Remarks

by

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Chairman of the Executive Board
of ThyssenKrupp Steel AG

at the
press conference
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Ladies and Gentlemen,

I too would like to welcome you warmly to our “home game” in Rio de Janeiro. We have been working intensively not just in Duisburg but also here in implementing our plans for the steel mill whose foundation stone will be laid tomorrow. The mill is the basis of our forward strategy in an industry which continues to possess great potential, as I will show you. However, this potential has to be exploited intelligently. Let me outline the market parameters for you:

Driven by solid economic parameters, the international steel markets are currently in a stable condition. World crude steel production is expected to significantly exceed the 1.2 billion metric ton mark in 2006, compared with 1.13 billion tons last year. We are focused on the high-end carbon steel flat product market with a world market volume of 250 million metric tons.

The situation is different in the different regions. Without the rapid growth in China, only modest annual growth of 1.7% would have been achieved in the years between 2000 and 2005. The Chinese boom pushed this rate to 6%. The increase in world crude steel output in the first eight months of this year is above this average at over 9% - and even higher still in China at 19% and India at 15%. By those standards growth in the rest of the world has been moderate. Nevertheless, compared with previous years, the figures for Europe have been remarkable: in the EU 25 the increase was 6%, mainly due to the situation in Eastern Europe. Germany was slightly below that at 5%. But that is significantly more than we expected in our planning.

The reason for this positive trend is shown by the official statistics. In the EU, the economy in general has recovered well in the current year. The growth rates in all cases have been higher than the forecasts. Germany will come close to the 2% mark this year, while Europe as a whole will perform slightly better. This positive situation has naturally benefited the steel-using industries. According to estimates, steel users will expand their production by 3.6% in the full year 2006, with the first quarter being particularly strong. The European steel association Eurofer expects an increase in steel consumption by likewise 3.6% for the EU.

The auto industry has increased its production worldwide this year, with the eastern European and Asian emerging countries showing disproportionate rises. Production grew more slowly in North America and Western Europe. The positive trend in the German auto industry was again mainly due to lively export business. The European mechanical engineering industry has expanded strongly against the background of increasing investment activity. In Germany, this industry continued its growth with increased momentum for the third year in a row, with more and more impetus also coming from the domestic market. The European construction sector has again shown pleasing growth. The German construction industry is moving out of a long recession, demand for building work has increased, as has construction output.

We at ThyssenKrupp Steel view the future with optimism. All the facts indicate that steel will still be scarce worldwide in 2010. Not all the planned projects to build capacity will be realized in the years to come. China has initiated a reform policy to reduce or prevent overcapacities. The urgently needed consolidation process, however, has not yet started properly. A week ago, the supreme state planning authority in Beijing again warned Chinese steel producers urgently against overheating of the steel market and called for a sense of proportion from Chinese producers. China is on the way to becoming a net exporter of flat steel as well. However, the country will remain dependent on imports of high-quality coated products. This is the domain of ThyssenKrupp Steel, here we are one of the leading companies in our industry.

The international raw material markets relevant to steel were characterized by in part diverging trends last fiscal year. The situation on the global iron ore market remained tight. Despite a large number of expansion projects, supply was unable to keep pace with the significant increase in demand. Due to the demand pull emanating particularly from China, global overseas demand for iron ore rose by 8%. This resulted in 19% price increases for fine ores for our company for supply year 2006. On the other hand, a 3% price reduction was achieved for pellets. Together with decreasing if still highly volatile sea freight rates, ore input costs free Rotterdam increased on average by less than 8%. ThyssenKrupp Steel's purchases in fiscal year 2005/2006 were 16.5 million tons, compared with 16.9 million tons a year earlier. Brazil was again the most important supplier country with around 10 million tons, followed by Canada with 3.2 million tons and Australia with just under one million tons. Smaller amounts were purchased from Africa and Sweden.

By contrast, the supply situation on the international coking coal market eased significantly, allowing price reductions of around 10%. The significant easing on the China-dominated coke market has resulted in a marked reduction in prices of internationally traded blast furnace coke since 2005.

After a phase of relative price stability in the first half of the fiscal year, strong steel market activity worldwide resulted in a demand push and a significant increase in scrap prices towards the middle of 2006. In the meantime, prices are calming again. Overall, average prices were lower than a year earlier.

The markets for alloys and especially for metals have been highly volatile. In contrast to the previous year, when prices of mass alloys decreased, we have had to contend with significant price increases for ferromanganese and ferrosilicon this fiscal year. The reasons for this were higher raw material and energy costs and higher demand.

In the area of exchange-traded metals such as zinc, aluminum and nickel, prices have reached all-time highs this year. From the beginning of the fiscal year to May 2006, the price of zinc more than doubled. However, these extreme price levels were caused not just by production bottlenecks or scarcity but also by speculative buying by commodities investors.

Due to extreme price increases for natural gas (up 40%) and electricity (up 10%), our energy costs have risen on average by 20% compared with the previous year.

That's enough for now about the international steel and raw material markets. The representatives of the IISI will be presenting further facts and figures as well as forecasts for the coming year in Buenos Aires.

ThyssenKrupp Steel intends to share in the positive performance of the steel market. Our goals are clearly defined: as a core business of the ThyssenKrupp Group we want to remain among the world's leading producers of high-quality carbon steel flat products, holding a position in the top 10. However, our forward strategy is based not only on tonnage but also on further developing our high-quality product mix, which is in demand around the world. We offer a full product range, we are working constantly– and I may say successfully – on new grades and products, and we are researching and developing new products together with important customers.

Profitable growth is our number one priority. We have already proved this in recent years with excellent figures. Last fiscal year 2004/2005, sales increased 11% to €9.3 billion, and earnings before taxes and minority interest (EBT) rose from €608 million to €1 billion. In the first nine months of the current fiscal year, sales increased by 12% to €8 billion and EBT by 22% to €1.1 billion against the prior-year period. The fiscal year just ending will definitely present much higher records, but it is too early to talk in terms of absolute figures.

Our subsidiaries will also contribute positively to the good results. For Rasselstein, Hoesch-Hohenlimburg, ThyssenKrupp Electrical Steel and ThyssenKrupp Tailored Blanks, the goal is the same, to generate profitable growth. Take Rasselstein, where we have expanded Andernach into the world's largest tinplate site with investments of €160 million which have raised our capacities for tinplate in thicknesses between 0.12 and 0.44 millimeters to 1.44 million tons.

Our forward strategy has concrete goals: in the medium term we want to achieve overall sales between €16 billion and €19 billion. I am confident that our earnings and other indicators will not suffer as a result of our massive investment in Brazil, Europe and NAFTA, which will require great efforts on the part of all employees. We are well positioned with our customer and product portfolio – only 6% of our sales are on the spot market, and almost half are secured by annual contracts. In fiscal 2004/2005 and 2005/2006 we were unable to meet all our customers' requirements because we had to contend with production bottlenecks. These will be eliminated by the steel mill in Brazil and the investments in Germany and the NAFTA region, enabling us to gain market share. In the NAFTA region we aim to increase our share of the high-quality flat carbon steel market from 1 to 5%, and in Europe we intend to achieve more than 13%. Our teams on both sides of the Atlantic are working as hard as they can to achieve these ambitious goals.