	211	206	204	6.50	208	06/13/2003
ThyssenKrupp Finance Nederland B.V. bond (DM 600 million) 98/06	312	310	307	5.25	306	07/14/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 01/06	498	500	500	5.75	512	04/05/2006
ThyssenKrupp Finance Nederland B.V. bond (€500 million) 02/09	–	497	500	7.00	530	03/19/2009
ThyssenKrupp Finance Nederland B.V. note (DM 30 million) 95/02	16	–	–	7.00	–	09/18/2002
Giddings & Lewis note loan (USD 100 million) 95/05	109	6	6	7.50	7	10/01/2005
ThyssenKrupp Stahl AG note loan (DM 200 million) 98/05	51	41	41	7.05	46	10/15/2005
ThyssenKrupp AG note loan (€100 million) 00/07	99	99	100	6.00	112	02/21/2007
ThyssenKrupp AG note loan (€50 million) 00/07	50	50	50	5.80	55	03/16/2007
ThyssenKrupp AG note loan (€100 million) 01/07	100	100	100	5.45	111	10/25/2007
<b>Total</b>	<b>1,446</b>	<b>1,809</b>	<b>1,808</b>		<b>1,887</b>	

On March 19, 2002, the wholly owned finance subsidiary of the Group, ThyssenKrupp Finance Nederland B.V., issued €500 million of 7% bearer bonds. 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.

In fiscal 2001/2002 the note loan of Giddings & Lewis in the amount of u.s. dollar 100 million has been redeemed in an amount of u.s. dollar 95 million. Therefore the remaining book value as of September 30, 2002, amounts to u.s. dollar 5 million (€6 million).

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, 2002, 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, 2001	Book value in million € Sept. 30, 2002	Amount thereof in €	Weighted average interest rate % Sept. 30, 2002	Amount thereof in USD	Weighted average interest rate % Sept. 30, 2002	Amount thereof in other currencies	Fair value in million € Sept. 30, 2002
Syndicated joint credit multi-facility agreement (at variable interest rates)	1,571	–	–	–	–	–	–	–
Revolving bilateral bank loans (at variable interest rates)	1,439	918	61	3.78	806	2.25	51	918
Other loans at variable interest rates	2,059	2,082	442	4.23	1,198	2.50	442	2,082
At fixed interest rates (exclud. real estate credits)	481	368	331	5.71	8	6.14	29	390
Real estate credits at fixed interest rates	354	237	237	4.41	–	–	–	254
<b>Total</b>	<b>5,904</b>	<b>3,605</b>	<b>1,071</b>	<b>4.70</b>	<b>2,012</b>	<b>2.41</b>	<b>522</b>	<b>3,644</b>

As of September 30, 2002, ThyssenKrupp has available two u.s. dollar 1.5 billion (appx. €1.5 billion) syndicated joint credit multi-currency-facility agreements. The agreement fixed in November 2000 expires on November 29, 2005. The agreement fixed on August 20, 2002 is divided into tranche A in the amount of u.s. dollar 0.5 billion with a term of 364 days and tranche B in the amount of u.s. dollar 1.0 billion with a term of 5 years. Neither facility agreement was utilized as of the balance sheet date. The u.s. dollar 1.5 billion syndicated joint credit multi-facility agreement fixed in October 1995 ended on October 02, 2002 and was not utilized as of the balance sheet date.

Another component of financial payables at variable interest rates is a revolving credit agreement 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 €1,706 million. Of the €1,706 million facility, 53% has a remaining term of more than 5 years and 47% a remaining term of between 1 and 5 years. As of September 30, 2002, €918 million in the currencies of u.s. dollar 794 million (appx. €806 million) at a weighted average interest rate of 2.25%, British pounds Sterling 32 million (appx. €51 million) at a weighted average interest rate of 4.47% and €61 million at a weighted average interest rate of 3.78% were outstanding.

A component of the fixed-interest real estate credits is either interest free or below market rate. They amount to €176 million (2001: €191 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.

In July 2002 ThyssenKrupp AG established a €3 billion Debt Issuance Program. At the same time the existing DEM 1 billion Commercial Paper Program has been replaced by a €1.5 billion Multi-Currency Commercial Paper Program. Issuers under both programs will be ThyssenKrupp AG and ThyssenKrupp Finance Nederland B.V. under the guarantee of ThyssenKrupp AG. Both programs bear the respective ratings of ThyssenKrupp AG (Baa1 neg. Outlook; P-2 / BBB stable Outlook; A-2). Future issuances under these programs will facilitate the entities' ongoing and flexible funding requirements in the debt capital markets. Under both programs there were no issuances as of the balance sheet date.

For capital lease obligations, the future minimum lease payments as of September 30, 2002 amount to:

million €	
(for fiscal year)	
2002/2003	68
2003/2004	56
2004/2005	42
2005/2006	31
2006/2007	29
thereafter	157
<b>Total future minimum payments</b>	<b>383</b>
less executory costs	(77)
less interest	(66)
<b>Present value of future minimum lease payments (= payables from capital lease)</b>	<b>240</b>

Maturities of financial payables are as follows:

million €		
	Total financial payables	thereof: Payables to financial institutions
(for fiscal year)		
2002/2003	1,075	657
2003/2004	591	537
2004/2005	218	174
2005/2006	1,236	396
2006/2007	492	322
thereafter	2,071	1,346
<b>Total</b>	<b>5,683</b>	<b>3,432</b>



million €	Sept. 30, 2001	amount thereof with remaining term more than 1 year	Sept. 30, 2002	amount thereof with remaining term of		
				up to 1 year	more than 1 year	amount thereof more than 5 years
Trade accounts payable	3,248	38	3,128	3,099	29	0

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Trade accounts payable

million €	Sept. 30, 2001	amount thereof with remaining term more than 1 year	Sept. 30, 2002	amount thereof with remaining term of		
				up to 1 year	more than 1 year	amount thereof more than 5 years
Payables to non-consolidated subsidiaries	54	0	37	35	2	0
Payables to Associated Companies and other investees	190	0	124	124	0	0
Payables from orders in progress (POC)	1,527	410	1,344	826	518	14
Miscellaneous payables	1,553	23	1,508	1,451	57	5
<i>amount thereof for taxes</i>	287	0	276	276	0	0
<i>amount thereof for social security</i>	229	5	225	225	0	0
<b>Other payables</b>	<b>3,324</b>	<b>433</b>	<b>3,013</b>	<b>2,436</b>	<b>577</b>	<b>19</b>

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Other payables

Other payables in the amount of €8 million (2001: €5 million) are collateralized by real property.

The payables to non-consolidated subsidiaries originated mainly from intercompany financing and from profit and tax sharing.

Deferred income in the amount of €4 million (2001: €11 million) has a remaining term of more than 1 year.

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Deferred income

### Contingencies

The amounts reflected for the following contingent payables are at notional amounts:

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Commitments and contingencies

million €	Sept. 30, 2001	Sept. 30, 2002
Contingent issuance and transfer of notes	120	113
Suretyships and guarantees for third party debts	526	329
Warranty/guaranty contracts for products and services sold	66	161
Liability for the collateralization of third party debts	5	4

The line item "Contingent issuance and transfer of notes" includes the risk of contingent loss associated with the sale of notes and accounts receivable as disclosed in note (10) "Trade accounts receivable".

No accrued liabilities have been recorded for the above contingent payables, as the risk of occurrence is not deemed probable.

Additionally, the Group bears joint and several liability as a member of certain civil law partnerships, ordinary partnerships and consortiums.

### Commitments

The Group is the lessee to property, plant and equipment classified as operating leases. Rental expense in the amount of €173 million (2000/2001: €174 million; 1999/2000: €159 million) resulting from rental contracts, long-term leases and leasing contracts classified as operating leases was incurred in fiscal 2001/2002. It comprises as follows:

million €	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
Minimum rental payments	161	174	174
Contingent rental payments	1	2	0
less income from sublease agreements	(3)	(2)	(1)
<b>Total</b>	<b>159</b>	<b>174</b>	<b>173</b>

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, 2002, are (at face amounts):

million €	
(for fiscal year)	
2002/2003	126
2003/2004	169
2004/2005	147
2005/2006	126
2006/2007	113
thereafter	952
<b>Total</b>	<b>1,633</b>

In March 2000, the Group (Steel segment) entered into an agreement for the construction and financing of the Schwelgern Coke Conversion Plant. When completed, the Group will be obligated under a 16 year take-or-pay coke purchasing agreement. This will be accounted for as an operating lease, the payments

of which are reflected in the above schedule as minimum rental payments from operating leases commencing in fiscal 2003/2004.

The future minimum rental income from non-cancelable sublease contracts in the amount of €16 million (2000/2001: €23 million; 1999/2000: €26 million) is not included in the total of future minimum rental payments.

The commitment to subscribe to investment projects amounts to €257 million (2001: €609 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 (2001: €4 million). In addition, other financial commitments exist in the amount of €475 million (2001: €82 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.

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 position or results of operations.

Regarding the aforementioned lawsuits, there has not been any considerable progress during the current fiscal year.

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Pending lawsuits and claims for damages

The Group is involved in pending and threatened litigation in connection with the sale of certain companies, which may lead to partial repayment of purchase price or to the award of damages. In addition, damage claims may be payable to customers and subcontractors under performance contracts. Certain of these claims have proven unfounded or have expired under the statute of limitations. The Group believes, based upon consultation with relevant legal counsel, that the ultimate outcome of these pending and threatened lawsuits will not result in a material impact on the Group's financial condition or results of operations.

ThyssenKrupp subsidiaries resident in the u.s. import certain carbon and stainless steel products into the u.s. In the current fiscal year 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 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.

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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; however, counterparties to these agreements are major international financial institutions, so 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 risk management**

The Group manages foreign currency risks centrally. Within the scope of the Group's centralized foreign exchange management, domestic subsidiaries are obliged to offer all open 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.

Foreign currency derivatives generally have maturities of twelve months or less. However, a limited number of instruments have maturities of up to four 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, 2002 affect the accumulated other comprehensive income in the amount of €5 million (2001: €(2) million) (after tax and minority interest). The maximum period of time in which cash flows from future transactions are currently hedged is 48 months.

During the current fiscal year, an amount of €4 million (2001: €(1) million) was released from accumulated other comprehensive income into earnings due to the realization of the corresponding underlying transactions.

As of September 30, 2002, a net result in the amount of €(3) million (2001: €1 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 (2001: €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 2002/2003 in the amount of 0 (2001: €(3) 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 interest rate risk management**

The Group uses derivative financial instruments, among other tools, to manage and optimize its credit portfolio.

The interest derivatives employed include payer swaps and purchased interest rate caps. Additionally, special option forms are also used as interest hedge instruments. These instruments are contracted with the objective of limiting the interest and fair-value volatility of the underlying basic transactions, thereby minimizing the financing costs by an optimal mix of variable-interest and fixed-interest means. Major portions of the interest derivatives are designated directly and immediately to a specific loan (micro hedge). The changes in fair value of these interest derivatives are accrued in accumulated other comprehensive income and amount to €(26) million (2001: €(28) million) (after tax and minority interest) as of September 30, 2002. 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.

A portion of the interest derivatives is not specifically allocated to an individual loan, but hedges 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, 2002, the changes in fair value of these derivatives affected earnings by less than €1 million (2001: €(2) million).

The Group pays an average fixed interest rate of 5.47% on Euro-liabilities and 5.49% on USD-liabilities due to payer swap contracts. The strike rate of the Euro-interest rate caps averages 6.00%.

**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 cases which, because of contractual agreements, price changes cannot be passed on to customers (contractual price escalation clauses), these companies make use of derivative commodity instruments. Economic 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 futures transactions, cash transactions in combination with forward transactions, and the purchase of options. The selling of option positions is prohibited. 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, 2001	Balance at Sept. 30, 2001	Notional value Sept. 30, 2002	Balance at Sept. 30, 2002
Forward foreign currency transactions				
Buy	1,052	(4)	1,198	(21)
Sell	2,178	14	3,175	86
Foreign currency option transactions				
Buy	632	11	694	12
Sell	490	(6)	881	(10)
<b>Total foreign currency derivatives</b>	<b>4,352</b>	<b>15</b>	<b>5,948</b>	<b>67</b>
Embedded derivatives				
Asset	178	7	184	6
Liability	353	(19)	297	(16)
<b>Total embedded derivatives</b>	<b>531</b>	<b>(12)</b>	<b>481</b>	<b>(10)</b>
Interest rate derivatives				
Interest rate swaps	1,374	(61)	1,029	(86)
Interest rate caps	311	0	130	0
Interest rate swaptions	14	0	0	0
<b>Total interest rate derivatives</b>	<b>1,699</b>	<b>(61)</b>	<b>1,159</b>	<b>(86)</b>
Foreign commodity transactions				
Buy	103	(14)	85	(2)
Sell	58	8	52	3
<b>Total commodity transactions</b>	<b>161</b>	<b>(6)</b>	<b>137</b>	<b>1</b>
<b>Total</b>	<b>6,743</b>	<b>(64)</b>	<b>7,725</b>	<b>(28)</b>

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 both 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 €6 million (2001: €7 million) and liabilities of €16 million (2001: €19 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, 2001	Fair Value Sept. 30, 2001	Balance at Sept. 30, 2002	Fair value Sept. 30, 2002
<b>Non-derivative financial instruments</b>				
Assets				
Loans	151	151	83	83
Securities classified as financial and operating assets	184	184	37	37
Cash and cash equivalents	1,234	1,234	921	921
Liabilities				
Financial payables (excluding capital lease)	7,399	7,464	5,443	5,560
<b>Derivative financial instruments</b>				
Assets				
Foreign currency derivatives including embedded derivatives	87	87	115	115
Interest rate derivatives	0	0	0	0
Commodity derivatives	0	0	4	4
Liabilities				
Foreign currency derivatives including embedded derivatives	84	84	58	58
Interest rate derivatives	61	61	86	86
Commodity derivatives	6	6	3	3
<b>Total</b>	<b>9,206</b>	<b>9,271</b>	<b>6,750</b>	<b>6,867</b>

The fair values of the derivative financial instruments represent the price at which one party could assume the rights and obligations from 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 can be derived from the stock quotation as of the balance sheet date. The fair market value of long-term 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 models to calculate the option prices. 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 foreign exchange rate and the volatility of the underlying foreign currency base.

#### 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 estimated based on quotes from the market makers 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.

The Alfried Krupp von Bohlen und Halbach Foundation holds an interest of 18.83% 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.

Other related parties of major importance are RAG, in which ThyssenKrupp has an interest of 20.6%, including its affiliated companies and Hüttenwerke Krupp-Mannesmann (HKM), in which ThyssenKrupp holds a 50% interest. Substantial business relations existed with both companies during the current and the previous fiscal year. Primarily coal products were purchased from RAG. Sales to RAG involved primarily transport services and the sale of co-products from steel production. Crude steel (semi-finished continuous casting) was purchased from HKM. Sales to HKM consisted of transport services and coke deliveries.

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Related parties



<b>RAG GROUP</b> million €	Sept. 30, 2001	<b>Sept. 30, 2002</b>
Sales	6	14
Supplies and services	262	253
Receivables	1	2
Payables	64	1

<b>HÜTTENWERKE KRUPP MANNESMANN GMBH</b> million €	Sept. 30, 2001	<b>Sept. 30, 2002</b>
Sales	41	44
Supplies and services	609	742
Receivables	4	7
Payables	62	73

In fiscal 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.

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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 activities. Effective October 01, 2001, the Group reorganized the segment allocation of certain Group companies affecting Steel, Automotive, Technologies and Materials segments. Amounts reported for the previous periods were adjusted accordingly.

### **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 airbridges.

**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 airconditioning technology and ship-technical components. In addition, plastic profile systems and 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 as well as scaffolding activities 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 AG and Krupp Hoesch Stahl AG. Also included are those operating companies which have not been assigned to a segment such as insurance services, significant equity investments and the remaining activities of Krupp Seeschiffahrt.

Corporate loss before taxes and minority interest consists of:

million €	Year ending Sept. 30, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
Corporate administration	(94)	(105)	(95)
Pension expenses	(211)	(209)	(206)
Compensation for expense			
Steel	(11)	(18)	(14)
Technologies	(9)	0	0
Serv	(16)	0	0
Interest income (expense), net	57	(11)	(21)
Disposal of land	0	31	1
Results of equity investments	48	77	13
Insurance services	12	13	12
Others	26	24	(35)
<b>Loss before disposal of investments</b>	<b>(198)</b>	<b>(198)</b>	<b>(345)</b>
Disposal of investments	15	(62)	255
<b>Corporate loss before income taxes and minority interest</b>	<b>(183)</b>	<b>(260)</b>	<b>(90)</b>

### 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 (2000/2001: €7 million; 1999/2000: €17 million) and within Materials amount to €3 million (2000/2001: €7 million; 1999/2000: €11 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.

<b>SEGMENT INFORMATION BY PRODUCTS AND SERVICES</b>		
million €	Steel	Automotive
<b>Year ending Sept. 30, 2000</b>		
External sales	10,576	6,026
Internal sales within the Group	2,015	17
Total sales	12,591	6,043
Equity in the net income of investees accounted for by the equity method	21	2
Interest revenue	64	29
Interest expense	(247)	(83)
Income/(loss) before goodwill amortization, income taxes and minority interest	615	304
Goodwill amortization	57	24
Income/(loss) before income taxes and minority interest	558	280
Segment assets (= balance sheet total)	13,831	5,181
Depreciation, amortization and impairment expense	886	296
Other significant non-cash items (expense, net)	(526)	(94)
Capital expenditures (including intangible assets)	945	503
Equity investments	0	3
Other investments	40	168
<b>Year ending Sept. 30, 2001</b>		
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
<b>Year ending Sept. 30, 2002</b>		
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

	Elevator	Technologies	Materials	Serv	Real Estate	Corporate	Consolidation	Group
	3,093	5,951	9,240	1,790	324	209	0	<b>37,209</b>
	5	52	481	318	38	31	(2,957)	<b>0</b>
	3,098	6,003	9,721	2,108	362	240	(2,957)	<b>37,209</b>
	1	1	1	9	0	35	2	<b>72</b>
	21	101	34	19	13	604	(747)	<b>138</b>
	(100)	(127)	(128)	(38)	(34)	(547)	747	<b>(557)</b>
	252	140	155	89	52	(183)	(110)	<b>1,314</b>
	49	52	15	12	0	15	0	<b>224</b>
	203	88	140	77	52	(198)	(110)	<b>1,090</b>
	3,506	8,170	4,625	2,222	2,745	21,391	(25,783)	<b>35,888</b>
	102	246	93	142	47	65	(3)	<b>1,874</b>
	(73)	(353)	(57)	(57)	(26)	15	0	<b>(1,171)</b>
	55	204	118	192	28	117	(64)	<b>2,098</b>
	1	0	1	0	0	0	0	<b>5</b>
	3	69	21	151	3	0	(63)	<b>392</b>
	3,504	5,685	9,150	2,280	283	322	0	<b>38,008</b>
	11	48	472	309	34	31	(2,757)	<b>0</b>
	3,515	5,733	9,622	2,589	317	353	(2,757)	<b>38,008</b>
	0	5	5	(7)	(1)	60	(5)	<b>62</b>
	20	114	31	22	7	477	(707)	<b>119</b>
	(101)	(106)	(128)	(57)	(25)	(488)	707	<b>(592)</b>
	276	203	42	(36)	80	(260)	(16)	<b>1,117</b>
	50	51	21	18	0	20	0	<b>241</b>
	226	152	21	(54)	80	(280)	(16)	<b>876</b>
	3,220	7,865	4,195	2,328	2,659	20,987	(24,862)	<b>34,649</b>
	110	227	105	205	49	51	(21)	<b>1,918</b>
	(26)	(183)	(48)	(85)	0	165	0	<b>(284)</b>
	53	162	91	215	48	55	(7)	<b>2,205</b>
	0	9	0	0	0	0	0	<b>16</b>
	16	20	23	20	4	10	(33)	<b>106</b>
	3,494	5,764	8,526	2,225	298	43	0	<b>36,698</b>
	6	42	349	324	22	2	(2,420)	<b>0</b>
	3,500	5,806	8,875	2,549	320	45	(2,420)	<b>36,698</b>
	0	5	5	2	0	13	(2)	<b>18</b>
	23	114	22	22	5	469	(677)	<b>123</b>
	(72)	(99)	(66)	(42)	(20)	(491)	677	<b>(407)</b>
	317	112	72	52	80	(90)	(12)	<b>762</b>
	3,169	7,359	4,268	2,239	2,519	19,539	(26,272)	<b>31,160</b>
	52	436	90	205	46	81	(43)	<b>1,949</b>
	(60)	(179)	(58)	(82)	(7)	(34)	3	<b>(836)</b>
	48	126	61	132	35	7	(11)	<b>1,535</b>
	0	0	6	0	0	0	0	<b>57</b>
	43	55	2	29	2	45	(88)	<b>185</b>

## Segment information by geographical area:

million €	Germany	Other EU	USA	Other countries	Group
External sales (location of the customer)					
Year ending Sept. 30, 2000	13,022	9,553	8,420	6,214	<b>37,209</b>
Year ending Sept. 30, 2001	13,747	9,483	8,330	6,448	<b>38,008</b>
<b>Year ending Sept. 30, 2002</b>	<b>12,952</b>	<b>8,988</b>	<b>7,927</b>	<b>6,831</b>	<b>36,698</b>
External sales (location of the company)					
Year ending Sept. 30, 2000	20,056	6,270	8,128	2,755	<b>37,209</b>
Year ending Sept. 30, 2001	20,641	6,606	8,200	2,561	<b>38,008</b>
<b>Year ending Sept. 30, 2002</b>	<b>19,856</b>	<b>6,314</b>	<b>7,227</b>	<b>3,301</b>	<b>36,698</b>
Intangible assets; Property, plant and equipment					
Sept. 30, 2000	9,506	1,943	3,763	1,986	<b>17,198</b>
Sept. 30, 2001	9,072	1,952	3,464	1,849	<b>16,337</b>
<b>Sept. 30, 2002</b>	<b>8,903</b>	<b>1,872</b>	<b>2,914</b>	<b>1,611</b>	<b>15,300</b>

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Subsequent events

In November 2002, the German government introduced a bill to parliament which proposed various changes to business taxation for 2003. Such proposals included limitations to the deductibility of tax losses carried forward from previous periods and the abolition of tax groups for trade tax purposes. The proposed new legislation would have a negative impact on the tax conditions for ThyssenKrupp. As of September 30, 2002, none of the suggested changes were enacted, therefore their impact was not considered for fiscal 2001/2002.

## Notes to the consolidated statements of cash flows

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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, 2000	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
Interest paid	546	600	393
Income taxes paid, net	437	232	(26)



**Non-cash investing activities**

In fiscal 2001/2002, the acquisition and first-time consolidation of companies created an increase in fixed assets of €0.1 billion (2000/2001: €0.1 billion; 1999/2000: €0.6 billion).

The non-cash addition of assets under capital leases in fiscal 2001/2002 amounts to €46 million (2000/2001: €61 billion; 1999/2000: €52 million).

**Non-cash financing activities**

In fiscal 2001/2002, the acquisition and first-time consolidation of companies resulted in an increase in gross financial payables in the amount of €2 million (2000/2001: €20 million; 1999/2000: €204 million).

**Other information**

Basic earnings per share is computed as follows:

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Earnings per share

million €	Year ending Sept. 30, 2000		Year ending Sept. 30, 2001		Year ending Sept. 30, 2002	
	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €	Total amount in million €	Earnings per share in €
<b>Numerator:</b>						
Income from operations before changes in accounting principles	527	1.02	687	1.33	554	1.08
Cumulative effect of changes in accounting principles (net of tax)	0	0.00	(22)	(0.04)	(338)	(0.66)
Net income	527	<b>1.02</b>	665	<b>1.29</b>	216	<b>0.42</b>
<b>Denominator:</b>						
Weighted average shares	514,489,044		514,489,044		514,489,044	

The calculation of the weighted average shares includes 21,020 shares (2001: 25,160 shares; 2000: 28,960 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. The impact of these treasury shares does not have a material effect on earnings per share.

## **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.

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-off.

Under HGB goodwill is capitalized and amortized or offset with 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 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 account of fiscal criteria, lease agreements are generally designed in a such way 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). It basically makes a distinction between capital leases and “operating leases which 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. Under 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 must be reversed 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 121 and 142 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 – in accordance with ARB 43 – follows 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 profit.

#### 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

The imparity principle under HGB prescribes that only unrealized losses be reported. 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 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 accounted for at year-end market values, 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 realization rule and the imparity principle.

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 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 determined 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. At the end of each accounting period, a judgement must be made concerning the realizability of the deferred tax assets recognized.

### **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 most commonly used, but it is not the only permissible method. Under US GAAP, the projected unit credit method is mandatory. Thanks 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, if the event leading to the accrual is probable to occur and if the amount of the accrual is reasonably measurable. 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 APB 30, the income statement and balance sheet items are adjusted for the effects associated with discontinued operations. After offsetting, the adjusted amounts are reported in a separate line of the income statement or balance sheet respectively, as the result or net assets of discontinued operations.

During the reporting year, the ThyssenKrupp Group did not conduct any operations qualifying as “discontinued operations”.

**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 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 and is therefore excluded from the consolidated entity's net income or loss.

**Excess of acquired net assets over cost ("badwill")**

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.

According to SFAS 141 badwill 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, 2001	Year ending Sept. 30, 2002
Wages and salaries	7,494	7,451
Social security taxes	1,297	1,305
Net periodic pension costs – defined benefit	395	460
Net periodic pension costs – defined contribution	17	24
Net periodic postretirement benefit cost other than pensions	56	83
Other expenses for pensions and retirements	75	25
Related fringe benefits	361	388
<b>Total</b>	<b>9,695</b>	<b>9,736</b>

### Employees

In the Group, the actual average numbers of employees over the past fiscal year were as follows:

	Year ending Sept. 30, 2001	Year ending Sept. 30, 2002
Steel	52,720	50,454
Automotive	39,778	38,484
Elevator	27,811	28,467
Technologies	31,981	32,712
Materials	14,118	13,912
Serv	25,554	25,839
Real Estate	801	754
Corporate	806	677
<b>Total</b>	<b>193,569</b>	<b>191,299</b>
This total breaks down to		
Wage earners	121,898	120,032
Salaried employees	66,655	66,395
Trainees	5,016	4,872



### **Executive and Supervisory Board Compensation**

In fiscal year 2001/2002 total compensation made to the Executive Board amounted to €8.1 million. As of September, 2002, 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 €14.8 million. An amount of €116.3 million is accrued for pension obligations benefiting former Executive Board members and their surviving dependants.

For fiscal year 2001/2002, the members of the Supervisory Board will receive total compensation of €0.6 million based on the proposed dividend of €0.40 per share. Members of the ThyssenKrupp AG Supervisory Board received compensation of €0.2 million in fiscal 2001/2002 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, 2002 the Executive Board and Supervisory Board of ThyssenKrupp AG issued the first declaration of conformity in accordance with Art. 161 of the Stock Corporation Act (AktG) and posted it on the company's website. The declaration of conformity is also included in the Corporate Governance information on page 34 of the annual report.

The declarations of conformity of our exchange-listed subsidiaries Eisen- und Hüttenwerke AG and Stahlwerke Bochum AG were issued on October 15, 2002 (Eisen- und Hüttenwerke AG) and October 12, 2002 (Stahlwerke Bochum AG) and are 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 AG (further Vice Chair)
- RWE Plus AG
- Strabag AG\*
- TUI AG\*
- Evangelisches und Johanniter Klinikum  
Duisburg/Dinslaken/Oberhausen gem. GmbH

Within the Group:

- ThyssenKrupp Automotive AG (Chair)
- ThyssenKrupp Materials AG (Chair)
- Thyssen Krupp Steel AG (Chair)
- The Budd Company (USA)
- Thyssen Inc. (USA)

#### **Dr. Ulrich Middelmann**

Vice Chairman

- RAG AG
- Bergemann GmbH (Vice Chair)
- Hoberg & Driesch GmbH
- Within the Group:
- Eisen- und Hüttenwerke AG (Chair)
- ThyssenKrupp Automotive AG
- ThyssenKrupp Elevator AG
- ThyssenKrupp Stahl AG (Chair)
- ThyssenKrupp Technologies AG (Chair)
- The Budd Company (USA)
- ThyssenKrupp Acciai Speciali Terni S.p.A. (Italy)
- ThyssenKrupp Electrical Steel GmbH (Chair)
- ThyssenKrupp Elevator Holding Corp. (USA)
- ThyssenKrupp Stainless GmbH (Chair)

#### **Dr. Olaf Berlien**

(since April 01, 2002)

Within the Group:

- Thyssen Stahl AG (Chair)

#### **Edwin Eichler**

(since October 01, 2002)

- Pixelpark AG\*

#### **Dr. Jürgen Harnisch**

(since October 01, 2001)

- ALSTOM GmbH
- Hülbeck & Fürst GmbH & Co. KG  
(Chair)
- INPRO Innovationsgesellschaft für  
fortgeschrittene Produktionssysteme  
in der Fahrzeugindustrie mbH

Within the Group:

- ThyssenKrupp Bilstein GmbH
- ThyssenKrupp Federn GmbH
- ThyssenKrupp Gerlach GmbH  
(Chair)
- ThyssenKrupp Umformtechnik GmbH  
(Chair)
- The Budd Company (USA)
- ThyssenKrupp Automotive Sales &  
Technical Center, Inc. (USA, Chair)
- ThyssenKrupp Presta AG  
(Liechtenstein)

#### **Dieter Hennig**

- 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)

#### **Dr. A. Stefan Kirsten**

(since August 01, 2002)

#### **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
- ThyssenKrupp Engineering AG (Chair)
- ThyssenKrupp Fördertechnik GmbH  
(Chair)
- ThyssenKrupp Werften GmbH (Chair)
- Berco S.p.A. (Italy, President)
- Giddings & Lewis, LLC (USA)
- Grupo ThyssenKrupp S.A. (Spain)
- The Budd Company (USA)
- ThyssenKrupp Elevator Holding  
Corp. (USA)

**Jürgen Rossberg** resigned from the Executive Board at the close of December 31, 2001 and retired. Effective December 31, 2001 he held the following seats:

- Alfried Krupp von Bohlen und Halbach-Krankenhaus gem. GmbH

Within the Group:

- ThyssenKrupp Elevator AG
- ThyssenKrupp Serv AG
- ThyssenKrupp Technologies AG
- ThyssenKrupp Immobilien GmbH (Chair)

**Dr. Hans-Erich Forster** resigned from the Executive Board at the close of September 30, 2002 and retired. Effective September 30, 2002 he held the following seats:

Within the Group:

- ThyssenKrupp Elevator AG (Chair)
- ThyssenKrupp Serv AG (Chair)
- WIG Industrieinstandhaltung GmbH
- Thyssen Inc. (USA, Chair)
- ThyssenKrupp Elevator Holding Corp. (USA)
- ThyssenKrupp Immobilien GmbH (Chair)
- ThyssenKrupp Information Services GmbH

**Dr. Gerhard Jooss** resigned from the Executive Board at the close of September 30, 2002 and retired. Effective September 30, 2002 he held the following seats:

- Allgemeine Kreditversicherung Coface AG
- ERGO Versicherungsgruppe AG\*
- FAG Kugelfischer Georg Schäfer AG\*
- Westfalenbank AG
- Klinikum der Friedrich-Alexander-Universität Erlangen-Nürnberg
- WestLB International S.A. (Luxembourg)

Within the Group:

- ThyssenKrupp Serv AG
- ThyssenKrupp Steel AG
- ThyssenKrupp Technologies AG
- Gidding & Lewis, LLC (USA)
- Grupo ThyssenKrupp S.A. (Spain)
- ThyssenKrupp Information Services GmbH

**Dr. Heinz-Gerd Stein** resigned from the Executive Board at the close of September 30, 2002 and retired. Effective September 30, 2002 he held the following seats:

- AXA Versicherung AG
- Bankgesellschaft Berlin AG\*
- Dürr AG
- Howaldtswerke-Deutsche Werft AG
- Landesbank Berlin – Girozentrale – WILO AG
- Evangelisches und Johanniter Klinikum Duisburg/Dinslaken/Oberhausen gem. GmbH
- Hülskens Holding GmbH & Co.
- Institut für Management und Technologie IMT Berlin GmbH
- Kunststoffwerk Philippine GmbH & Co. KG (Chair)
- Saarpör Klaus Eckhardt GmbH Neunkirchen Kunststoffe KG (Chair)
- Thumann & Heitkamp Verwaltungs-GmbH

Within the Group:

- Eisen- und Hüttenwerke AG
- ThyssenKrupp Materials AG
- ThyssenKrupp Steel AG
- ThyssenKrupp Technologies AG
- The Budd Company (USA)
- ThyssenKrupp Elevator Holding Corp. (USA)
- ThyssenKrupp Immobilien GmbH (Vice Chair)
- ThyssenKrupp Information Services GmbH

○ Membership of statutory Supervisory Boards within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (As of September 30, 2002)

\* Exchange-listed non-Group company

○ Membership of comparable German and non-German regulatory bodies of business enterprises within the meaning of Art. 125 of the German Stock Corporation Act (AktG) (As of September 30, 2002)

#### 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
- Volkswagen AG
- Suez S.A. (France)
- Thales 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
- mg technologies 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**

(since June 26, 2002)

Senior manager & head of plant  
management of ThyssenKrupp Stahl AG

**Dr. Klaus Götte, Munich**

Former Chairman of the Supervisory  
Board of MAN AG

- Allianz Lebensversicherungs-AG
- SMS AG

**Klaus Ix, Siek**

Fitter

Chairman of the Works Council of  
Thyssen Fahrtreppen GmbH

Within the Group:

- ThyssenKrupp Elevator AG
- Thyssen Fahrtreppen GmbH

**Gerd Kappelhoff, Witten**

(until October 16, 2002)

- Trade union secretary in the Düsseldorf branch office of IG Metall
- Rasselstein Hoesch GmbH
  - ThyssenKrupp Aufzüge GmbH
  - ThyssenKrupp Automotive AG
  - ThyssenKrupp Elevator AG
  - ThyssenKrupp Technologies AG

**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

- Allianz Lebensversicherungs-AG
- Dresdner Bank AG
- Siemens 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

**Dr. Friedel Neuber, Duisburg**

Former Chairman of the Executive Board of Westdeutsche Landesbank Girozentrale

- Babcock Borsig AG (Chair)
- Deutsche Bahn AG
- Hapag-Lloyd AG
- Preussag AG (Chair)
- RAG AG
- RWE AG (Chair)
- Landwirtschaftliche Rentenbank
- Österreichische Kontrollbank AG (Austria)

**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 Executive Board of Allianz AG

- Allianz AG
  - BASF AG
  - E.ON AG
  - Linde AG (Vice Chair)
  - Münchener Rückversicherungs-Gesellschaft AG (Vice Chair)
  - Siemens AG
- Within the Allianz group:
- Allianz Dresdner Asset Management GmbH (Chair)
  - Allianz Versicherungs-AG (Chair)
  - Allianz Lebensversicherungs-AG (Chair)
  - Dresdner Bank AG (Chair)
  - Assurances Générales de France S.A. (France, Vice President of the Executive Committee)
  - Riunione Adriatica di Sicurtà S.p.A. (Italy, Vice President of the Executive Committee)

**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)
- Joint Stock Company "Sibirsko-Uralskaya Neftegazohimicheskaya Companiya" (Ak "Sibur") (Russia)

**Dieter Wittenberg, Dortmund**

(until May 31, 2002)

Former Director of ThyssenKrupp Technologies AG

○ Membership of other statutory Supervisory Boards within the meaning of Art. 125 German Stock Corporation Act (AktG) (As of September 30, 2002)

○ Membership of comparable German and non-German control bodies of business enterprises within the meaning of Art. 125 German Stock Corporation Act (AktG) (As of September 30, 2002)

## 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 fulfilled 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.

<b>A</b> ○	AAW Aufzüge GmbH	Berlin
	AGOZAL Oberflächenveredelung GmbH	Neuwied
	Aloverzee Handelsgesellschaft mbH	Essen
	Aluminiumfeinguss Soest GmbH & Co. KG	Soest
	ATMOSFAIR-Bauhaus GmbH	Oberhausen
<b>B</b> ○	Bachmann GmbH	Pegnitz-Bronn
	Becker & Co. GmbH	Neuwied
	BERCO Deutschland GmbH	Ennepetal
	Berkenhoff GmbH	Heuchelheim
	Berkenhoff Verwaltungsgesellschaft mbH	Duisburg
	BIS Blohm + Voss Inspection Service GmbH	Hamburg
	Blass Rohr GmbH	Herford
	Bleuel & Röbling GmbH	Burghaun
	Blohm + Voss GmbH	Hamburg
	Blohm + Voss Repair GmbH	Hamburg
	Brandenburger Sondermaschinen- und Anlagenbau de Haan Aufzüge GmbH	Muellrose
	<b>C</b> ○	Carl Gustav Krause GmbH
Christian Hein GmbH		Langenhagen
Cryotrans Schifffahrts GmbH		Emden
<b>D</b> ○	Deutsche Gesellschaft für Verkehrsmittelwartung PURA mbH	Cologne
	Dolores Schifffahrts-Gesellschaft mbH	Emden
	Dortmunder Eisenhandel Hansa GmbH	Dortmund
	Dortmunder Plastik GmbH	Dortmund
	Dr. Mertens Edelstahlhandel GmbH	Offenbach
	DSU Gesellschaft für Dienstleistungen und Umwelttechnik mbH & Co. KG	Duisburg

<b>E</b>	EBOR Edelstahl GmbH	Sachsenheim
	Eckert GmbH	Mannheim
	Eckhardt Marine GmbH	Hamburg
	Edelstahl Witten-Krefeld GmbH	Witten
	Edelstahl Witten-Krefeld Verwaltungsgesellschaft mbH	Duisburg
	EGM Entwicklungsgesellschaft für Montagetechnik GmbH	Hanover-Langenhagen
	EH Güterverkehr GmbH	Duisburg
	Eisenbahn und Häfen GmbH	Duisburg
	Eisenmetall Handelsgesellschaft mbH	Gelsenkirchen
	Eisenmetall Rohr GmbH	Gelsenkirchen
	ELEG Europäische Lift + Escalator GmbH	Neuhausen a.d.F.
	ems-Isoliertüren Mickleit GmbH & Co. KG	Pansdorf
	Emunds & Staudinger GmbH	Hückelhoven
	ERPE Edelstahl Handelsgesellschaft m.b.H.	Krefeld
<b>F</b>	Fördertechnik und Aufzugservice GmbH	Frankfurt/Main
	Freiburger Stahlhandel GmbH & Co. KG	Freiburg i.Br.
	Fuchs NE-Metallhandel GmbH	Nürtingen
	Fudickar Metall GmbH	Haan/Rhld.
<b>G</b>	Gerhard Sievering GmbH & Co. KG	Hamm
	GFH Gesellschaft für Handelswerte mbH	Essen
	GMT Aufzug-Service GmbH	Freiburg
	GP Reinigungs- und Dienstleistungs GmbH	Dingolfing
	GVD Gesellschaft für Verpackungstechnik und Dienstleistungen mbH	Duisburg
	GWH Aufzüge GmbH	Himmelstadt
<b>H</b>	Haisch Aufzüge GmbH	Gingen/Fils
	Hans Franke NE-Metallhandel GmbH	Stuttgart
	HCC Health Care Consulting GmbH	Munich
	Health Care Solutions GmbH	Bielefeld
	Henschel Industrietechnik GmbH	Kassel
	Henschel Recycling Technik GmbH	Kassel
	Herzig & Marschall GmbH & Co. KG	Fulda
	Herzog Coilex GmbH	Stuttgart
	HF Vermögensverwaltungsgesellschaft im Ruhrtal GmbH	Hagen
	Hoesch Contecna Systembau GmbH	Oberhausen

	Hoesch Hohenlimburg GmbH	Hagen
	Hoesch Siegerlandwerke GmbH	Siegen
	Hommel CNC Technik GmbH	Cologne
	Hommel CNC-Service GmbH	Cologne
	Hommel Gebrauchtmaschinen GmbH	Cologne
	Hommel GmbH	Cologne
	Hommel Präzision GmbH	Cologne
	Hommel Unverzagt GmbH	Stuttgart
	Hövelmann & Co. Eisengroßhandlung GmbH	Gelsenkirchen
	Hüller Hille GmbH	Ludwigsburg
	Hünnebeck GmbH	Ratingen
<b>I</b> ○	Immove Gesellschaft für Grundstücksverwaltung mbH	Essen
	Innovative Meerestechnik GmbH	Emden
	Isan-Metall-GmbH	Krefeld
<b>J</b> ○	Johann A. Krause Maschinenfabrik GmbH	Bremen
	Johann A. Krause Systemtechnik GmbH	Chemnitz
	Jos. Rackl & Co. GmbH	Zirndorf
<b>K</b> ○	KL Workforce GmbH	Gießen
	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 Stahl AG & Co. Liegenschaftsverwaltung	Bochum
	Krupp Stahlbau Berlin GmbH	Berlin



L	LiftEquip GmbH Elevator Components	Neuhausen a.d.F.
	Liftservice und Montage GmbH	Saarbrücken
	Lufter Industrie- und Kraftwerksservice GmbH	Dortmund
M	Mannesmann Röhren- und Stahlhandel GmbH	Riesa
	Mediagate GmbH	Krefeld
	Metalltüren und -tore Celle GmbH	Celle
	MG Bautechnik Service GmbH	Frankfurt/Main
N	Nirosta Service Center GmbH	Wilnsdorf-Anzhausen
	Nordseewerke GmbH	Emden
	Nothelfer GmbH	Ravensburg
	Nothelfer Planung GmbH	Wadern-Lockweiler
	Novoferm GmbH	Rees
O	Otto Wolff Handelsgesellschaft mbH	Düsseldorf
P	P.A.D. Karosserietechnik GmbH	Neckarsulm
	P.B.-Plan Ingenieurgesellschaft mbH	Frankfurt/Main
	PeinigerRöRo GmbH	Gelsenkirchen
	Polysius AG	Beckum
R	RAM Recycling, Abbruch, Maschinen- und Geräteverleih GmbH	Duisburg
	Rasselstein GmbH	Neuwied
	Rasselstein Hoesch GmbH	Andernach
	Reise-As GmbH	Osnabrück
	Reisebüro Dr. Tigges GmbH	Essen
	Reise-Palette GmbH	Osnabrück
	Reiseschrand GmbH	Osnabrück
	Rothe Erde GmbH	Dortmund
S	Sanierungsgesellschaft Schwarze Pumpe mbH	Schwarze Pumpe
	Siebau Siegener Stahlbauten GmbH	Kreuztal
	SIR Industrieservice GmbH	Leonberg
	smb Chromstahl GmbH	Hanover-Langenhagen

Stahlkontor Hahn GmbH	Ratingen
Stahl-Maschinen-Rohrleitungs-Bau de Haan GmbH	Oberhausen
Stahlwerk Oberhausen GmbH	Oberhausen
SVG Steinwerder Verwaltungsgesellschaft mbH	Hamburg
SWI Gebäudereinigung GmbH	Oberhausen

T	TFM Facility Management Beteiligungs GmbH	Düsseldorf
	TFM Facility Management GmbH & Co. KG	Düsseldorf
	Thyssen Aufzüge Berlin GmbH	Berlin
	Thyssen Aufzüge Düsseldorf GmbH	Neuss
	Thyssen Aufzüge Frankfurt GmbH	Frankfurt a.M.
	Thyssen Aufzüge Hamburg GmbH	Hamburg
	Thyssen Aufzüge München GmbH	Feldkirchen
	Thyssen Aufzüge Sachsen GmbH	Boehlitz-Ehrenberg
	Thyssen Aufzüge Stuttgart GmbH	Neuhausen a.d.F.
	Thyssen Aufzugswerke GmbH	Neuhausen a.d.F.
	Thyssen Aufzugswerk Mylau GmbH	Mylau
	Thyssen Draht GmbH	Hamm
	Thyssen Fahrtreppen GmbH	Hamburg
	Thyssen Grundstücksgesellschaft OHG	Essen
	Thyssen Henschel Airport Systems GmbH	Kassel
	Thyssen Henschel GmbH	Essen
	Thyssen Informatik Services GmbH	Krefeld
	Thyssen Liegenschaften Verwaltungs GmbH & Co. KG Andernach	Essen
	Thyssen Liegenschaften Verwaltungs GmbH & Co. KG Draht	Essen
	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 Metallhandelsgesellschaft mbH	Berlin
	Thyssen Polymer GmbH	Bogen
	Thyssen Rhestahl Technik GmbH	Düsseldorf
	Thyssen Schulte GmbH	Düsseldorf
	Thyssen Schulte Nutzeisen GmbH	Düsseldorf
	Thyssen Schulte Werkstoffhandel GmbH	Düsseldorf
	Thyssen Sonnenberg GmbH	Düsseldorf

Thyssen Stahl AG	Duisburg
Thyssen Trans GmbH	Düsseldorf
Thyssen Treppenlifte GmbH	Lemgo
Thyssen Verwaltungsgesellschaft für Röhrenhandel mbH	Düsseldorf
Thyssen Wohnbau GmbH	Essen
Thyssen Wohnungsgesellschaft Dümpten mbH	Essen
Thyssen Wohnungsgesellschaft Reisholz mbH	Essen
ThyssenKrupp Aufzüge GmbH	Neuhausen a.d.F.
ThyssenKrupp Automotive AG	Bochum
ThyssenKrupp Automotive Systems GmbH	Bochum
ThyssenKrupp Automotive Systems Leipzig GmbH	Leipzig
ThyssenKrupp Bau Consult GmbH	Essen
ThyssenKrupp Bausysteme GmbH	Dinslaken
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 Drauz GmbH	Heilbronn
ThyssenKrupp Drauz Ingenieurbetrieb GmbH	Hohenstein-Ernstthal
ThyssenKrupp Education and Training GmbH	Essen
ThyssenKrupp Elastomertechnik GmbH	Hamburg
ThyssenKrupp Electrical Steel EBG GmbH	Bochum
ThyssenKrupp Electrical Steel GmbH	Essen
ThyssenKrupp Elevator AG	Essen
ThyssenKrupp Energiehandel GmbH	Essen
ThyssenKrupp Engineering AG	Essen
ThyssenKrupp Facilities Services GmbH	Düsseldorf
ThyssenKrupp Fahrzeugguss GmbH	Hildesheim
ThyssenKrupp Fahrzeugtechnik GmbH	Emden
ThyssenKrupp Federn GmbH	Werdohl
ThyssenKrupp Garten- und Landschaftsbau GmbH	Essen
ThyssenKrupp Gerlach GmbH	Homburg/Saar

ThyssenKrupp GfT Gesellschaft für Technik mbH	Essen
ThyssenKrupp GfT Tiefbautechnik GmbH	Essen
ThyssenKrupp Grundbesitz Verwaltungs GmbH	Essen
ThyssenKrupp HiServ GmbH	Düsseldorf
ThyssenKrupp Immobilien Development GmbH	Essen
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 Materials & Services GmbH	Düsseldorf
ThyssenKrupp Materials AG	Düsseldorf
ThyssenKrupp Metal Cutting GmbH	Essen
ThyssenKrupp Metallcenter GmbH	Karlsruhe
ThyssenKrupp Metallurgie GmbH	Essen
ThyssenKrupp Nirosta GmbH	Krefeld
ThyssenKrupp Plant Services GmbH	Essen
ThyssenKrupp Plant Services Nord GmbH	Salzbergen
ThyssenKrupp Plant Services Süd GmbH	Ingolstadt
ThyssenKrupp Präzisionsschmiede GmbH	Munich
ThyssenKrupp Presta Ilsenburg GmbH	Ilsenburg
ThyssenKrupp Printmedia GmbH	Duisburg
ThyssenKrupp Sägenstahlcenter GmbH	Duisburg
ThyssenKrupp Serv AG	Düsseldorf
ThyssenKrupp SiteServices GmbH	Kassel
ThyssenKrupp Stahl AG	Duisburg
ThyssenKrupp Stahl Bauelemente GmbH	Oberhausen
ThyssenKrupp Stahlbau GmbH	Hanover
ThyssenKrupp Stahlkontor GmbH	Düsseldorf
ThyssenKrupp Stahl-Service-Center GmbH	Leverkusen
ThyssenKrupp Stahlunion GmbH	Düsseldorf
ThyssenKrupp Stainless GmbH	Duisburg
ThyssenKrupp Stainless Export GmbH	Düsseldorf

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 tempsafe GmbH	Emden
ThyssenKrupp Transrapid GmbH	Kassel
ThyssenKrupp Turbinenkomponenten GmbH	Essen
ThyssenKrupp Umformtechnik GmbH	Ludwigsfelde
ThyssenKrupp VDM GmbH	Werdohl
ThyssenKrupp VDM Verwaltungsgesellschaft mbH	Duisburg
ThyssenKrupp Verkehr GmbH	Duisburg
ThyssenKrupp Versicherungsdienst GmbH Industrierversicherungsvermittlung	Düsseldorf
ThyssenKrupp Wiscore GmbH	Essen
ThyssenKrupp Wohnimmobilien GmbH	Essen
TKIS Document Services GmbH	Essen
tormatic GmbH	Dortmund
Triaton GmbH	Krefeld

<b>W</b> ○	Walter Herzog GmbH	Stuttgart
	Westdeutsche Industrieinstandhaltungs-Verwaltungsgesellschaft mbH	Cologne
	Westdeutsche Max Cochius GmbH	Frankfurt/Main
	WIG Industrieinstandhaltung GmbH	Cologne
	Willy Schiffer Eisen- und Bautenschutz GmbH	Düren
	Witzig & Frank GmbH	Offenburg
<b>X</b> ○	Xtend Holding GmbH	Düsseldorf

**Additional information** High-quality reporting is not just about providing extensive, up-to-date figures and detailed explanations. To help readers find their way around our report and put the numbers into perspective, we also provide a multi-year overview, definitions of terms and abbreviations and an index. Our communications and investor relations teams would be pleased to provide any further information you may require.

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## 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
<b>Earnings situation</b>						
Sales	€ m	32,378	29,794	37,209	38,008	36,698
Gross margin	€ m	5,632	5,182	7,173	7,036	6,476
EBITDA	€ m	2,545	2,391	3,383	3,267	2,648
Depreciation, amortization and impairment	€ m	1,684	1,580	1,874	1,918	1,949
Goodwill amortization	€ m	225	201	224	241	0
EBIT	€ m	861	811	1,509	1,349	1,046
Interest expense, net	€ m	(260)	(202)	(419)	(473)	(284)
EBT						
after goodwill amortization	€ m	601	609	1,090	876	–
before goodwill amortization	€ m	826	810	1,314	1,117	762
Consolidated net income	€ m	270	262	527	665	216
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
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
Gross margin	%	17.4	17.4	19.3	18.5	17.6
EBITDA margin	%	7.9	8.0	9.1	8.6	7.2
EBIT margin	%	2.7	2.7	4.1	3.5	2.9
EBT margin	%	1.9	2.0	2.9	2.3	2.1
Return on equity (before taxes)	%	7.4	7.5	12.4	10.0	9.2
<b>Assets situation</b>						
Fixed assets	€ m	17,428	17,428	18,755	17,818	16,255
Operating assets (including deferred income taxes as well as prepaid expenses and deferred charges)	€ m	15,285	15,285	17,133	16,831	14,905
Inventories	€ m	6,014	6,014	6,710	6,525	6,001
Trade accounts receivable	€ m	5,216	5,216	6,223	5,721	5,353
Cash and cash equivalents incl. operating securities	€ m	806	806	1,021	1,258	941
Total assets	€ m	32,713	32,713	35,888	34,649	31,160
Stockholders' equity	€ m	8,106	8,106	8,797	8,786	8,287
Liabilities	€ m	24,607	24,607	27,091	25,863	22,873
Accrued pension and similar obligations	€ m	7,023	7,023	6,970	6,908	7,065
Gross financial payables	€ m	6,999	6,999	8,751	7,665	5,683
Trade accounts payable	€ m	2,828	2,828	3,168	3,248	3,128
Stockholders' equity ratio	%	24.8	24.8	24.5	25.4	26.6
Gearing	%	76.4	76.4	87.9	72.9	57.2
Ratio of equity to fixed assets	%	46.5	46.5	46.9	49.3	51.0
Inventory turnover	days	66.9	72.7	64.9	61.8	58.9
Average collection period	days	58.0	63.0	60.2	54.2	52.5



<b>THYSSENKRUPP GROUP</b>		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
<b>Value management</b>						
Capital employed (average)	€ m	19,441	19,441	22,062	22,792	21,001
ROCE	%	7.6	7.6	9.8	8.8	7.0
Weighted average cost of capital	%	9.0	9.0	9.0	9.0	9.0
Economic value added (EVA)	€ m	(255)	(269)	162	(46)	(413)
Steel	€ m	(328)	–	(37)	(16)	(538)
Automotive	€ m	184	–	152	(16)	(137)
Elevator	€ m	138	–	181	186	208
Technologies	€ m	29	–	17	73	22
Materials	€ m	(8)	–	39	(88)	(87)
Serv	€ m	31	–	36	(98)	(14)
Real Estate	€ m	(61)	–	(58)	(37)	(39)
<b>Cash flow / capital investments</b>						
Net cash provided by operating activities	€ m	–	1,505	1,329	2,245	2,454
Net cash used in investing activities	€ m	–	(2,818)	(1,788)	(1,299)	(546)
Free cash flow (before dividend)	€ m	–	(1,313)	(459)	946	1,908
Net cash provided by / (used in) financing activities	€ m	–	1,439	609	(634)	(2,177)
Capital investments	€ m	3,766	3,646	2,495	2,327	1,777
Net financial payables	€ m	6,193	6,193	7,730	6,407	4,742
Internal financing capability		–	0.5	0.7	1.7	4.5
Debt to cash flow ratio		–	4.1	5.8	2.9	1.9
<b>Employees</b>						
Employees (average)		181,783	169,885	188,347	193,569	191,299
Personnel expenses	€ m	8,531	7,973	9,104	9,695	9,736
Sales per employee	€	178,113	175,377	197,556	196,354	191,836
<b>ThyssenKrupp AG</b>						
Net income	€ m	–	482	425	355	258
Dividend payout	€ m	–	368	386	309	206 <sup>1)</sup>
Dividend per share	€	–	0.72	0.75	0.60	0.40 <sup>1)</sup>

<sup>1)</sup> Proposal to the Annual Stockholders' Meeting

## Major consolidated subsidiaries and equity interests

Steel ○	NAME (as of September 30, 2002)	Shareholding in % <sup>1)</sup>	Equity in million € <sup>2)</sup>	Employees
	ThyssenKrupp Steel AG, Duisburg	100.00	3,315.3	117
	<b>Carbon Steel</b>			
	COSTE S.A.S., Fosses, France	100.00	14.2	54
	Eisen- und Hüttenwerke AG, Cologne	87.98	105.6	1
	Gwent Steel Ltd., Newport, UK	100.00	8.0	80
	Herzog Coilex GmbH, Stuttgart	74.90	6.9	123
	Hoesch Hohenlimburg GmbH, Hagen	99.50	48.1	1,752
	Hoesch Siegerlandwerke GmbH, Siegen	100.00	12.8	337
	Isocab France S.A., Dunkirk, France	90.00	9.1	62
	Isocab N.V., Harelbeke-Bavikhove, Belgium	90.00	8.8	174
	LA.RE. Laminatoi del Reghena S.p.A., Turin, Italy	100.00	- 2.0	126
	Rasselstein GmbH, Neuwied	100.00	130.7	522
	Rasselstein Hoesch GmbH, Andernach	99.50	106.4	2,304
	ThyssenKrupp Bausysteme GmbH, Dinslaken	100.00	10.0	168
	ThyssenKrupp Stahl AG, Duisburg	99.53	1,105.9	20,307
	ThyssenKrupp Stahl Bauelemente GmbH, Oberhausen	100.00	60.2	28
	ThyssenKrupp Stahl-Service-Center GmbH, Leverkusen	99.55	37.2	572
	ThyssenKrupp Steel North America, Inc., Dover/Delaware, USA	100.00	27.6	159
	ThyssenKrupp Tailored Blanks GmbH, Dortmund	100.00	26.9	305
	Galvanizaciones del Mediterraneo GALMED S.A., Sagunto, Spain	24.50	48.5 <sup>3)</sup>	61 <sup>3)</sup>
	GalvaSud S.A., Rio de Janeiro, Brazil	49.00	21.3 <sup>3)</sup>	234 <sup>3)</sup>
	Hüttenwerke Krupp Mannesmann GmbH, Duisburg	50.00	122.7 <sup>3)</sup>	3,537 <sup>3)</sup>
	Thyssen Ros Casares S.A., Valencia, Spain	50.00	12.6 <sup>3)</sup>	156 <sup>3)</sup>
	TWB Company, L.L.C., Detroit, USA	37.50	60.5 <sup>4)</sup>	420
	Wickeder Westfalenstahl GmbH, Wickede/Ruhr	25.10	38.0 <sup>3)</sup>	526 <sup>3)</sup>
	<b>Stainless Steel</b>			
	Acciai Speciali Terni España D.V.P. S.A., Barcelona, Spain	100.00	3.6	80
	AST France S.A., Paris, France	100.00	5.2	60
	C.i.pro.s. S.r.l., Ballò di Mirano, Italy	70.00	17.9	77
	C.S. Inox - Centro Servizi per l'Inossidabile S.p.A., Terni, Italy	70.00	9.0	81
	Mexinox Trading S.A. de C.V., Mexico D.F., Mexico	100.00	14.9	0
	Mexinox USA Inc., Brownsville/Texas, USA	100.00	15.8	27
	Nirosta Service Center GmbH, Wilnsdorf-Anzhausen	100.00	8.4	118
	Precision Rolled Products Inc., Reno/Nevada, USA	100.00	15.5	143
	Shanghai Krupp Stainless Co. Ltd., Pudong New Area/Shanghai, PR China	60.00	122.6	345
	Terni Steel B.V., Rotterdam, Netherlands	100.00	28.2	5
	ThyssenKrupp Acciai Speciali Terni S.p.A., Terni, Italy	100.00	256.6	2,684
	ThyssenKrupp Mexinox S.A. de C.V., San Luis Potosi, Mexico	95.50	173.2	1,062
	ThyssenKrupp Nirosta GmbH, Krefeld	100.00	153.4	4,785
	ThyssenKrupp Stainless Export GmbH, Düsseldorf	100.00	0.0	27
	ThyssenKrupp Stainless GmbH, Duisburg	99.61	482.1	50
	ThyssenKrupp VDM GmbH, Werdohl	98.04	66.5	1,683
	ThyssenKrupp VDM USA Inc., Parsippany/New Jersey, USA	100.00	3.0	20
	Titania S.p.A., Terni, Italy	100.00	17.0	98
	Tubificio di Terni S.r.l., Terni, Italy	97.00	16.0	139

<sup>1)</sup> related to the respective parent company in the ThyssenKrupp Group <sup>2)</sup> local <sup>3)</sup> financial statement date December 31, 2001  
<sup>4)</sup> financial statement date May 31, 2002 <sup>5)</sup> preconsolidated group <sup>6)</sup> employees average

<b>NAME</b> (as of September 30, 2002)	Shareholding in % <sup>1)</sup>	Equity in million € <sup>2)</sup>	Employees
<b>Special Materials</b>			
Berkenhoff GmbH, Heuchelheim	100.00	10.2	722
EBG India Private Ltd., Mumbai/Nashik, India	83.58	16.4	764
Edelstahl Witten-Krefeld GmbH, Witten	99.50	55.2	2,430
Edelstahlwerk Witten AG, Witten	100.00	37.3	0
Krupp Edelstahlprofile GmbH, Siegen	100.00	30.7	1,404
ThyssenKrupp Electrical Steel AST S.p.A., Terni, Italy	100.00	11.7	550
ThyssenKrupp Electrical Steel EBG GmbH, Bochum	99.50	21.1	1,479
ThyssenKrupp Electrical Steel GmbH, Essen	100.00	55.0	85
ThyssenKrupp Electrical Steel UGO S.A., Isbergues, France	100.00	21.8	492
Thyssen Krupp Steel Italia S.p.A., Milan, Italy	100.00	176.4	0
ThyssenKrupp Steel USA Inc., Wilmington/Delaware, USA	100.00	30.3	0
ThyssenKrupp Automotive AG, Bochum	100.00	269.1	168
The Budd Company, Troy/Michigan, USA	100.00	268.4	207
<b>Chassis</b>			
Budd Canada Inc., Kitchener/Ontario, Canada	77.25	- 53.8	2,152
Stahl Specialty Company, Kingsville/Texas, USA	100.00	- 11.2	850
ThyssenKrupp Automotive Systems GmbH, Bochum	100.00	15.3	126
ThyssenKrupp Automotive Tallent Chassis Ltd., County Durham, UK	100.00	53.5	1,657
ThyssenKrupp Bilstein GmbH, Ennepetal	99.50	12.1	1,072
ThyssenKrupp Bilstein of America Inc., San Diego/California, USA	100.00	0.9	222
ThyssenKrupp Federn GmbH, Werdohl	100.00	57.1	970
ThyssenKrupp JBM Private Ltd., Chennai, India	73.89	5.9	192
Waupaca Foundry Inc., Waupaca/Wisconsin, USA	100.00	301.9	3,369
<b>Body</b>			
Krupp Camford Pressings Ltd., Llanelli, UK	100.00	19.4	492
Milford Fabricating Company, Detroit/Michigan, USA	100.00	42.7	207
ThyssenKrupp Body Stampings Ltd., Cannock, UK	100.00	16.7	899
ThyssenKrupp Drauz GmbH, Heilbronn	100.00	1.3	575
ThyssenKrupp Drauz Ingenieurbetrieb GmbH, Hohenstein-Ernstthal	100.00	13.4	256
ThyssenKrupp Umformtechnik GmbH, Ludwigsfelde	100.00	46.2	2,150
TKA Fabco Corp., Halifax/Nova Scotia, Canada	100.00	44.4	1,137
<b>Powertrain</b>			
Krupp Metalúrgica Campo Limpo Ltda., Campo Limpo, Brazil	59.75	91.1	2,507
Krupp Metalúrgica de México S.A. de C.V., Mexico City, Mexico	100.00	20.7	321
ThyssenKrupp Atlas, Inc., Fostoria/Ohio, USA	100.00	13.2	213
ThyssenKrupp Fahrzeugguss GmbH, Hildesheim	100.00	36.5	1,346
ThyssenKrupp Fundicoes Ltda., Barra do Pirai, Brazil	100.00	14.3	1,500
ThyssenKrupp Gerlach Company, Danville/Illinois, USA	100.00	29.1	227
ThyssenKrupp Gerlach GmbH, Homburg/Saar	100.00	53.9	1,065
ThyssenKrupp Mavilor S.A., L'Horme, France	99.89	4.3	449
ThyssenKrupp Präzisionsschmiede GmbH, Munich	100.00	22.8	1,667
ThyssenKrupp Presta AG, Eschen, Liechtenstein	100.00	213.5	1,139

○ Automotive

<sup>1)</sup> related to the respective parent company in the ThyssenKrupp Group <sup>2)</sup> local <sup>3)</sup> financial statement date December 31, 2001  
<sup>4)</sup> financial statement date May 31, 2002 <sup>5)</sup> preconsolidated group <sup>6)</sup> employees average

## Elevator

<b>NAME</b> (as of September 30, 2002)	Shareholding in % <sup>1)</sup>	Equity in million € <sup>2)</sup>	Employees
ThyssenKrupp Presta France S.A., Florange, France	100.00	2.8	380
ThyssenKrupp Presta HuiZhong Shanghai Co., Ltd., Shanghai, PR China	60.00	11.7	69
Aventec S.A. de C.V., Silao/Guanajuato, Mexico	33.33	47.4 <sup>3)</sup>	585 <sup>3)</sup>
<b>ThyssenKrupp Elevator AG, Essen</b>	<b>100.00</b>	<b>378.6</b>	<b>84</b>
<b>Germany/Austria/Switzerland</b>			
Thyssen Aufzugswerke GmbH, Neuhausen a.d.F.	99.50	14.0	1,054
Thyssen Fahrtreppen GmbH, Hamburg	100.00	1.3	736
ThyssenKrupp Aufzüge AG, Rümlang, Switzerland	100.00	7.1	142
ThyssenKrupp Aufzüge Ges.mbH, Vienna, Austria	100.00	25.5	544
ThyssenKrupp Aufzüge GmbH, Neuhausen a.d.F.	100.00	79.9	83
<b>France/Benelux</b>			
Compagnie Générale d'Applications Ascenseurs S.A.S. 'C.G.2A.', La Plaine Saint-Denis, France	100.00	31.8	784
Thyssen Ascenseurs S.A.S., Angers, France	100.00	45.4	1,265
Thyssen Liften B.V., Krimpen aan den IJssel, Netherlands	100.00	23.2 <sup>5)</sup>	318 <sup>5)</sup>
ThyssenKrupp Ascenseurs Holding S.A.S., Puteaux, France	100.00	107.9	7
<b>Spain/Portugal/South America</b>			
Ascensores Cenia S.A., Andoain, Spain	100.00	19.0	769
ThyssenKrupp Eletec Internacional S.A., Madrid, Spain	100.00	81.4	16
ThyssenKrupp Elevadores, S.A., Madrid, Spain	99.92	55.6	1,997
ThyssenKrupp Elevadores, S.A., São Paulo, Brazil	99.77	69.3	1,709
ThyssenKrupp Elevadores, S.A., Lisbon, Portugal	100.00	11.5	571
ThyssenKrupp Norte S.A., Mieres/Oviedo, Spain	100.00	16.5	441
<b>North America/Australia</b>			
Central Elevator Co. Inc., New York, USA	100.00	18.9	199
Northern Elevator Ltd., Scarborough/Ontario, Canada	100.00	77.6	1,346
Thyssen Elevator Ltd., Toronto, Canada	100.00	40.0	849
Thyssen Lifts Pacific Pty. Ltd., Surry Hills, Australia	100.00	6.4	191
Thyssen Elevator Capital Corp., Whittier/California, USA	100.00	375.9	0
ThyssenKrupp Elevator Corp., Horn Lake/Mississippi, USA	100.00	196.0	6,853
ThyssenKrupp Elevator Manufacturing Inc., Collierville/Tennessee, USA	100.00	126.7	1,247
<b>Other Countries</b>			
Thyssen Aufzüge Ltd., Nottingham, UK	100.00	34.8	0
Thyssen Aufzüge Norge A/S, Oslo, Norway	100.00	40.7 <sup>5)</sup>	109 <sup>5)</sup>
Thyssen Lift Service Sp. z o.o., Warsaw, Poland	97.50	2.6	30
Thyssen Lifts and Escalators Ltd., Nottingham, UK	100.00	31.1	956
Thyssen Elevators Co. Ltd., Zhongshan, PR China	80.00	10.5	739
<b>Passenger Boarding Bridges</b>			
Thyssen Henschel S.A., Mieres/Oviedo, Spain	55.17	6.7	240
<b>Accessibility</b>			
Thyssen Access Corp., Kansas City/Missouri, USA	100.00	5.6	250
ThyssenKrupp Accessibility B.V., Krimpen aan den IJssel, Netherlands	100.00	1.2	172

<sup>1)</sup> related to the respective parent company in the ThyssenKrupp Group <sup>2)</sup> local <sup>3)</sup> financial statement date December 31, 2001  
<sup>4)</sup> financial statement date May 31, 2002 <sup>5)</sup> preconsolidated group <sup>6)</sup> employees average

<b>NAME</b> (as of September 30, 2002)	Shareholding in % <sup>1)</sup>	Equity in million € <sup>2)</sup>	Employees
ThyssenKrupp Technologies AG, Essen	100.00	432.1	157
<b>Production Systems</b>			
Cross Hüller Ltd., Merseyside, UK	100.00	10.3	288
Fadal Engineering Company Inc., Chatsworth/California, USA	100.00	143.7	236
Giddings & Lewis, LLC, Fond du Lac/Wisconsin, USA	100.00	275.9	687
Gilman Engineering & Manufacturing Co. LLC, Janesville/Wisconsin, USA	100.00	81.8	354
Hüller Hille GmbH, Ludwigsburg	100.00	25.6	1,565
Industrie Automation S.A., Ensisheim, France	100.00	6.1	191
Johann A. Krause Inc., Auburn Hills/Michigan, USA	100.00	20.3	218
Johann A. Krause Maschinenfabrik GmbH, Bremen	100.00	8.9	1,319
Nothelfer GmbH, Ravensburg	99.50	10.2	1,590
The Cross Company, Sterling Heights/Michigan, USA	100.00	11.1	212
ThyssenKrupp Metal Cutting GmbH, Essen	100.00	48.2	0
ThyssenKrupp Production Systems Kft, Kecskemét, Hungary	100.00	5.7	343
Witzig & Frank GmbH, Offenburg	100.00	9.5	268
<b>Plant Technology</b>			
Polysius AG, Beckum	100.00	13.9	984
Polysius Corp., Atlanta/Georgia, USA	100.00	16.6	101
Polysius S.A., Aix en Provence, France	100.00	33.9	164
ThyssenKrupp EnCoke GmbH, Bochum	99.23	26.0	331
ThyssenKrupp Fördertechnik GmbH, Essen	100.00	66.1	771
ThyssenKrupp Industries India Pvt. Ltd., Pimpri, India	53.93	28.9	894
Uhde GmbH, Dortmund	100.00	56.5	1,225
Uhde India Ltd., Mumbai, India	80.43	8.8	549
Intecsa-Uhde Industrial S.A., Madrid, Spain	50.00	12.6	373
<b>Marine</b>			
Blohm+Voss GmbH, Hamburg	99.50	33.2	1,110
Blohm+Voss Repair GmbH, Hamburg	99.50	7.7	460
Nordseewerke GmbH, Emden	99.50	12.8	1,458
ThyssenKrupp Werften GmbH, Hamburg	100.00	56.0	0
<b>Mechanical Engineering</b>			
Advanced Turbine Components, Inc. (ATC), Winston-Salem/North Carolina, USA	80.00	14.6	195
B+V Industrietechnik GmbH, Hamburg	100.00	10.2	645
Berco S.p.A., Copparo, Italy	100.00	70.1	2,941
Noske-Kaeser GmbH, Hamburg	100.00	5.6	374
Novoferm France S.A., Machecoul, France	99.80	7.7	300
Novoferm GmbH, Rees	100.00	41.1	757
Novoferm Nederland B.V., Waardenburg, Netherlands	100.00	5.2	274
PSL a.s., Povazská Bystrica, Slovakia	100.00	18.1	556
Riexinger Türenwerke GmbH, Brackenheim-Hausen	74.50	12.6	412
Rotek Incorporated, Aurora/Ohio, USA	100.00	22.9	287
Rothe Erde GmbH, Dortmund	99.50	25.6	1,505
Thyssen Polymer GmbH, Bogen	100.00	7.4	649
ThyssenKrupp Elastomertechnik GmbH, Hamburg	100.00	5.1	561

○ Technologies

<sup>1)</sup> related to the respective parent company in the ThyssenKrupp Group <sup>2)</sup> local <sup>3)</sup> financial statement date December 31, 2001  
<sup>4)</sup> financial statement date May 31, 2002 <sup>5)</sup> preconsolidated group <sup>6)</sup> employees average

## Materials

<b>NAME</b> (as of September 30, 2002)	Shareholding in % <sup>1)</sup>	Equity in million € <sup>2)</sup>	Employees
ThyssenKrupp Transrapid GmbH, Kassel	100.00	2.8	306
ThyssenKrupp Turbinenkomponenten GmbH, Essen	100.00	5.1	516
Vinyl Building Products, Inc., Oakland/New Jersey, USA	100.00	27.4	230
Xuzhou Rothe Erde Slewing Bearing Co. Ltd., Xuzhou, PR China	60.00	10.3	868
ThyssenKrupp Materials AG, Düsseldorf	99.77	460.3	217
<b>MaterialsServices Europe</b>			
Cadillac Plastic GmbH, Darmstadt	100.00	6.2	256
Dortmunder Eisenhandel Hansa GmbH, Dortmund	100.00	13.7	115
Freiburger Stahlhandel GmbH & Co. KG, Freiburg i.Br.	51.00	2.3	149
German-Steels Co. Ltd., Hong Kong, PR China	80.00	14.4	46
Jacob Bek GmbH, Ulm	80.00	4.9	155
LAGERMEX S.A. de C.V., Puebla, Mexico	100.00	16.9	213
N.V. Thyssen Belge S.A., Grâce-Hollogne, Belgium	100.00	4.5	0
Otto Wolff Handelsgesellschaft mbH, Düsseldorf	99.50	19.3	174
Otto Wolff Kunststoffvertrieb GmbH, Düsseldorf	100.00	6.1	398
Röhm Benelux B.V., Baarn, Netherlands	100.00	26.6	14
Smitfort-Staal B.V., 's-Gravenhage, Netherlands	100.00	14.5	100
Thyssen (Schweiz) AG, Bronschhofen/Wil, Switzerland	100.00	14.9	126
Thyssen Röhm Kunststoffe GmbH, Düsseldorf	65.45	60.2	0
ThyssenKrupp Energostal S.A., Torun, Poland	80.00	8.0	252
ThyssenKrupp Ferroglobus Kereskedelmi Rt., Budapest, Hungary	89.63	30.6	354
ThyssenKrupp Materials France S.A.S., Maurepas, France	100.00	39.9	685
ThyssenKrupp Materials Ibérica S.A., Martorelles, Spain	100.00	3.4	139
ThyssenKrupp Materials Nederland B.V., Veghel, Netherlands	100.00	27.8	178
ThyssenKrupp Metallcenter GmbH, Karlsruhe	100.00	0.1	71
ThyssenKrupp Special Steels (UK) Ltd., Staveley, UK	100.00	2.7	25
ThyssenKrupp Stahlunion Austria GmbH, Vienna, Austria	100.00	3.3	102
Thyssen Stahlunion Holdings Ltd., Smethwick, UK	100.00	23.0	228
Vetchberry Ltd., Birmingham, UK	100.00	13.0	73
Finox S.p.A., Milan, Italy	40.00	7.7 <sup>3)</sup>	316 <sup>3)</sup>
<b>MaterialsServices North America</b>			
AIN Plastics, Inc., Mount Vernon/New York, USA	100.00	11.5	123
Copper and Brass Sales, Inc., Eastpoint/Michigan, USA	100.00	33.5	1,043
Ken-Mac Metals Inc., Cleveland/Ohio, USA	100.00	33.6	210
Thyssen Canada Ltd., Rexdale/Ontario, Canada	100.00	16.6	137
Thyssen Inc., Dover/Delaware, USA	100.00	197.6	275
Thyssen Specialty Steels Inc., Carol Stream/Illinois, USA	100.00	15.0	138
<b>Special Products</b>			
B.V. 'Nedeximpo' Nederlandse Export- en Importmaatschappij, Amsterdam, Netherlands	100.00	8.4	29
Thyssen Mannesmann Handel (SEA) Pte. Ltd., Singapore, Singapore	100.00	3.4	22
ThyssenKrupp Energiehandel GmbH, Essen	100.00	20.9	12
ThyssenKrupp GfT Gesellschaft für Technik mbH, Essen	100.00	10.9	218
ThyssenKrupp Metallurgie GmbH, Essen	100.00	16.5	45

<sup>1)</sup> bezogen auf die jeweilige Obergesellschaft im ThyssenKrupp Konzern <sup>2)</sup> nach Landesrecht <sup>3)</sup> Jahresabschluss 31.12.2001  
<sup>4)</sup> Jahresabschluss 31.05.2002 <sup>5)</sup> Teilkonzern <sup>6)</sup> Mitarbeiter im Jahresdurchschnitt

<b>NAME</b> (as of September 30, 2002)	Shareholding in % <sup>1)</sup>	Equity in million € <sup>2)</sup>	Employees	
ThyssenKrupp Serv AG, Düsseldorf	100.00	191.2	79	○ Serv
<b>Industrial Services</b>				
Commando (UK) Ltd., Birmingham, UK	100.00	2.8	1,202	
Hommel CNC Technik GmbH, Düsseldorf	100.00	1.5	55	
ThyssenKrupp Industrieservice GmbH, Düsseldorf	100.00	94.3	26	
Westdeutsche Industrieinstandhaltungs-Verwaltungsgesellschaft mbH, Cologne	78.33	39.4	0	
WIG Industrieinstandhaltung GmbH, Cologne	100.00	6.2	6,492	
<b>Construction Services</b>				
Hünnebeck GmbH, Ratingen	100.00	29.2	263	
Palmer's Ltd., Hampshire, UK	100.00	5.0	1,018	
PeinigerRöRo GmbH, Gelsenkirchen	100.00	38.6	2,305	
TH United Enterprises, Inc., Dover/Delaware, USA	100.00	103.1	2,683	
Thyssen Austria Ges. mbH, Vienna, Austria	99.50	13.4	191	
ThyssenKrupp Systems & Services GmbH, Ratingen	96.00	63.2	57	
<b>Facilities Services</b>				
ThyssenKrupp Facilities Services GmbH, Düsseldorf	100.00	6.7	5	
ThyssenKrupp HiServ GmbH, Düsseldorf	100.00	3.9	1,429	
<b>Information Services</b>				
Krupp Druckereibetriebe GmbH, Essen	100.00	2.6	323	
ThyssenKrupp Information Services GmbH, Düsseldorf	100.00	128.7	58	
Triaton GmbH, Krefeld	100.00	4.9	1,972	
<b>Real Estate</b>				
ThyssenKrupp Immobilien GmbH, Essen	100.00	34.4	94	○ Real Estate
<b>Residential Real Estate</b>				
Krupp Hoesch Immobilien GmbH, Essen	100.00	91.1	0	
ThyssenKrupp Wohnimmobilien GmbH, Essen	99.69	296.6	278	
<b>Real Estate Services</b>				
Krupp Stahl AG & Co. Liegenschaftsverwaltung, Bochum	100.00	118.1	0	
Suter + Suter GmbH, Düsseldorf	100.00	7.7	29	
Thyssen Liegenschaften Verwaltungs- und Verwertungs GmbH & Co. KG Stahl, Oberhausen	100.00	31.1	0	
ThyssenKrupp Garten und Landschaftsbau GmbH, Essen	100.00	0.2	113	
ThyssenKrupp Immobilien Management GmbH, Essen	100.00	0.3	130	
<b>National Holding Companies</b>				
Grupo ThyssenKrupp S.A., Madrid, Spain	100.00	198.1	0	○ Corporate
ThyssenKrupp France S.A., Rueil-Malmaison, France	100.00	319.7	0	
ThyssenKrupp Italia S.p.A., Milan, Italy	100.00	150.1	0	
ThyssenKrupp Nederland B.V., Roermond, Netherlands	100.00	141.5	0	
ThyssenKrupp Participaciones, S.L., Andoain, Spain	100.00	16.6	0	
ThyssenKrupp UK PLC., County Durham, UK	100.00	244.7	0	
ThyssenKrupp USA, Inc., Troy/Michigan, USA	100.00	1,236.4	26	
<b>Equity interests</b>				
Böhler Thyssen Schweißtechnik GmbH, Hamm	50.00	57.1 <sup>3)</sup>	15 <sup>6)</sup>	
RAG Aktiengesellschaft, Essen	20.57	486.9 <sup>3)</sup>	49,570 <sup>3)</sup>	

<sup>1)</sup> related to the respective parent company in the ThyssenKrupp Group <sup>2)</sup> local <sup>3)</sup> financial statement date December 31, 2001  
<sup>4)</sup> financial statement date May 31, 2002 <sup>5)</sup> preconsolidated group <sup>6)</sup> employees average

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## Glossary

- A** ○
- Audit**  
Examination of a company (division) undertaken by an independent auditor to determine whether defined standards have been observed
- 
- Average collection period**  
Trade accounts receivable divided by sales, multiplied by 360 (the lower the ratio, the faster customers pay)
- 
- B** ○
- best pl@za**  
ThyssenKrupp best platform, accessible Groupwide via intranet and internet, for reporting, communication and know-how transfer
- 
- C** ○
- Capital employed**  
Interest-bearing invested capital
- 
- Cash flow from investing activity**  
Cash receipts/payments from investments/disposals
- 
- Cash flow from operating activity**  
Cash receipts/payments, unless caused by investing or financing activities
- 
- Conference call**  
Telephone conference, used, for example, for current briefings of analysts
- 
- 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
- 
- Debt to cash flow ratio**  
Net financial payables divided by cash flow from operating activity
- 
- Declaration of Conformity**  
Declaration of Executive Board and Supervisory Board pursuant to Art. 161 AktG (Stock Corporation Act) regarding implementation of the recommendations of the Government Commission on the German Corporate Governance Code
- 
- Dow Jones STOXX (DJ STOXX)**  
European stock index of Stoxx Ltd. The founders of Stoxx were Deutsche Börse AG, Bourse de Paris, Schweizer Börse and publishing house Dow Jones and Company
- 
- 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
- 
- EBIT margin**  
EBIT divided by sales (the higher the ratio, the higher the earning power)
- 
- EBITDA margin**  
EBITDA divided by sales (the higher the ratio, the higher the earning power)
- 
- EBT**  
Earnings before taxes
- 
- EBT margin**  
EBT divided by sales (the higher the ratio, the higher the earning power)
- 
- 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)
- 
- Equity to fixed assets ratio**  
Stockholders' equity divided by fixed assets, multiplied by 100
- 
- Euro zone**  
Economic territory of the member states of the European Currency Union
- 
- F** ○
- First-stage processing**  
Initial processing of materials in service centers (e.g. blanking, surface treatment)
- 
- Free cash flow (before dividend)**  
Cash flow from operating activity less cash flow from investing activity
-

**Full-service supplier**

Service company offering customers all required services from one source

**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

**Gross margin (%)**

Ratio of absolute gross margin to net sales (the higher the ratio, the higher the earning power from operations)

**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)

**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.

**O****One-stop shopping**

Delivery of all products and services from one source

**P****Purchase accounting**

US GAAP accounting method for accounting for a company acquisition

**R****Return on equity**

Ratio of earnings before taxes to equity capital

**ROCE**

Return on capital employed

**S****SMC**

Sheet Molded Compound, fiber reinforced plastic material

**Spin-off**

Product derived from a different line of development

**Spot trading**

Buying and selling commodities for cash and immediate delivery

**Spread**

Range of price fluctuations

**Stakeholders**

Groups within society which contribute to a company's success and place demands on the company in different ways (e.g. stockholders, banks, customers, employees, government agencies)

**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"

**ThyssenKrupp management competencies**

Basis for assessing the potential and developing the competencies of our management staff

**U****US GAAP**

United States Generally Accepted Accounting Principles

**V****Value reporting**

Communication with the public and the financial market using value-oriented indicators

**Volatility**

Intensity of price fluctuations of a stock, currency or bulk commodity compared to the market development

## List of abbreviations

<b>A</b>	<b>AICPA</b> American Institute of Certified Accountants	<b>M</b>	<b>MD&amp;A</b> Management's Discussion and Analysis of Results of Operations and Financial Condition
	<b>APB</b> Accounting Principles Board Opinion		<b>MitbestG</b> German Codetermination Law
	<b>AktG</b> German Stock Corporation Act	<b>O</b>	<b>OCI</b> Other Comprehensive Income
	<b>ARB</b> Accounting Research Bulletin	<b>P</b>	<b>PoC</b> Percentage of Completion
<b>C</b>	<b>CON</b> Statement of Financial Accounting Concepts	<b>R</b>	<b>ROCE</b> Return on Capital Employed
<b>D</b>	<b>DJ STOXX</b> Dow Jones STOXX	<b>S</b>	<b>SAB</b> Staff Accounting Bulletin
<b>E</b>	<b>EITF</b> Emerging Issues Task Force		<b>SEC</b> Securities and Exchange Commission
	<b>EPS</b> Earnings per share		<b>SFAS</b> Statement of Financial Accounting Standards
	<b>EVA</b> Economic Value Added		<b>SOP</b> Statement of Position
<b>F</b>	<b>FASB</b> Financial Accounting Standards Board	<b>U</b>	<b>US GAAP</b> United States Generally Accepted Accounting Principles
	<b>FIN</b> FASB Interpretation	<b>W</b>	<b>WACC</b> Weighted Average Capital Cost
<b>H</b>	<b>HGB</b> German Commercial Code		<b>WpHG</b> German Securities Trading Law
<b>K</b>	<b>KonTraG</b> German Law on Control and Transparency in Business		
<b>L</b>	<b>LTM</b> Long Term Management Incentive Plan		



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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 <http://www.thyssenkrupp.com>. An online version of the report is also available on our website.

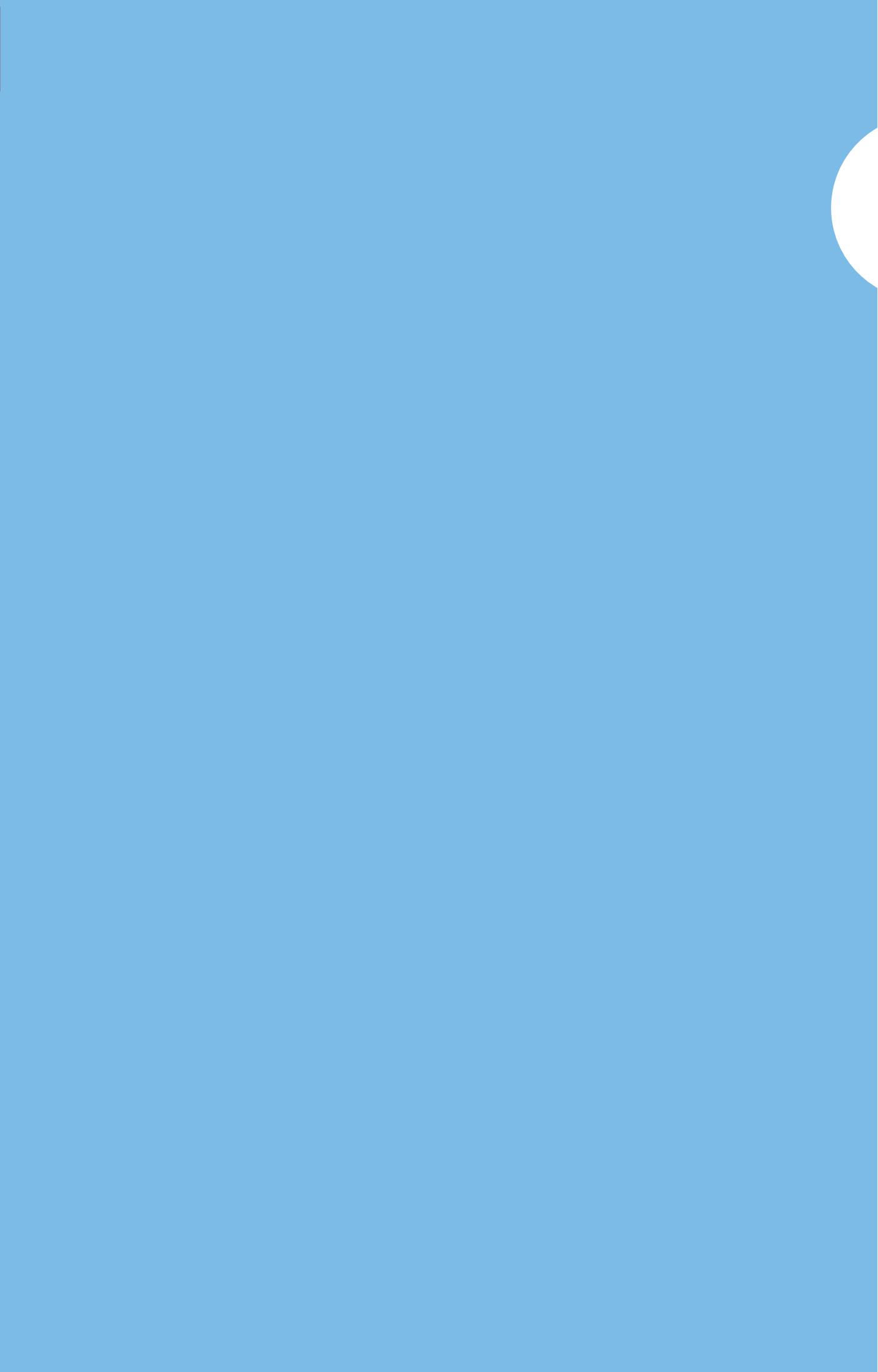
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2003 ◦ 2004 dates

