



ThyssenKrupp Stainless

Stainless Steel Strategy

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ThyssenKrupp Field Day
October 17, 2008

ThyssenKrupp Stainless

ThyssenKrupp Corporate Structure

ThyssenKrupp AG

Sales **€54.6 bn** • EBT **€3.33 bn** • EBITDA **€5.3 bn** • Employees **191,350**

all figures 2006/2007 (consolidated)

Steel

Sales **€13.2 bn**
EBT **€1,662 m**
Employees **39,559**



**ThyssenKrupp
Steel AG**
Duisburg

Stainless

Sales **€8.7 bn**
EBT **€777 m**
Employees **12,182**



**ThyssenKrupp
Stainless AG**
Duisburg

Technologies

Sales **€11.5 bn**
EBT **€544 m**
Employees **54,762**



**ThyssenKrupp
Technologies AG**
Essen

Elevator

Sales **€4.7 bn**
EBT* **€-113 m**
Employees **39,501**



**ThyssenKrupp
Elevator AG**
Düsseldorf

Services

Sales **€16.7 bn**
EBT **€704 m**
Employees **43,012**



**ThyssenKrupp
Services AG**
Düsseldorf

* incl. EU fine

ThyssenKrupp Stainless

Top Positions in all Fields of Activities

ThyssenKrupp Stainless

Stainless Steel



Sales: €6.3 bn
Employees: 9,762

ThyssenKrupp Nirosta
ThyssenKrupp Acciai Speciali Terni
ThyssenKrupp Mexinox
Shanghai Krupp Stainless

No. 1

High Performance Alloys



Sales: €1.6 bn
Employees: 2,041

ThyssenKrupp VDM

No. 2

ThyssenKrupp Titanium

No. 6

Processing



Sales: €0.8 bn
Employees: 379

Società delle Fucine Europe
(>100 t Unit Weight)

No. 1

Tubificio di Terni Europe

No. 1

FY 2006/07, not consolidated

ThyssenKrupp Stainless

Transition Year 2007/08

9 Months
(Oct – Jun)

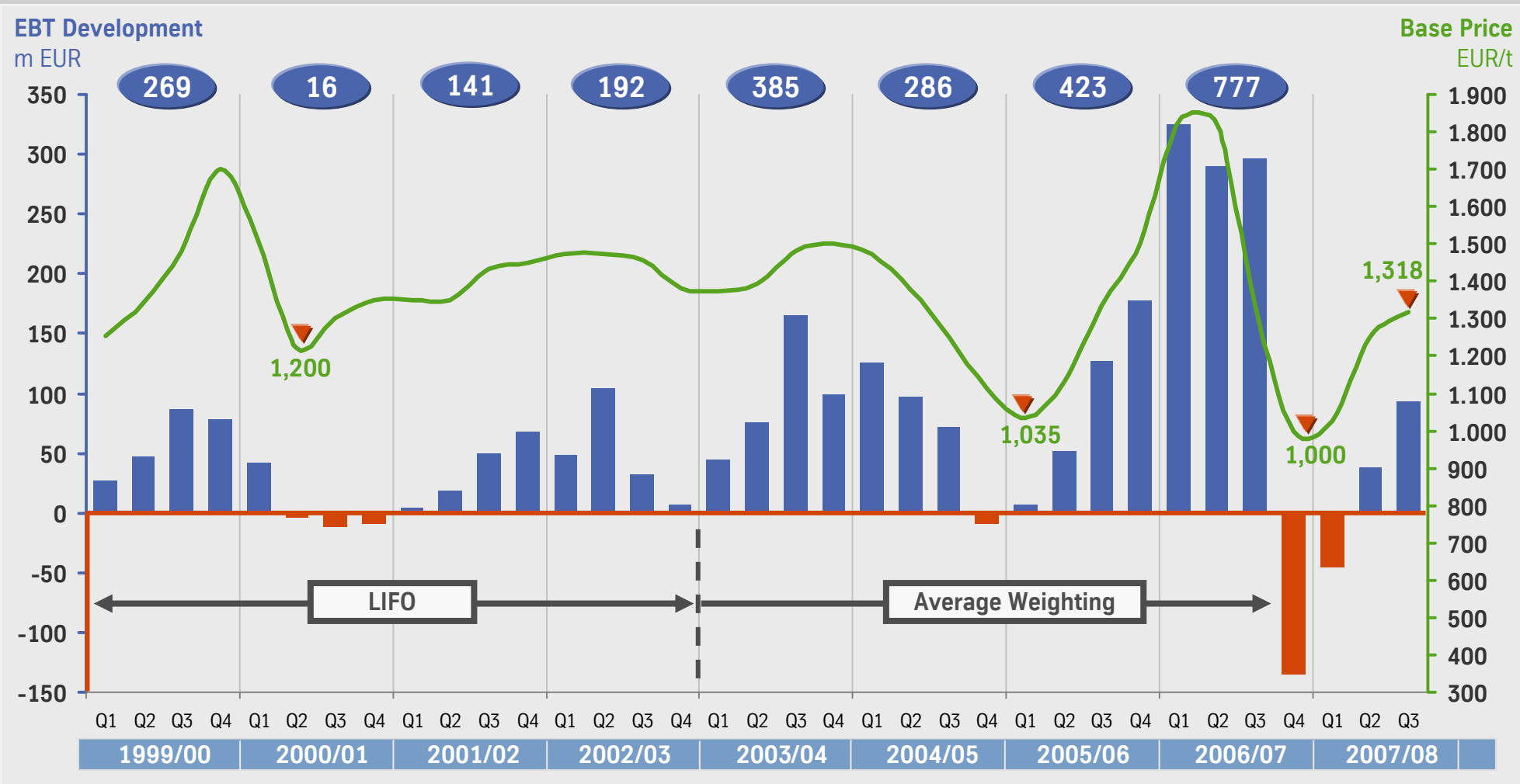
		2002/03	2003/04 ^{*)}	2004/05 ^{*)}	2005/06 ^{*)}	2006/07	2007/08
Sales	€m	3,957	4,990	5,572	6,437	8,748	5,726
Total Shipments	1,000 t	2,365	2,519	2,237	2,468	2,185	1,737
thereof Stainless CR	1,000 t	1,577	1,742	1,578	1,764	1,700	1,306
EBT	€m	192	385	286	423	777	86
ROCE	%	9.9	16.9	11.8	16.0	22.7	5.4
TKVA	€m	- 4	182	68	199	507	- 99
Employees	#	12,116	11,811	12,201	12,197	12,182	12,037

^{*)} US-GAAP

→ Transition Year 2007/08

ThyssenKrupp Stainless

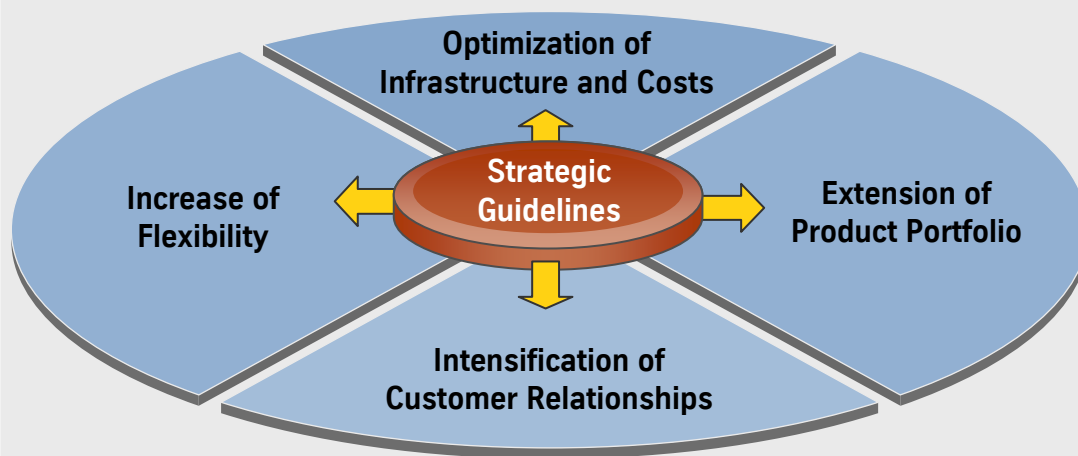
EBT Development



Strategic Approach

Optimization and Extension

Existing strategic approach



Growth phase initiated

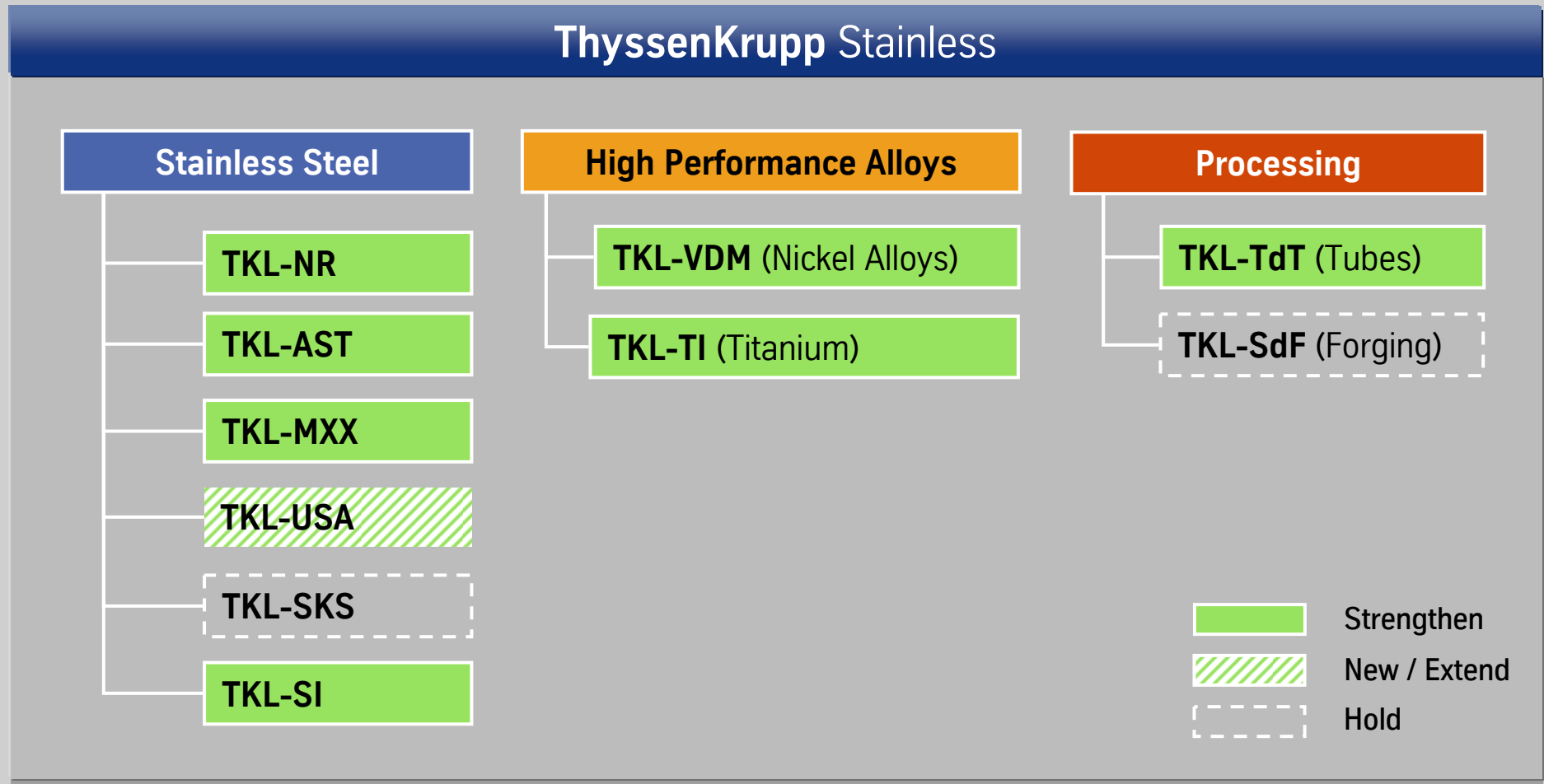
- Restructuring and increase of value addition at ThyssenKrupp AST in process
- Further market penetration of NAFTA region by new integrated Greenfield plant in the US on time schedule
- Optimization of production structures and product portfolio in Nickel Alloys and increase of value added depth in downstream production steps in Titanium

Strategic Alignment of ThyssenKrupp Stainless

Stainless Steel	<p>⇒ Secure Competitiveness in the European Home Market</p> <p>Increase operative performance</p> <p>Strengthening of a leading market position</p> <p>Optimization of product portfolio and increase value added products</p> <p>Capacity growth along with the market</p> <p>Extension of global sales network</p> <p>Optimization of production structures in European plants</p>
High Performance Alloys	<p>⇒ Further Market Penetration of attractive NAFTA-Region</p> <p>Participate in market growth by local production facility in US-Market by using market position of Mexinox and synergies with TKS Greenfield</p> <p>⇒ Extension of Nickel Alloys and Titanium</p> <p>Increase of operative performance, participate in market growth</p> <p>Optimization of production structures of VDM and Titanium</p> <p>Extension of Titanium business</p>
Processing	<p>⇒ Further Development of Forging business</p> <p>Extension of Forging capacities and capabilities</p>



ThyssenKrupp Stainless Portfolio Development

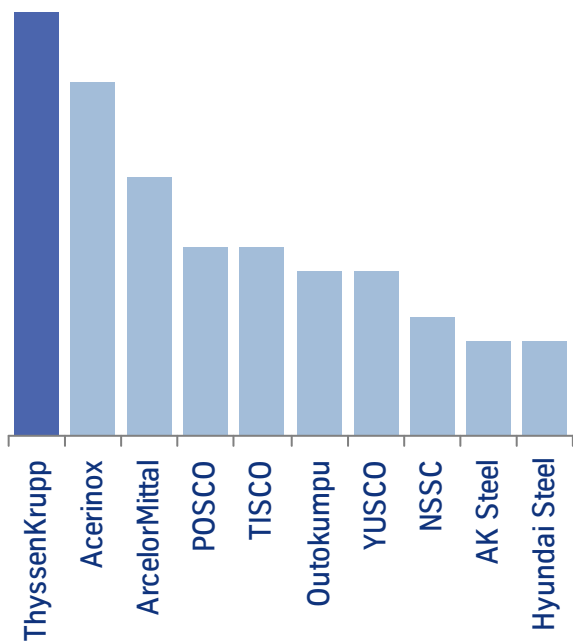


ThyssenKrupp Stainless

Leading Positions in Stainless Steel Cold-Rolled Flat Products and Nickel Alloys

Stainless Steel

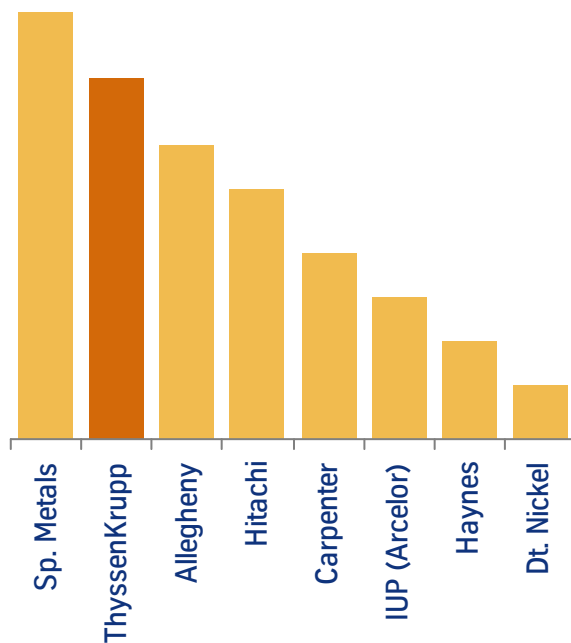
Shipments in 2007



The 10 largest producers stand for 56% of all worldwide shipments

Nickel Alloys

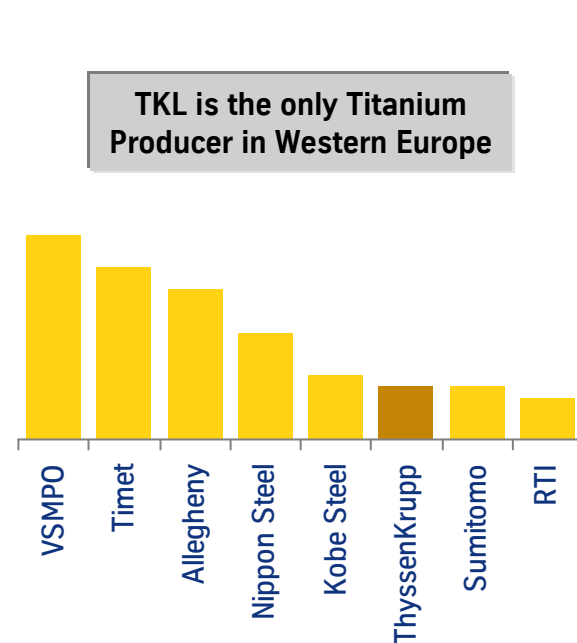
Shipments in 2007



The 6 largest producers stand for 66% of all worldwide shipments

Titanium

Shipments in 2007

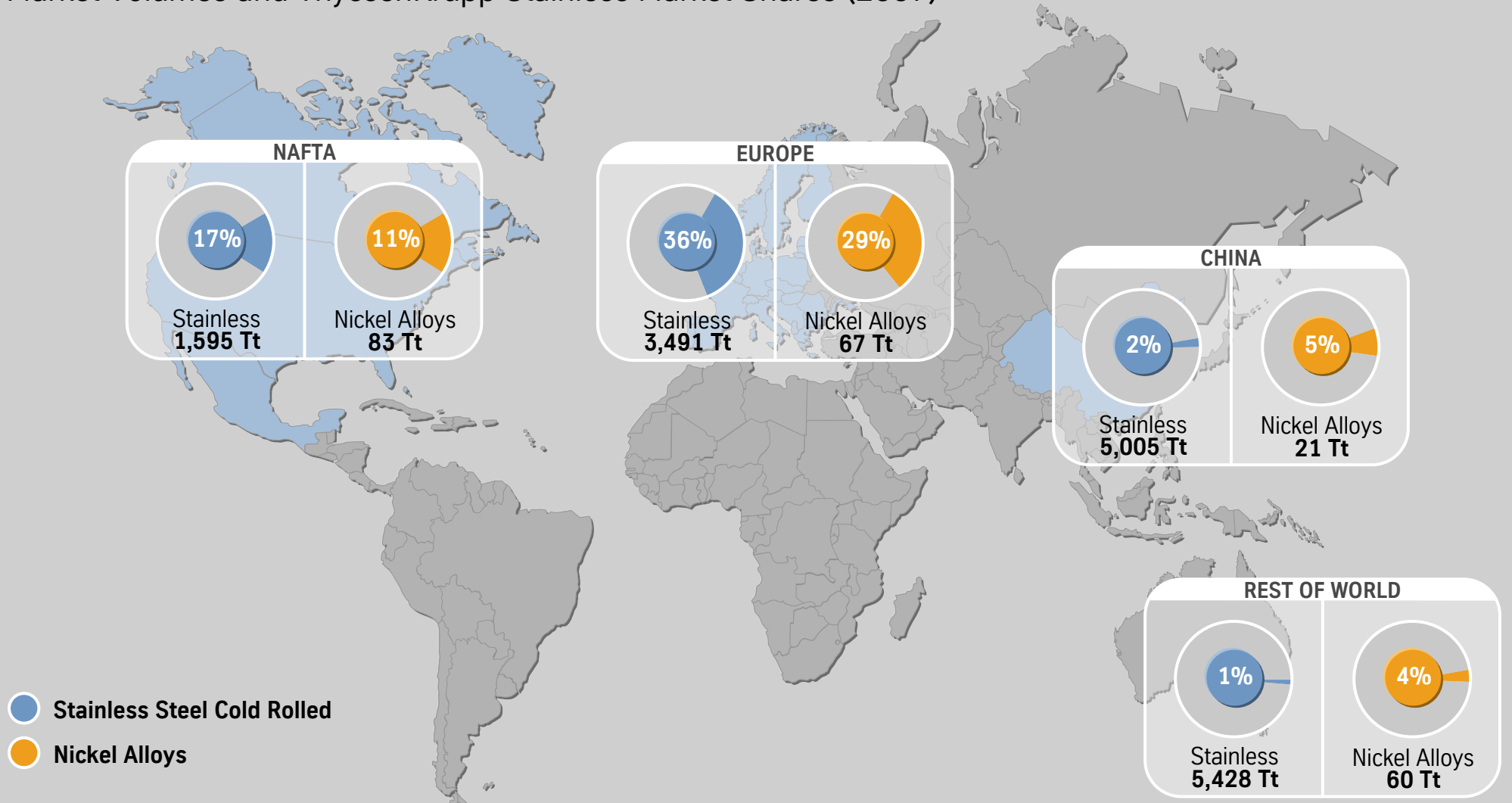


The 5 largest producers stand for 67% of all worldwide shipments



Global Market Presence

Market Volumes and ThyssenKrupp Stainless Market Shares (2007)

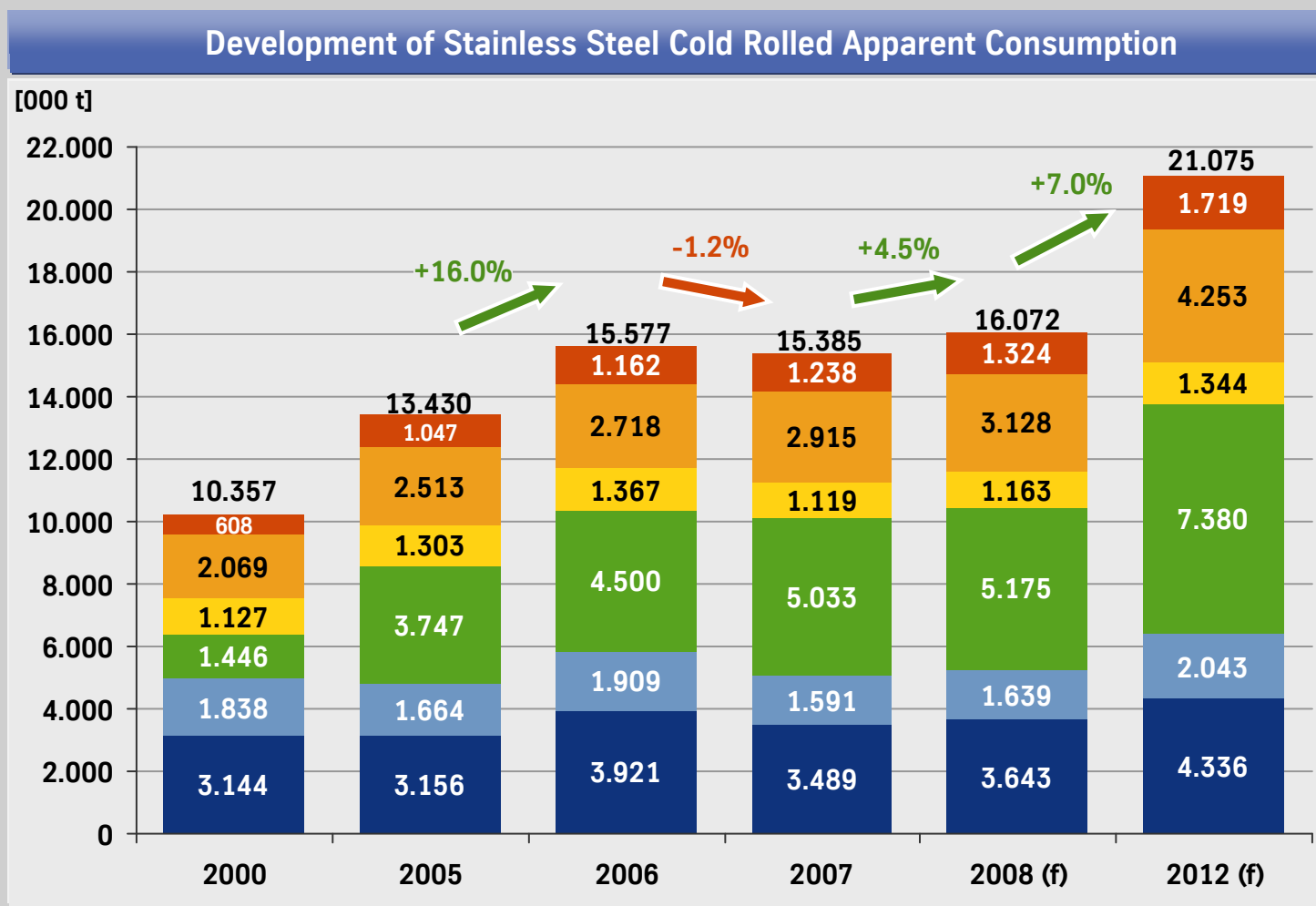


● Stainless Steel Cold Rolled
● Nickel Alloys

08 Sep 2008 - Source: CRU Aug 08, TKL ZA/UE, TKL-VDM



World: Development of Stainless Steel Cold Rolled Demand



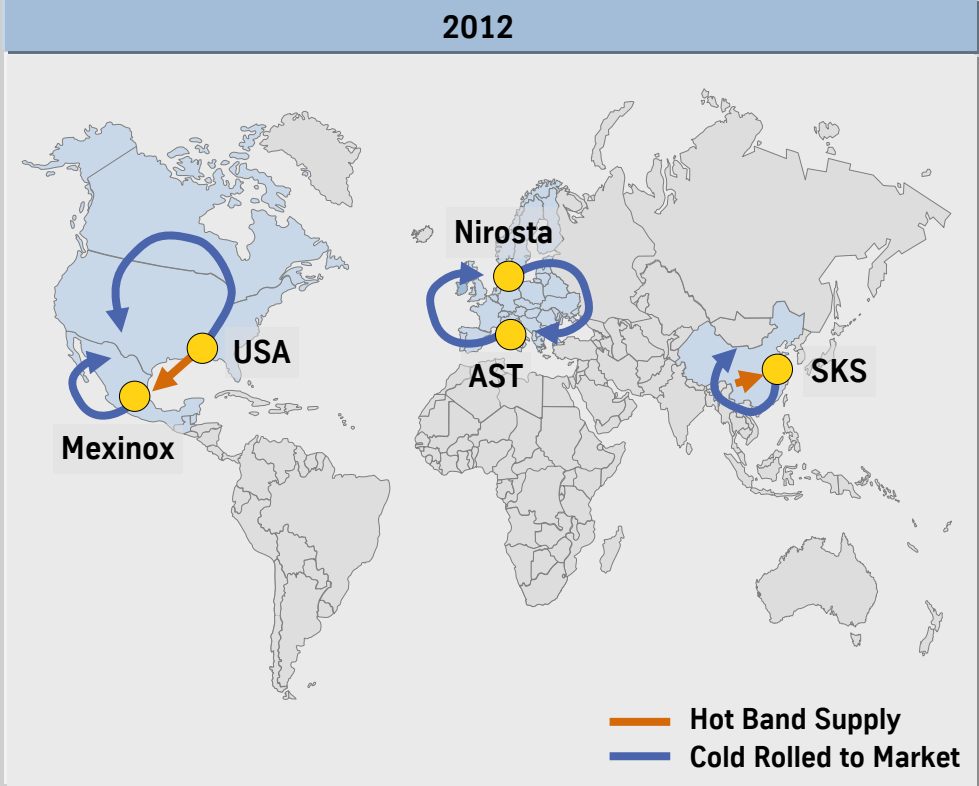
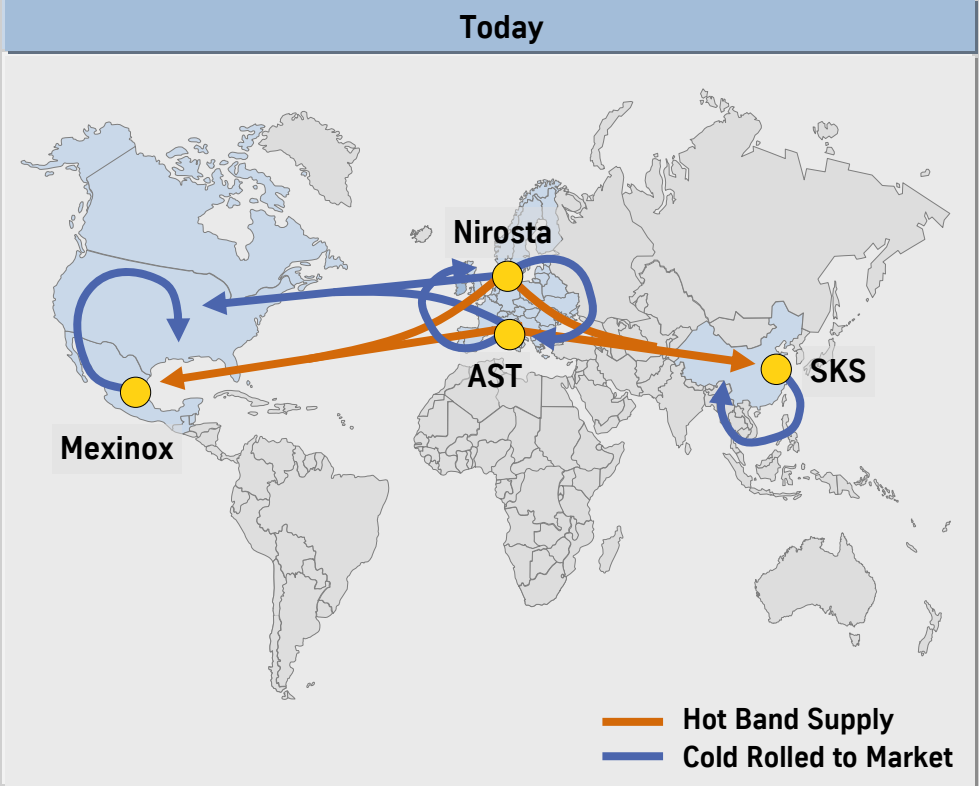
Rest of World	+ 6.5%
Rest of Asia	+ 8.0%
Japan	+ 3.7%
China	+ 9.3%
NAFTA	+ 5.7%
Europe	+ 4.5%
World	+ 7.0%

Source: CRU August 2008



ThyssenKrupp Stainless Global Investment Strategy

Focus on the Core Markets in Europe and NAFTA



ThyssenKrupp Stainless Market Shares		
NAFTA	Europe	China
17%	36%	2%

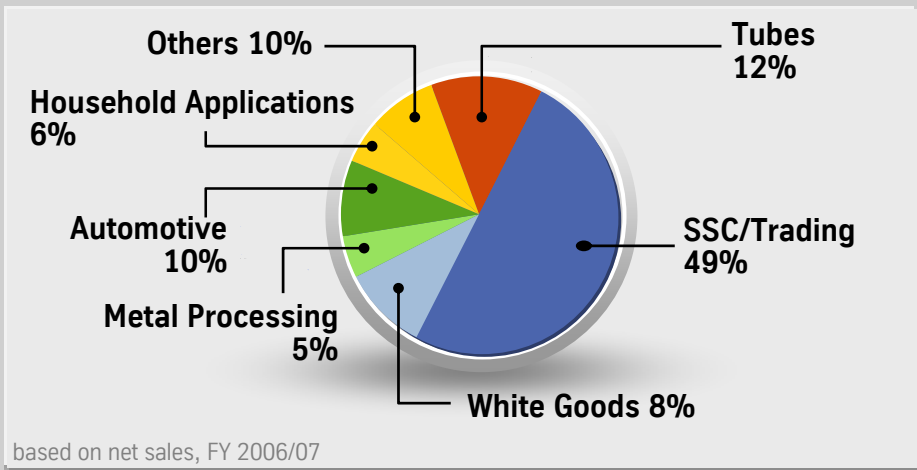
ThyssenKrupp Stainless Market Shares		
NAFTA	Europe	China
28%	38%	<2%



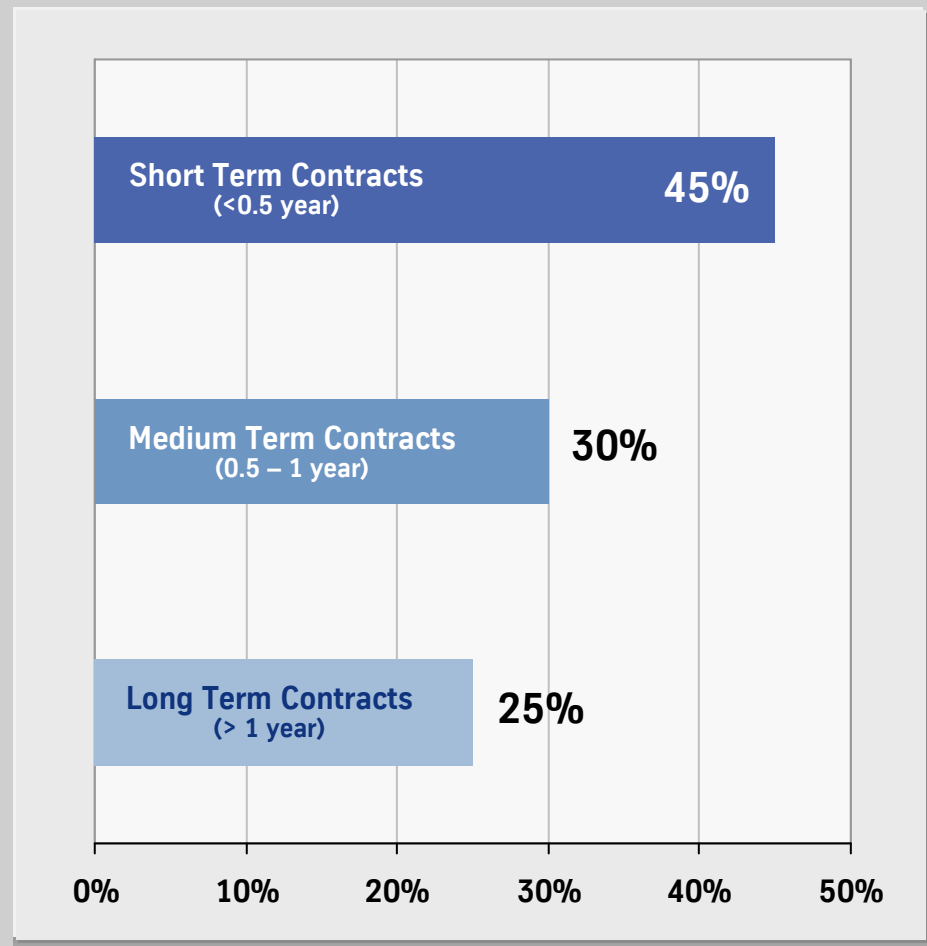
Increasing non-volatile Customer Bases

Sales Structure within ThyssenKrupp Stainless Group

Stainless Steel Sales by Customer Group



Stainless Steel Contract Structure



ThyssenKrupp AST on its way to an integrated Single-Site-Plant

Sales Structure within ThyssenKrupp Stainless Group

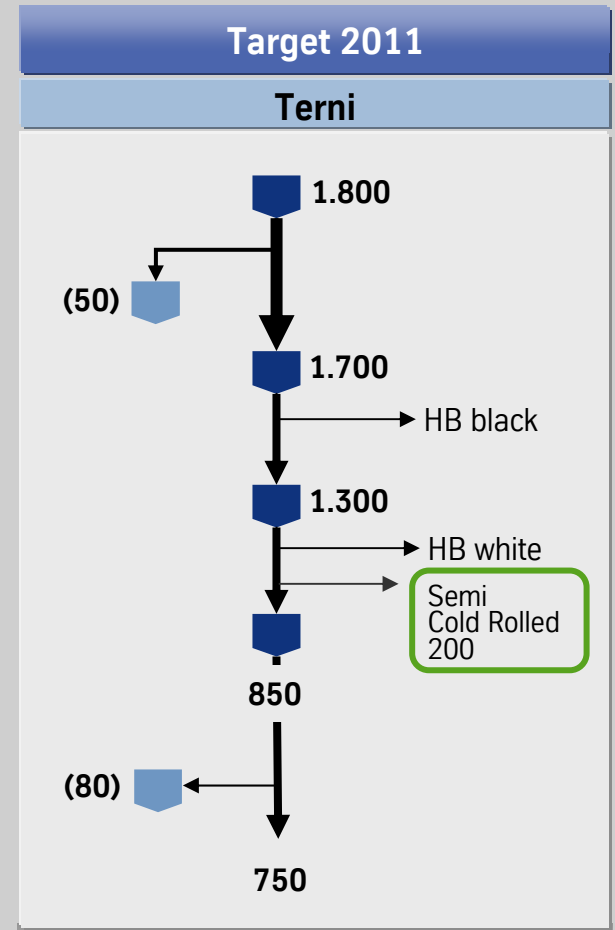
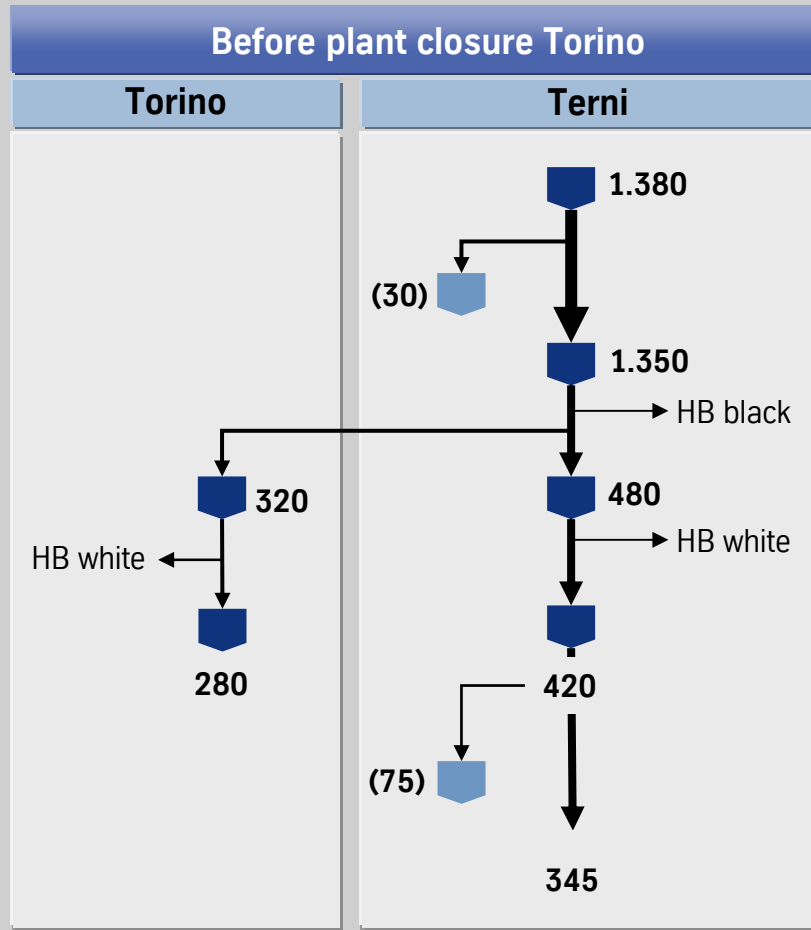


- position in the second biggest stainless market in Europe compensates disadvantage of no direct seaport access
- increase of value added chain and extension of product portfolio
- higher hot band white capacity allows hot band supply for ramp-up of Greenfield USA
- extended finishing capacities strengthen end customer business
- integration of all processing steps from melting to finished cold strip on single site in Terni
- consequently only one production site in Terni and one sales site in Milan

Transforming ThyssenKrupp AST into an integrated Single-Site Plant

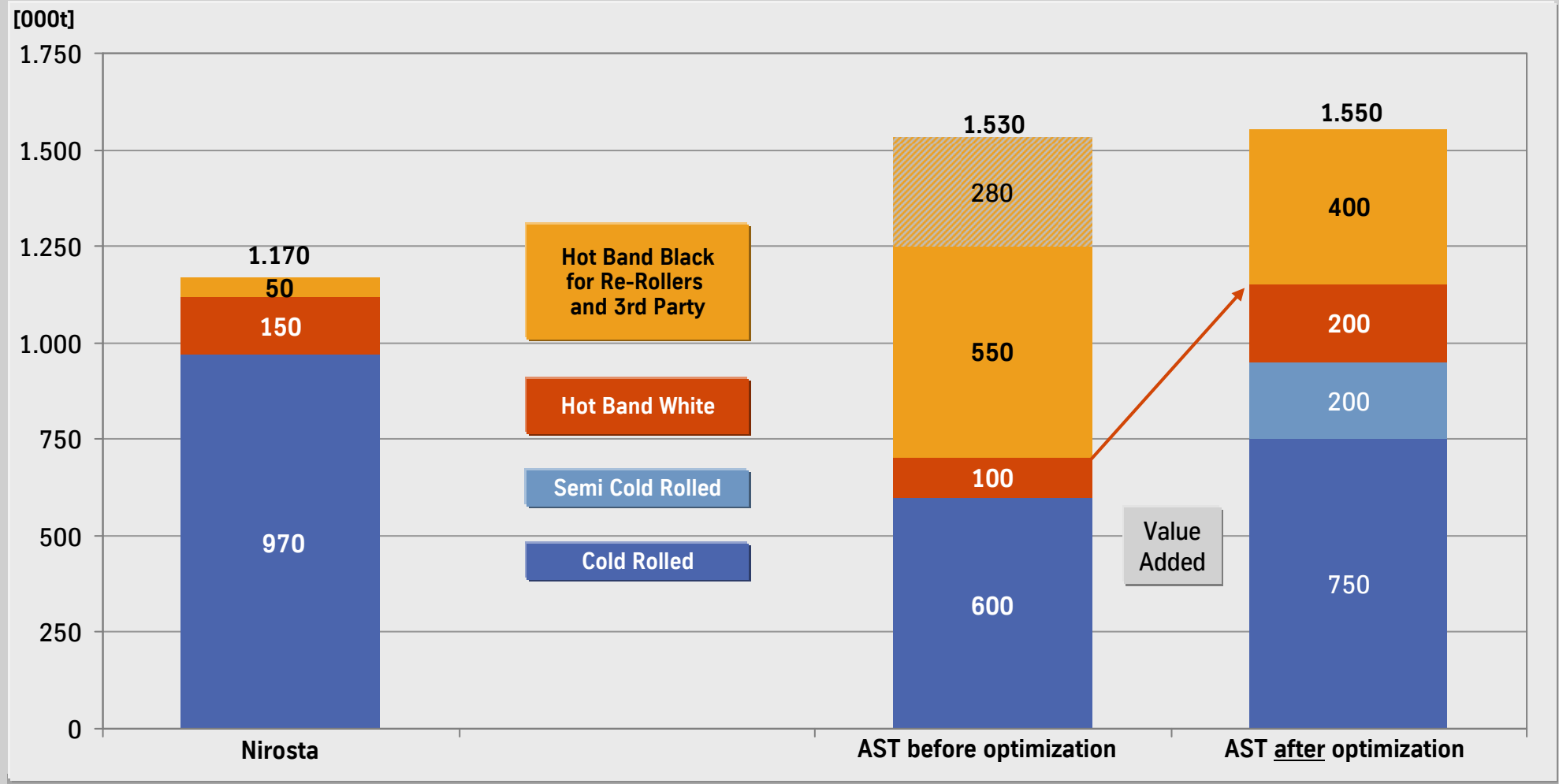
Closure of Torino works and moving of equipment to single-site in Terni

- [000 t / year]
- Melting
 - (Forging)
 - Hot Rolling
 - Annealing / Pickling
 - Cold Rolling
 - (Tubes)
 - Cold Rolled Strip



Continuous Increase of Value Added Depth

Comparison of Production Mix between ThyssenKrupp Nirosta and ThyssenKrupp AST



Investment Strategy in the Forging Business generates Value

Opportunistic Business

New VOD Plant in the melt shop

- Degassing of the melt for big ingots (casting of 500 t ingots -> e.g. for rolls)



New manipulator

- Higher product quality
- Lower production costs



New vertical furnace

- Heat treatment of big generators and rotors needed for energy power plants



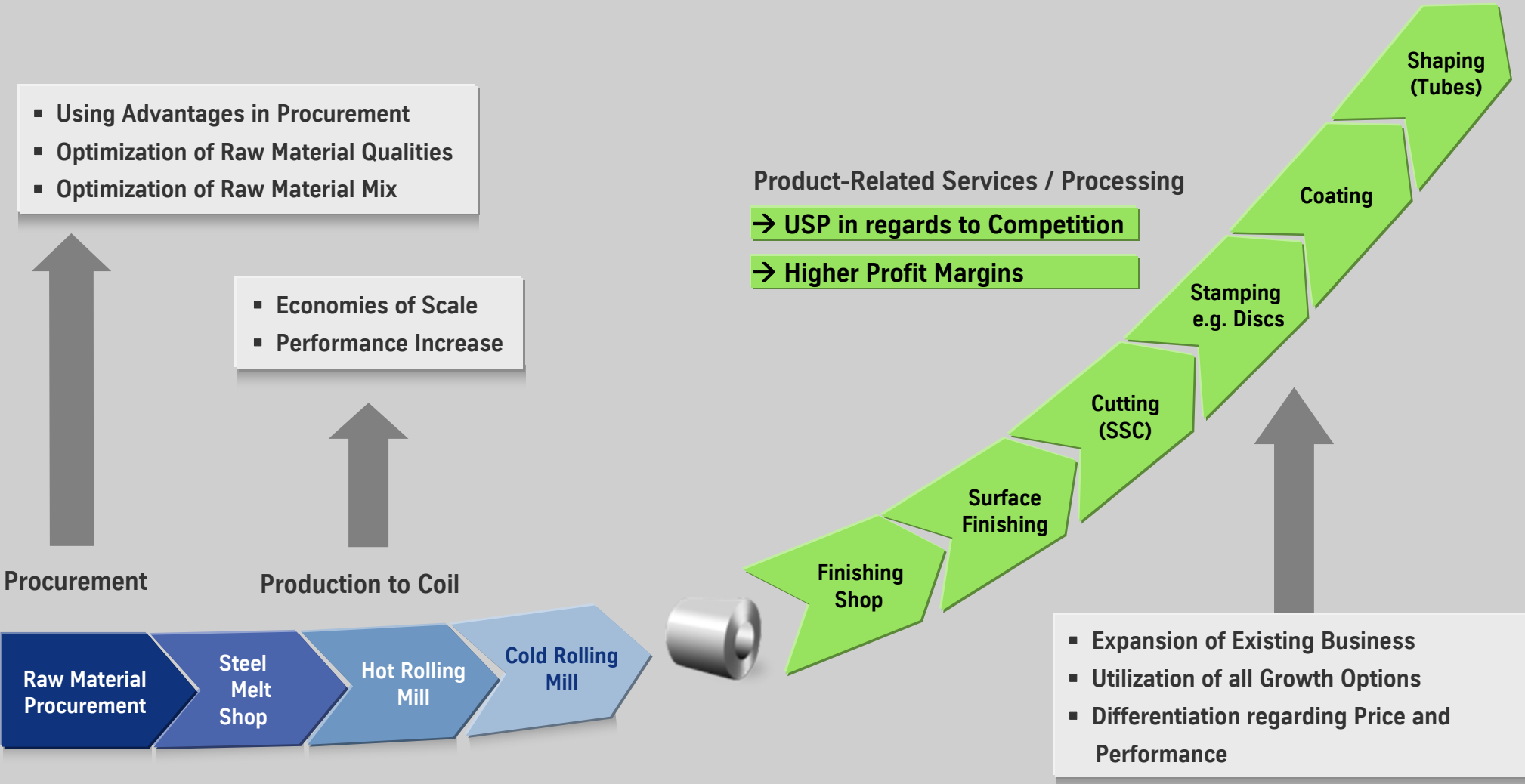
New vertical lathe

- Extending the value chain for the production of big shells needed in the chemical industry and for nuclear power plants



Concentration on the high-value Segment instead of Commodities

→ Systematic Focus on Value Added Products and Services within the Production Chain



ThyssenKrupp Stainless Business Units

Success Story in the White Good Sector



Characteristics of EBOR

- Acquisition of EBOR by TKL-NR in 2002
- Core business „white goods“
- Processing and finishing of stainless flat products with focus on advanced finishing of high-grade surface (grinded/brushed) and customized requirements
- End-user business with high customer loyalty and customer oriented service

Expansion I (2005)

- Improvement of market position as service provider in special processing
- Enlargement and improvement of offers (grinding surfaces)
- In particular increase of efficiency and quality
- Volume increase of 8 Tt p. a.

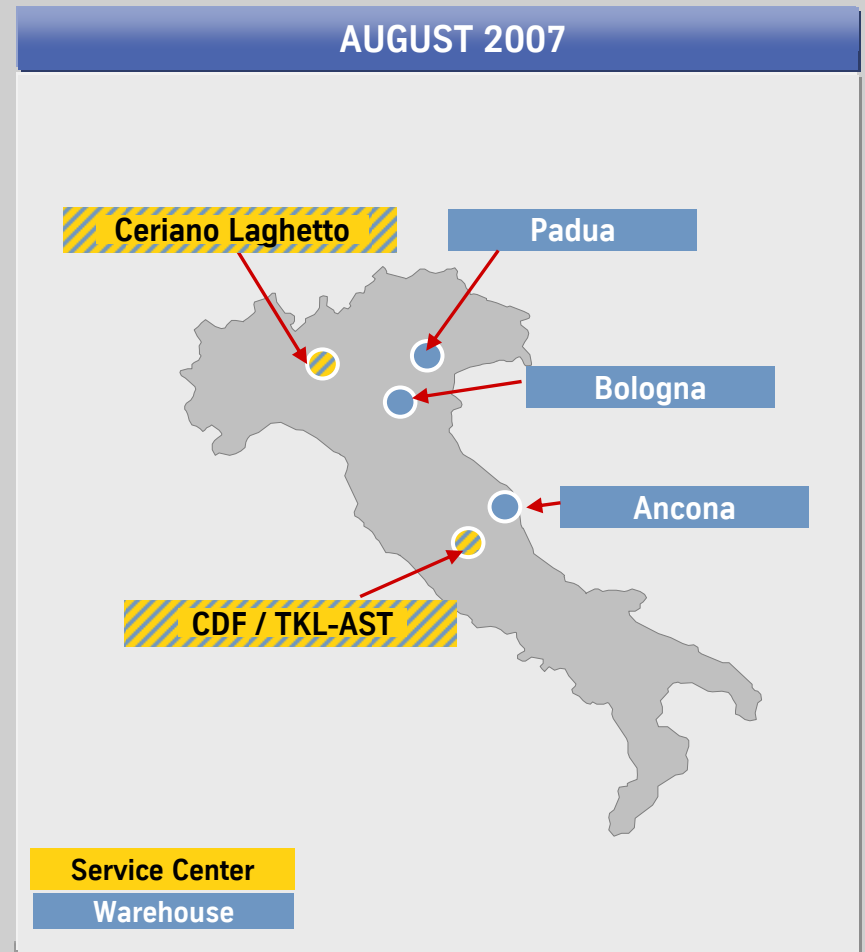
Expansion II (until 2008)

- Expand Nirosta share of German market for ground finishes
- Extension of cutting and slitting activities, starting 10/2008
- Production of large order volumes and volumes for back-to-back business via mill finishing shops
- Greater market activity by EBOR in the area of slit strip



Restructuring / Optimization of Italian Sales Network

Service Centers and Warehouses of ThyssenKrupp AST in Italy



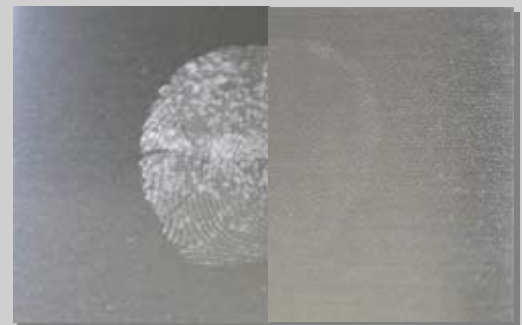
Innovations at ThyssenKrupp Stainless

Development of proprietary substitutes, new stainless grades and other product innovations

Substitution / New Stainless Grades / New Product Innovations

- ThyssenKrupp Stainless is already very strong in producing **ferritic grades** (no nickel content)
- The establishment of new VOD converter allows development of “**super ferritics**”, i.e. ELC Ferrites (Extra Low Carbon)
- Development of **new stainless steel grades** as substitution of common grades, such as austenitic grades 304 and 316
- Anti-finger print surface: **Silver ICE® UV**

→ [Presentation by Dr. Otto on Product Innovation](#)



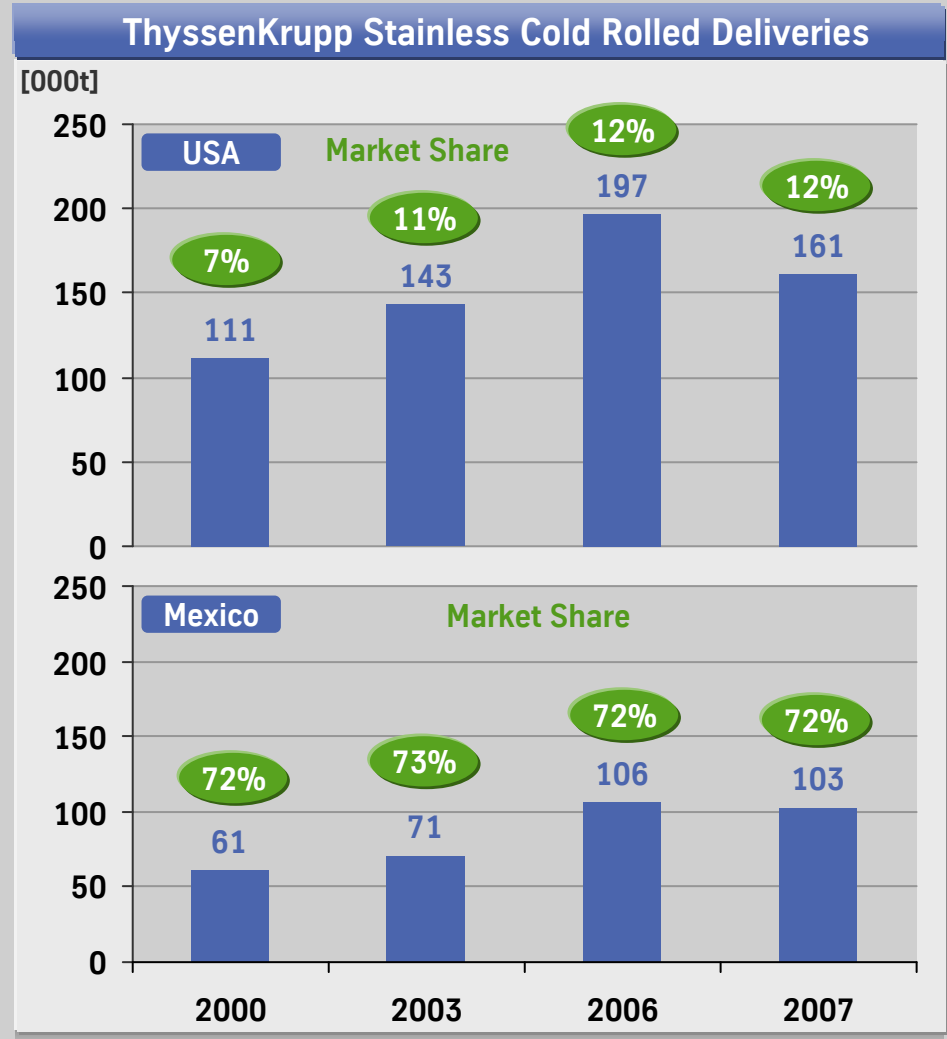
Already Strong Market Position in the NAFTA Market today

Planned Shipments



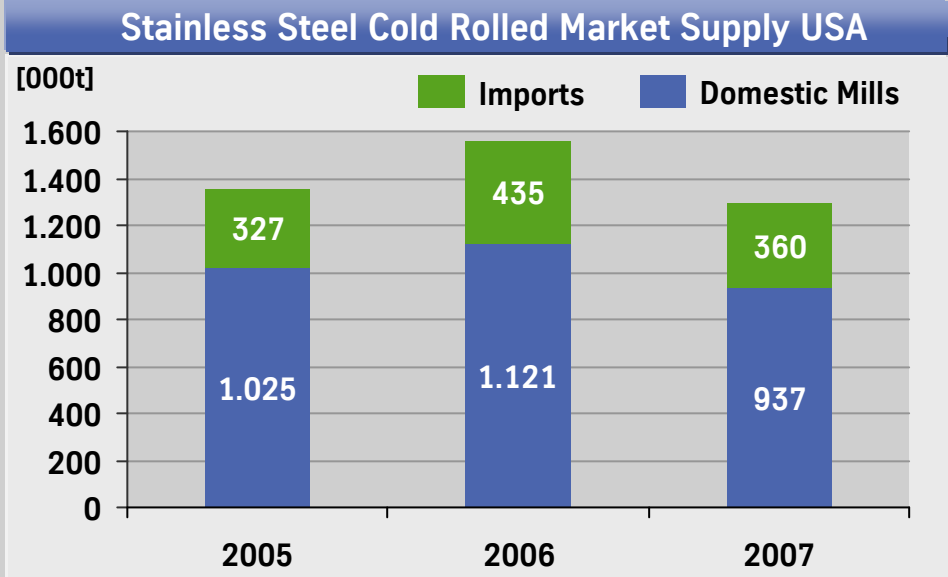
Strong Market Position in NAFTA already today

- leading supplier of ferritic grades (non-stabilized)
- very strong position in Mexico (home market)
- high quality and strong customer ties
- high degree of processing and services
- strong brand and delivery performance
- well established sales office in Chicago
- complementary deliveries from worldwide TKL group

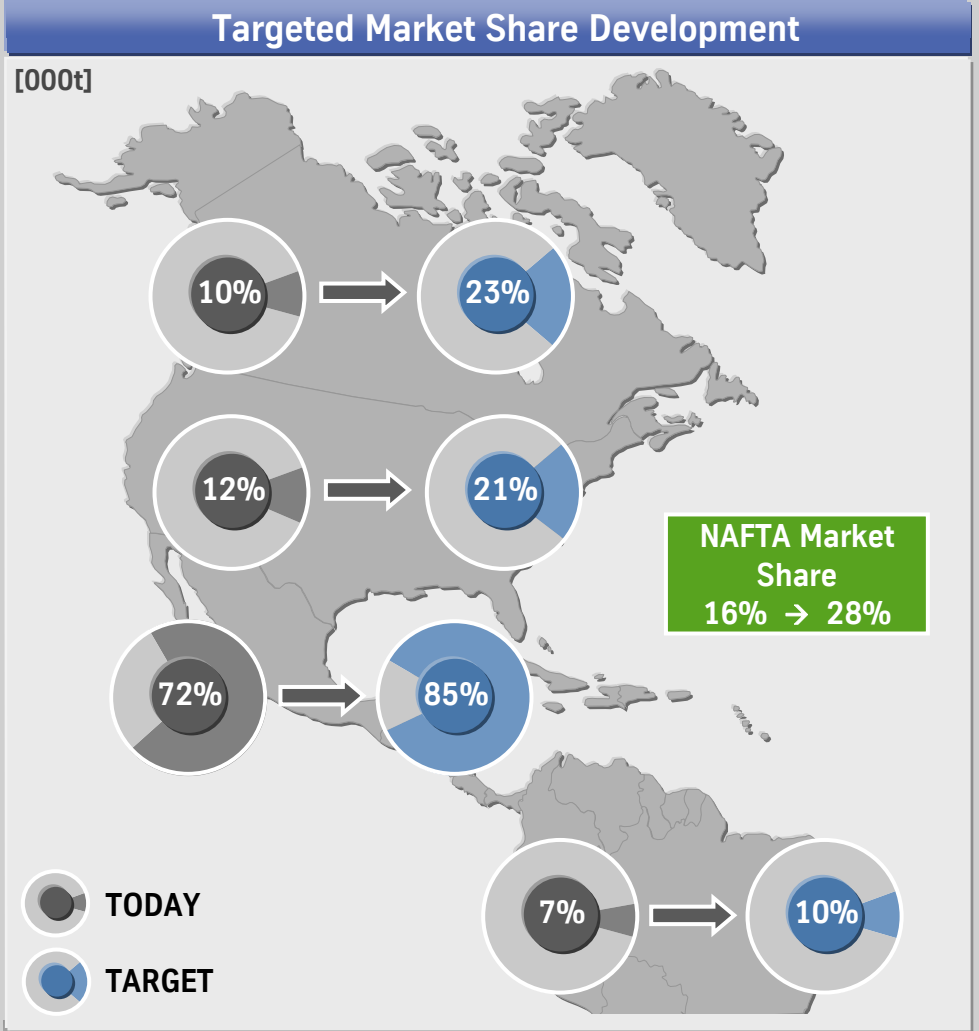


Supply of the NAFTA Markets and Latin America

ThyssenKrupp Stainless has closed the strategic window of opportunity in the NAFTA market

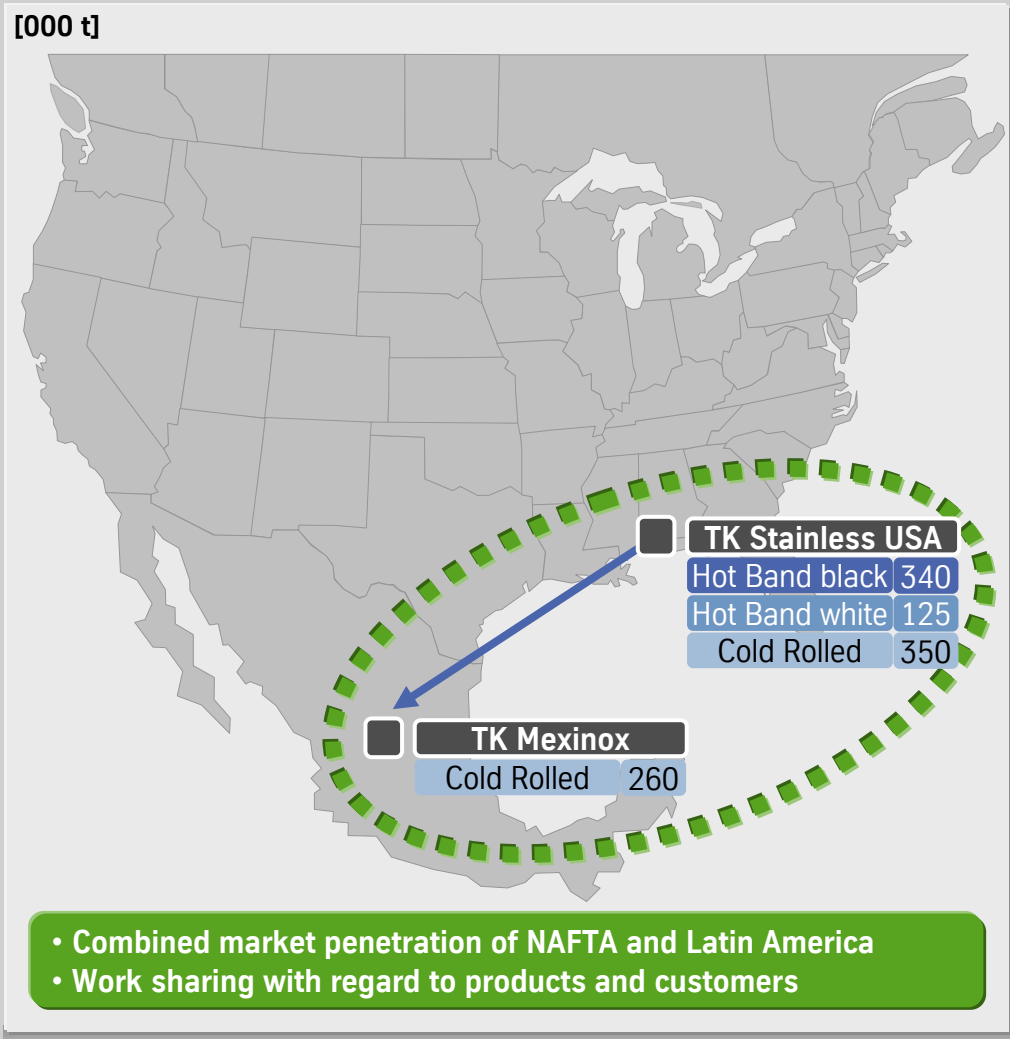


- up to 28% of US demand is served by imports
→ replace imports by new TK Stainless mill in Alabama
- no domestic producer in Canada
→ increase sales efforts from nearby Chicago sales HQ
- extend strong market position in Mexico by Mexinox
- participate in NAFTA market growth of 6% per year
- increase market penetration in Latin America



Greenfield USA as the second major pillar in the growing NAFTA Market

Combined market penetration by ThyssenKrupp Stainless USA and ThyssenKrupp Mexinox

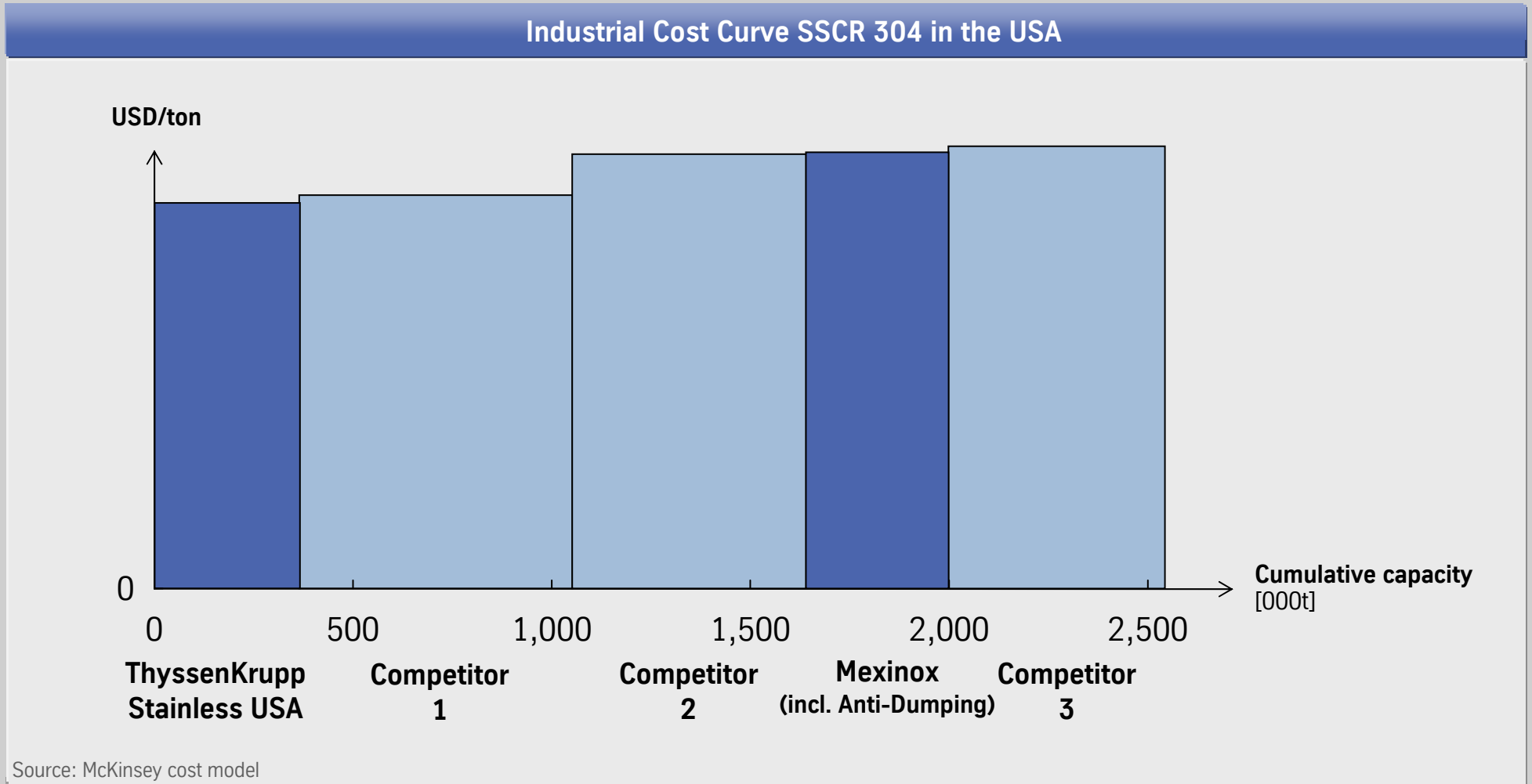


- **Logistically advantageous position**
→ direct access to sea, river, highway and railway
- **Synergies with Greenfield TK Steel**
→ commonly used hot rolling mill
→ administration, safety, logistics, etc.
- **Production Site in the US-Dollar Area**
→ increases flexibility and currency interdependence of worldwide TKL group
- **Low cost position in the low-unionized US-South with a unique state-of-the-art integrated stainless mill**



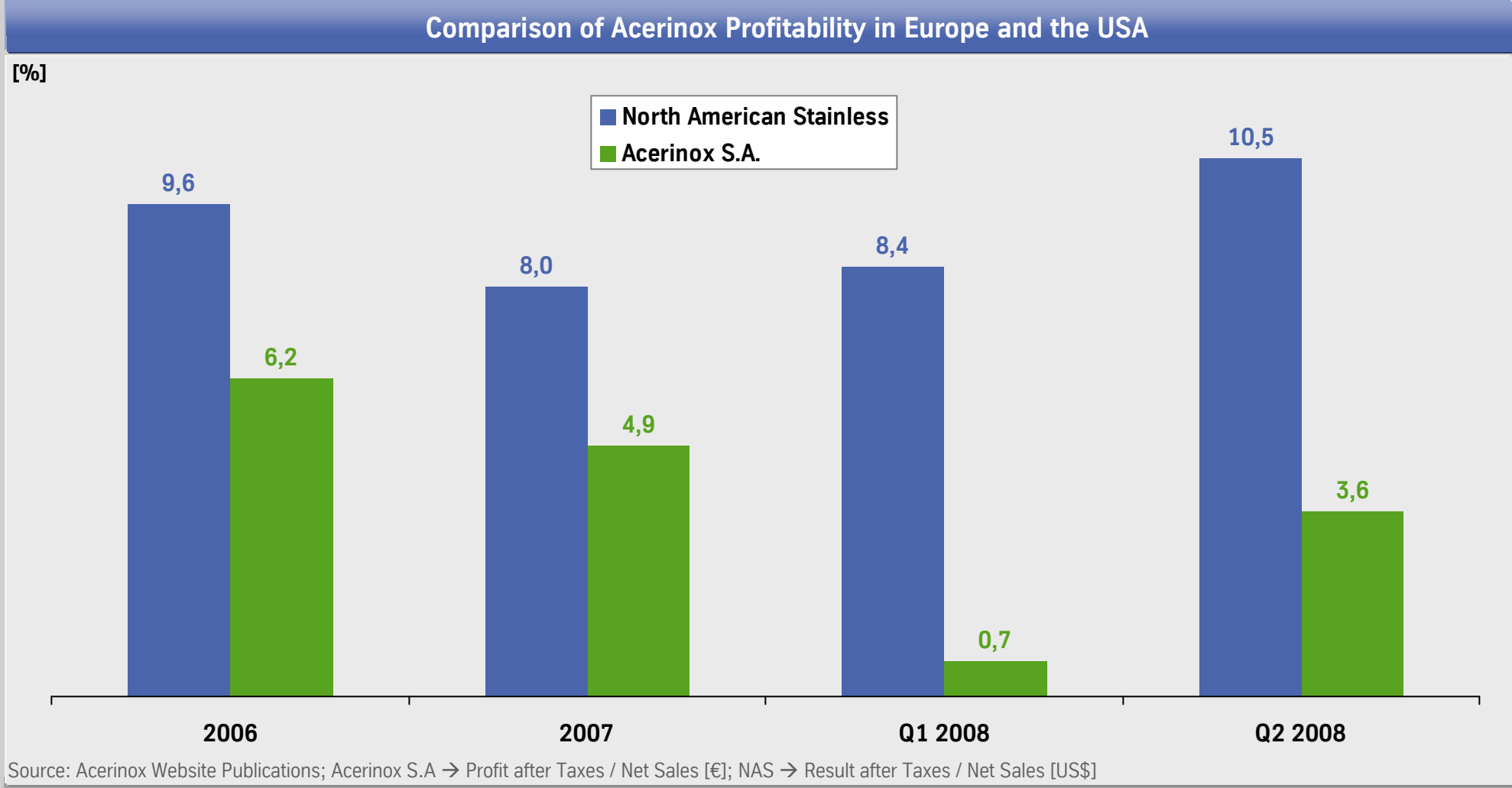
ThyssenKrupp Stainless USA Greenfield Plant with attractive Cost Position

Production costs for stainless steel cold rolled AISI 304 2B (without capital costs)



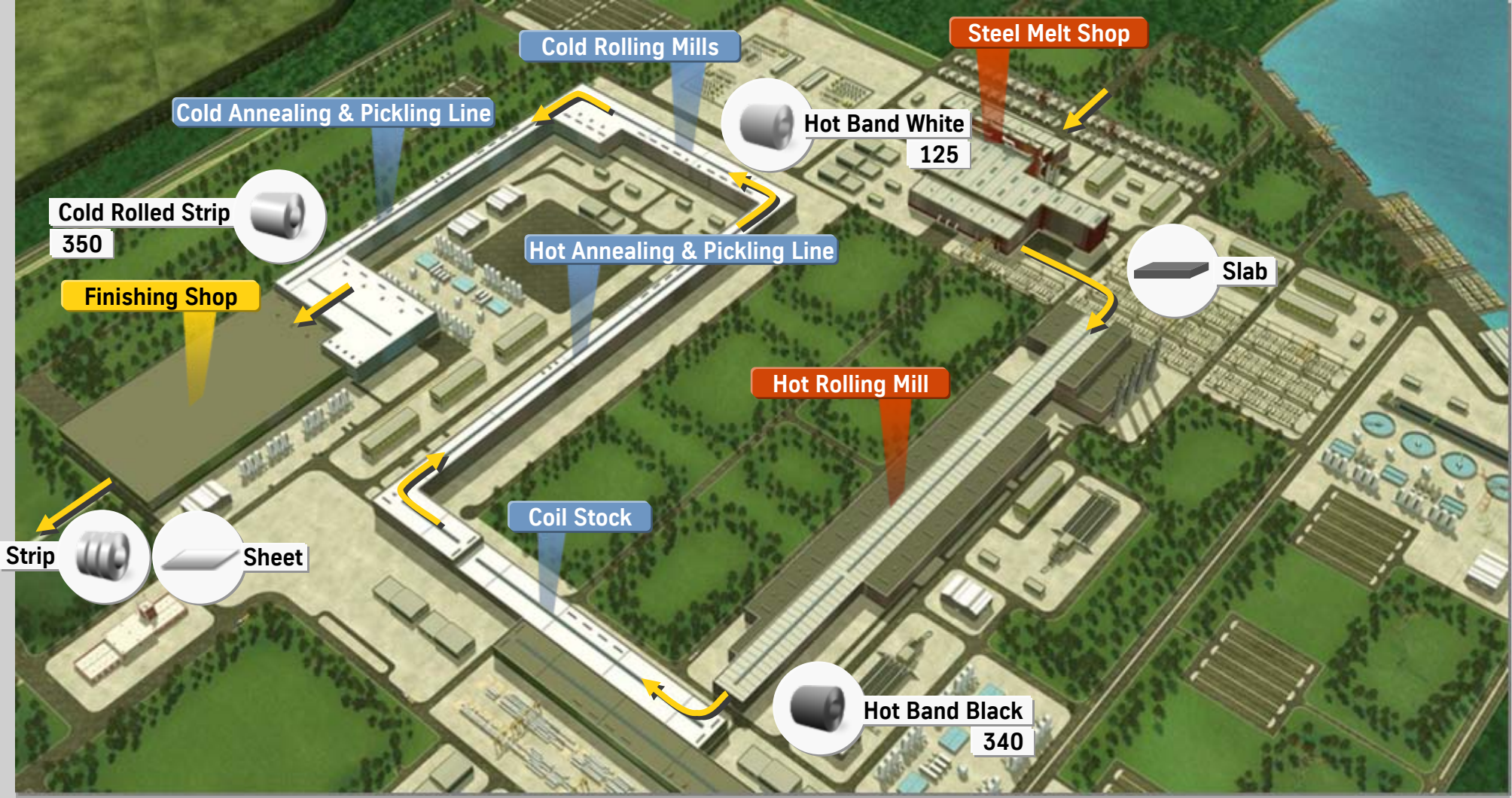
USA: Highly profitable Stainless Steel Market

Comparison of profitability based on published figures Acerinox annual / quarterly reports



ThyssenKrupp Stainless USA

Plant Layout, Production ready for Shipment (in 1.000 t)



ThyssenKrupp Stainless USA

Progress of Construction

May 2007



August 2008



ThyssenKrupp Stainless USA

Construction Works in Time



Production Bay: Cold Annealing & Pickling Line



Production Bay: Cold Rolling Mills

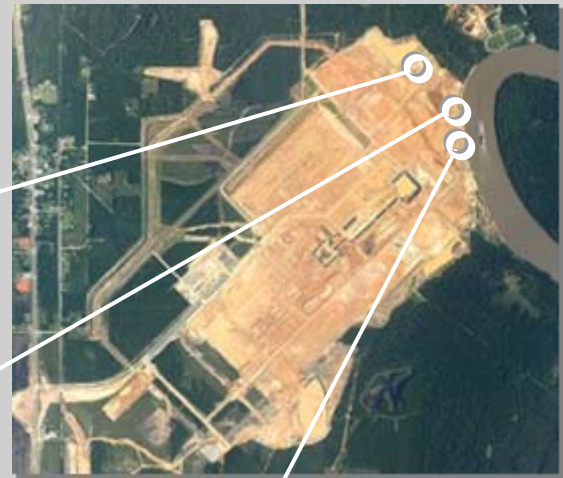


ThyssenKrupp Stainless USA

Construction Works in Time



EAF Substation (Alabama Power)



River Terminal



River Terminal



Summary

ThyssenKrupp Stainless with a clear profile and guidelines to further extend existing market position

Guidelines

- ➔ **Increase of operative Efficiency**
 - Continuous Strengthening of operative Performance
- ➔ **Profitable Growth**
 - International growth by Greenfield plant in the USA
 - Extension of growth in high-performance alloys Nickel and Titanium
- ➔ **Customer Focus**
 - Positioning in the major consumption markets
 - Intensified Processing
 - Customer tailored material solutions



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- (i) market risks: principally economic price and volume developments,
- (ii) dependence on performance of major customers and industries,
- (iii) our level of debt, management of interest rate risk and hedging against commodity price risks;
- (iv) costs associated with, and regulation relating to, our pension liabilities and healthcare measures,
- (v) environmental protection and remediation of real estate and associated with rising standards for real estate environmental protection,
- (vi) volatility of steel prices and dependence on the automotive industry,
- (vii) availability of raw materials;
- (viii) inflation, interest rate levels and fluctuations in exchange rates;
- (ix) general economic, political and business conditions and existing and future governmental regulation; and
- (x) the effects of competition.

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