

Press conference speech  
ThyssenKrupp Steel at the IISI Annual Conference  
on October 4, 2008  
Washington/USA

Dr. Karl-Ulrich Köhler  
Member of the Executive Board of ThyssenKrupp AG and  
Executive Board Chairman of ThyssenKrupp Steel AG

Check against delivery

Ladies and Gentlemen,

Washington, one of the power centers of the world, is at the moment probably even more attractive than usual to guests from Europe. Not because of the current financial market crisis or because the world's steel companies are here until Wednesday for their annual conference, after an exciting steel year, but because the politicians and citizens of this nation are eagerly waiting to see who will be their next President after the November elections. On Tuesday morning the CNBC anchor woman will present us with her analysis of the election campaign and the prospects of the two candidates.

Today, as German business journalists, you are eagerly waiting for news from the ThyssenKrupp Group. As usual at the IISI I have to disappoint you. I have no news to report, because we have no concrete figures for the fiscal year just ended. But our forecast remains unchanged: We are expecting sales in the region of 53 billion euros and earnings before taxes and nonrecurring items of more than 3.2 billion euros.

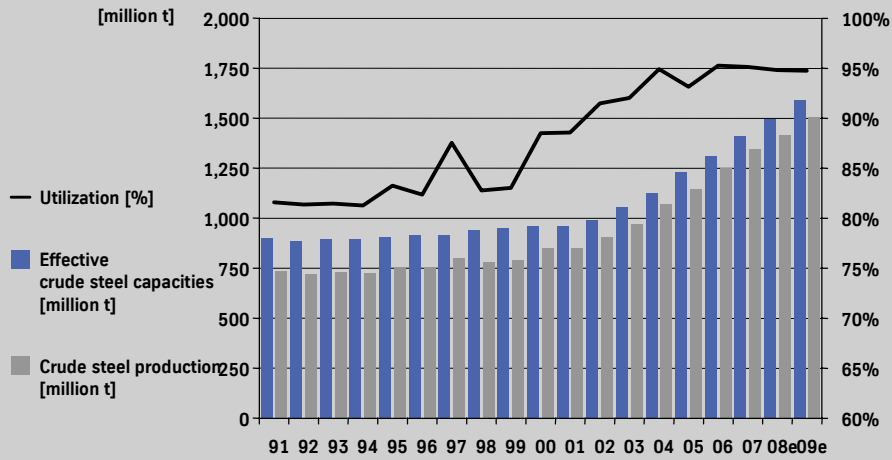
For the Steel segment we can state today that we performed very successfully in a robust market environment in the past fiscal year. Operating results remained almost as high as in 2006/2007, although we will not match last years record earnings. You know the reasons for this: Pre-operating costs for our major construction projects in Brazil and the USA and the restructuring expenditures at Umformtechnik.

Demand for premium flat-rolled carbon steel was exceptionally high. Although our production units were fully utilized we were unable to meet customer requirements in full for capacity reasons. At more than 14.2 million tons, crude steel production was slightly lower than the year before due to the relining of our Schwelgern 1 blast furnace in the first quarter of 2008. However, we succeeded in slightly increasing the output of the meltshops with a number of optimization measures - for example by making intensive use of scrap. However, to achieve maximum utilization of our hot-rolled capacities we again had to purchase slabs from third-party suppliers. These measures result in record shipments of rolled steel products amounting to 14.3 million tons – a 1.5 percent rise compared to the previous year.

Despite the weaker global economy, the situation on the international steel markets was marked by sustained growth and full capacity utilization.

## Global crude steel capacities remain fully utilized

Crude steel capacities, production and utilization levels



Source: Steel industry association, estimate

ThyssenKrupp Steel

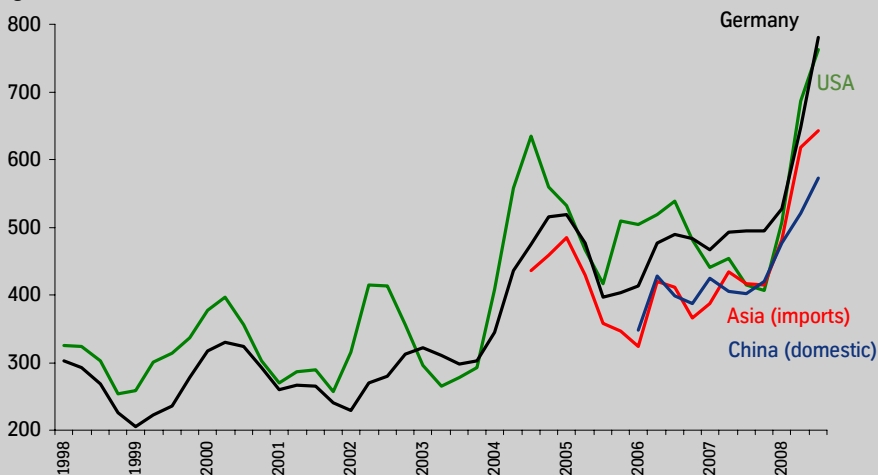


The first half of the calendar year in particular was characterized by brisk global demand. This trend was accompanied by steel price increases, albeit with significant regional differences. The highest price increases were seen in Asia, the lowest in Europe.

## Raw material costs driving steel prices higher worldwide

Hot-rolled coil prices in selected regions

Figures in €/t



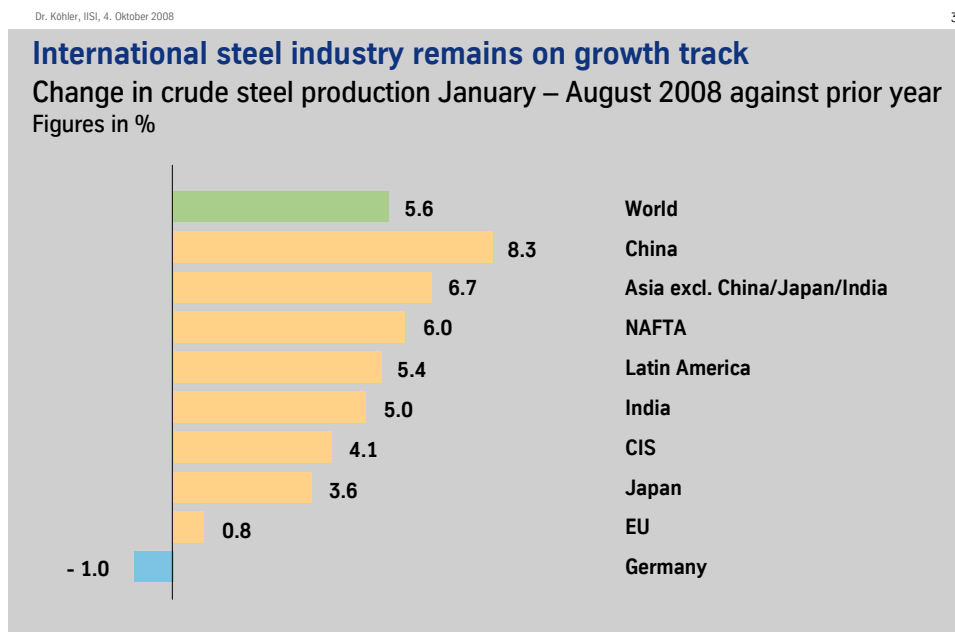
Source: CRU, with in-house calculations 1) provisional

ThyssenKrupp Steel



The price corrections were necessary as a result of the drastic rise in raw material and energy costs, which reached a level never previously registered. In the final quarter of the fiscal year demand settled to some extent not least for seasonal reasons.

With full capacity utilization over long periods, global crude steel production in 2008 looks set to grow by 6% and reach a new record level of over 1.4 billion metric tons.



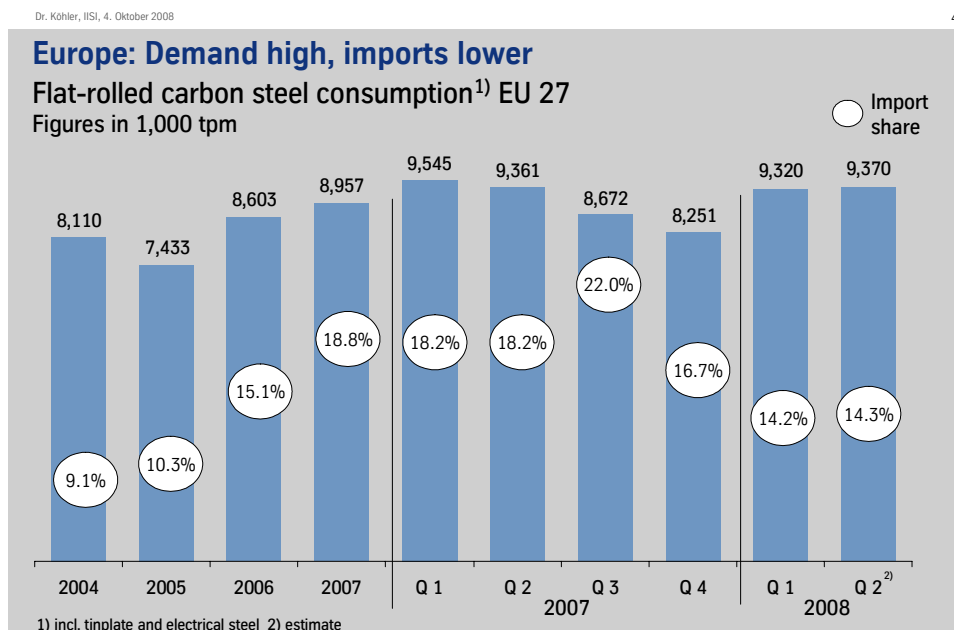
ThyssenKrupp Steel



China, which is expected to increase its share of world steel production to 38%, will continue to be a major contributor, with production growth of 9% or 46 million tons, though growth here slowed compared with previous years due to a temporary shortage of raw materials. Most other regions also report production increases,

while production in the EU did not quite meet the high prior-year volume. The output of the German steel industry is expected to reach around 48 million tons as in the previous year.

As a result of China's very expansive domestic demand and slower production growth in the first half of 2008, steel exports from China were noticeably lower than the year before. Contributory factors here were the increased international political pressure since fall 2007 and corresponding export-curbing measures by the Chinese administration as well as high and volatile freight rates. The European and North American steel producers profited from this by regaining shares of their own markets as imports fell, especially from China.



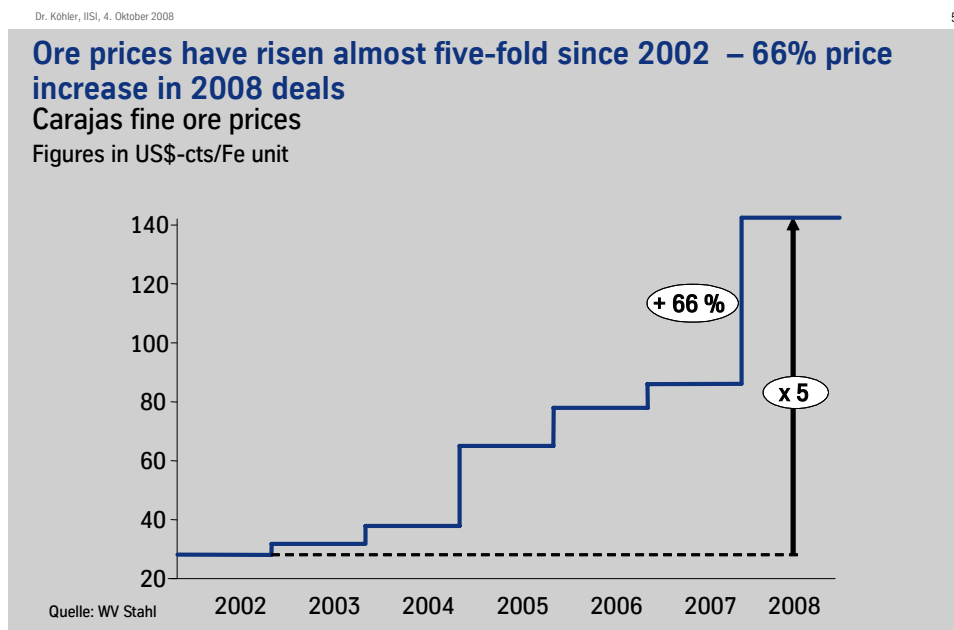
ThyssenKrupp Steel



The reduction in Chinese exports related in particular to long products and semis. In the flat-rolled steel sector exports were only slightly

lower. Chinese steel producers significantly expanded their exports again from mid-2008 against the background of weaker domestic demand and falling prices.

As a result of the continued strong growth in steel production, demand for iron ore increased again in 2008 to 820 million tons. Although great efforts are being made to expand global iron ore production, the market for overseas iron ore continues to be characterized by bottlenecks. This situation allowed producers to implement a further significant price increase of 65 to 66% for fine ore for 2008. The price for pellets rose by as much as 87% on the back of demand. For lump ores Asian customers had to accept price hikes of 96.5% in July.



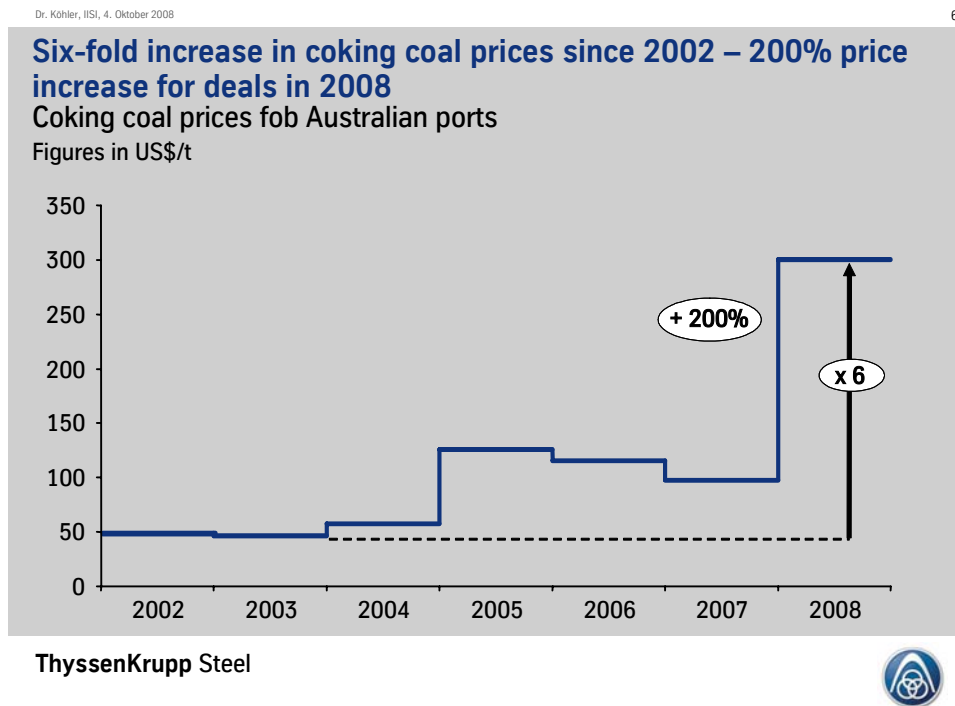
ThyssenKrupp Steel



ThyssenKrupp Steel AG purchased around 16.7 million tons of iron ore, with just under 10 million tons of this from Brazil, 3.2 million tons

from Canada, and 2.4 million tons from Africa. Smaller volumes came from Austria and Sweden. Sea freight rates remained very high and volatile again this year.

On the already very tight market for coking coal, weather-related production losses in Australia at the beginning of 2008 led to further significant supply shortages. Against this background coking coal prices for deliveries in the contract year 2008/2009 have trebled. Similarly high price surcharges are having to be paid for PCI coals.



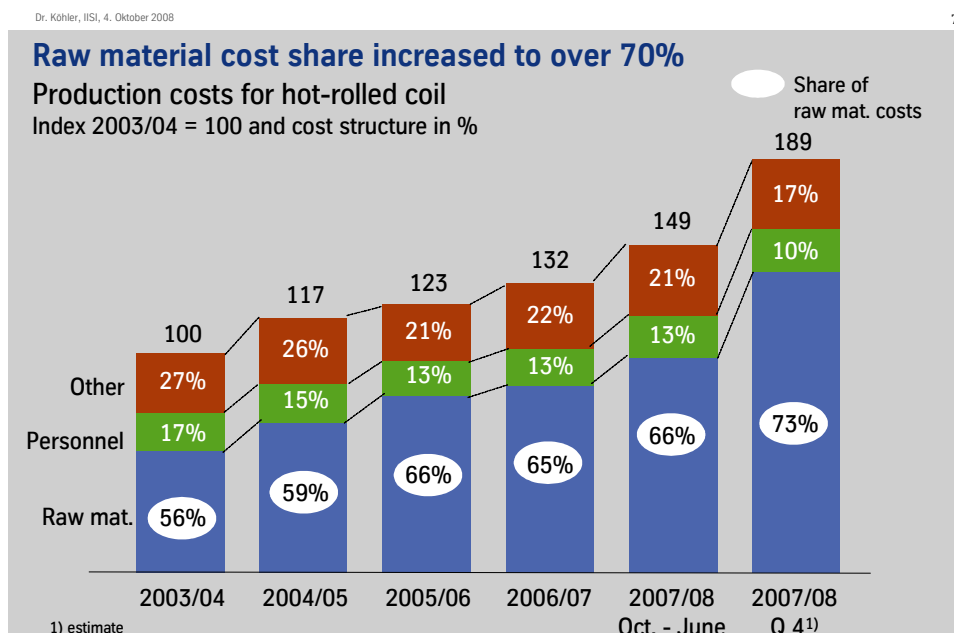
The price of internationally traded blast furnace coke has risen continuously and significantly since the end of 2006. Blast furnace coke from China was sold for US\$750/t fob in peak-periods. The extreme price hike is due on the one hand to high demand and on the

other to the increase in the export tax on coke and other fuels in China.

The buoyant steel market has also generated growth in demand for scrap, causing scrap prices to rise to new record levels worldwide. In Germany the price of grade 2 scrap reached an all-time high of €426/t in June 2008 but subsequently receded.

Ladies and Gentlemen,

These price increases for raw materials, which pushed the share of raw material costs in the production costs per ton of wide hot strip to over 70 percent, coupled with the energy price rises have created unforeseeable costs for us of more than 1 billion euros. And it remains to be stated:

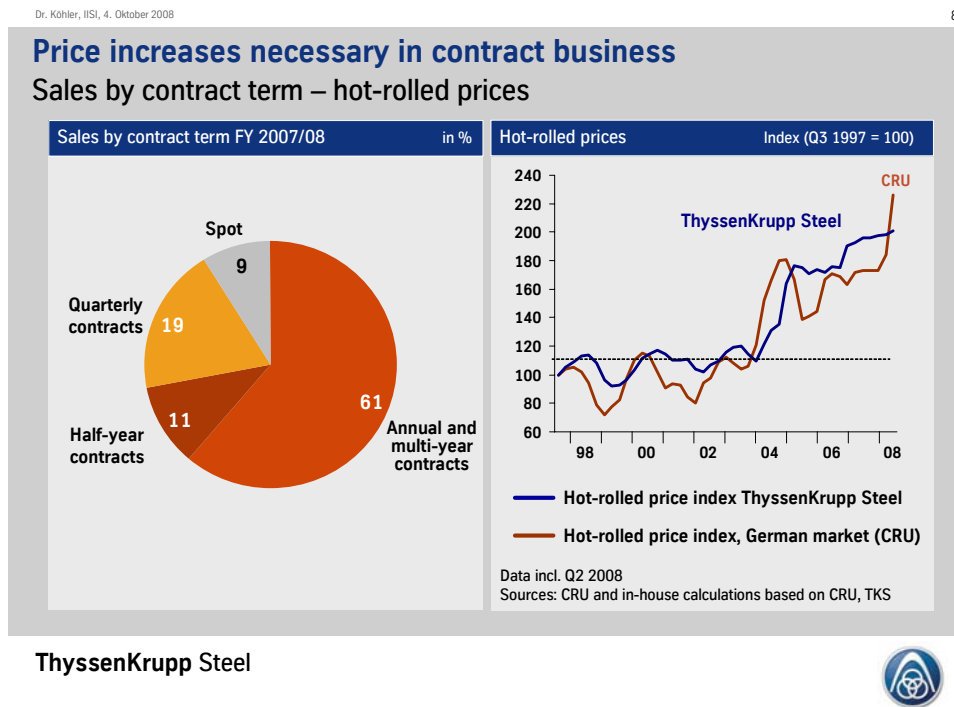


ThyssenKrupp Steel



The cost increases were only partially offset by positive earnings effects from the ongoing efficiency programs and additional cost-reduction programs.

However, we were able to implement price increases for our products on the market.



For the final quarter of 2008, which has just begun, we have also raised our prices for quarterly contracts and spot transactions. Due to our high share of annual contracts, the majority of which have previously been based on the calendar year, there has always been some delay before the effect of the steel price increases is reflected in average revenues.

In talks with our customers we have succeeded in recent months in bringing our annual contracts in line with the higher raw material costs by amending terms and increasing prices. The terms of the contracts are now based on the contracts we conclude with our raw material suppliers so that in future we will be able to respond more quickly to changes in raw material prices. With this we have achieved a balance between raw material costs and steel price developments which will provide more transparency also for our customers.

Ladies and Gentlemen,

With its business model, ThyssenKrupp Steel concentrates on the premium flat-rolled carbon steel market segment and is successfully positioned in its core market in Western Europe. In recent years the portfolio has been systematically focused on high value-added products along the value chain. Our capabilities include intelligent material solutions, custom processing, and comprehensive service through to the finished product. The constant development of new steel grades and products in R&D projects conducted partly in association with our customers secures a strong positioning in this premium market.

In terms of sales, ThyssenKrupp ranked 4th among the world's steel producers with 22 billion euros in 2007 thanks to our high-value product mix, while in terms of crude steel production we came in at 16th place with 17 million tons. These numbers include the data of the

Stainless segment. The global market leader for stainless steel has kept production constant at 2.5 million tons in fiscal year 2007/2008.

Our differentiation strategy in the Steel segment is underpinned by our strong technological capabilities, accompanied by a continuous improvement process to enhance efficiency. In the coming years we aim to strengthen our market position with an international growth strategy and increase our delivery volume from currently 14 million tons to 20 million tons of flat-rolled steel. Our strategy comprises three key elements: The building of a slab production plant in Brazil with a capacity of 5 million tons, a processing plant in the USA, and the expansion of the processing and coating capacities in Germany.

This strategy is based on long-term forecasts for premium flat-rolled carbon steel. This market segment is characterized by above-average growth. Almost half of consumption is currently focused in the volume markets of Europe and North America. To strengthen its market position in these regions, ThyssenKrupp Steel is investing over 7 billion euros in the expansion of capacities in the coming years.

Of central importance to implementing our growth plans is the steel mill now under construction in Brazil with a favorable cost base and high quality standards. 22,000 people are currently working on erecting the facilities there. Each of the nine major works has the character of a major investment project. Seven major works are proceeding roughly in line with the ambitious schedule: port, coke plant, raw materials handling, sinter plant, power plant, supply

networks and infrastructure. With complexity on the construction site increasing, delays that have occurred have been made good with acceleration measures. Based on construction progress, commissioning of the port, coke plant and power plant can be expected in the 1st quarter of 2009.

However, it will not be possible to complete the core units - blast furnaces and steelmaking shops - on schedule. Despite ongoing initiatives to accelerate the building work, it looks today as if commissioning of these will not take place until late 2009. The main reason for this is the booming worldwide market for capital goods, which has led to supply bottlenecks in some areas. In addition, the unsatisfactory performance of important suppliers and the extremely adverse weather conditions compared with the long-term average have caused considerable delays.

The investment budget of 3 billion euros approved in September 2006 is being increased to around 4.5 billion euros. The main reasons for this increase are the economically justified insourcing of energy supplies and slab logistics, the optimization of the technical design for possible future capacity expansions, cost increases for construction supplies and services, increased interest for building finance, and exchange-rate differences due to the ever increasing strength of the real. The profitability of the CSA project in combination with the construction project in Alabama and the expansion program in Europe at ThyssenKrupp Steel is not jeopardized by this increase.

The recruitment of employees for the future project and production phase continues as planned. At the end of September ThyssenKrupp CSA employed around 1,250 people. The training programs in Brazil and Germany are also proceeding to schedule and have met with a positive response from all concerned.

Construction of the new steelmaking and processing plant for Steel and Stainless near Mobile in Alabama/USA is on schedule, with startup planned for early 2010. Due to the tight situation in the global plant construction sector which has caused price increases for individual works, the planned investment volume of 2.9 billion US dollars for Steel is expected to be exceeded by 10 percent and by around 20 percent for Stainless. The weakening of the US dollar since the resolution was passed is currently leading to a general reduction in the finance volume on a euro basis. The cost overrun has only marginal consequences for the profitability of the project.

Stainless has now awarded most of the contracts for the cold strip production equipment, including one hot strip and one cold strip annealing and pickling line, three cold rolling mills, a skin pass mill and several finishing lines as well as the majority of the required cranes. Orders have also been placed for structural steel work for the cold mill shops including finishing lines and shipping areas. The orders for the electric arc furnace, the AOD converter and the continuous caster - the core facilities of the melt shop - were placed in May. Construction of the first production halls for the cold rolling mill has already begun.

To date, Steel has awarded contracts to suppliers worth around 2.1 billion US dollars. This includes in particular the orders for the hot strip mill, cold strip mill and hot-dip coating lines as well as inspection and finishing lines. The grading of the ground for the core units has been completed. Excavation and foundation pile driving is under way. Work has begun on reinforcement and concrete work for the foundations. Construction roads and a substation for the supply of electricity are under construction. Temporary offices on the site were completed in September 2008.

In parallel with this, a sales plan for developing the North American market has been drawn up. Intensive customer contacts have taken place. Target groups are the auto and electrical industries, steel service centers as well as the pipe industry, specifically for the energy sector. Recruitment is proceeding to schedule. Via the Alabama Industrial Development Training (AIDT) office, 13,000 applications have been received for the production area. A request for quotes has been issued for the construction of a training center.

The expansion of the processing and coating capacities in Germany, where around 40% of the slabs produced in Brazil are to be processed into high-quality products for demanding customers in Europe, continues to proceed apace, with an investment volume of 400 million euros. The focus is on expanding capacities for hot strip products in respect of volumes and structure and on optimizing the portfolio of cold-rolled and coated sheet to meet the highest quality and

technology requirements so that we can differentiate ourselves from our competitors on a sustained basis.

Ladies and Gentlemen,

The subject of climate change and environmental protection is a significantly higher priority in Germany and Europe than in other regions of the world. However, my impression is that environmental awareness is growing in the USA too.

ThyssenKrupp Steel is facing up to its responsibility for climate protection in two ways. On the one hand we undertake efforts to reduce the pollution associated with the production of steel. On the other hand we are developing steel further so that it can play an even greater role in active climate protection. Since 1990 ThyssenKrupp Steel has reduced its CO<sub>2</sub> emissions by 15%, since 1960 by as much as 40%. This means that ThyssenKrupp Steel has now reached the limits of what is technically achievable in the blast furnace process.

Rather than in steel production, CO<sub>2</sub> emissions can be reduced considerably more effectively by our customers, who process steel and can make intelligent use of the properties of our material. For example, lighter steel bodies save more CO<sub>2</sub> over their useful lives than is created during the production of all the steel used in a car. Another example are modern electrical steel grades, which allow transformers to operate at an efficiency level of 99%. If we also consider the numerous steel applications in the exploitation of

renewable energies such as wind and hydroelectric power or in photovoltaic systems, it soon becomes clear that steel is an indispensable element of effective climate protection.

I would like to say a few words about emissions trading in Europe and outline our position: The European Commission is planning to cease the cost-free allocation of carbon dioxide emission allowances in the post-Kyoto period. For ThyssenKrupp Steel a certificate price of for example 50 euros/ton of steel would signify costs of up to 1 billion euros per year. In the global market these costs, which other steel producers outside the EU will not have to bear, cannot be passed onto customers as is the case, for example, in the energy sector. But with regard to energy efficiency, ThyssenKrupp Steel sets the international benchmark for emissions and is therefore demanding cost-free allocation of the certificates. The allocation rules are expected to be established by early 2009.

Meanwhile the steel industry continues to conduct intensive research into new low-CO<sub>2</sub> production technologies. In the ULCOS (Ultra Low CO<sub>2</sub> Steelmaking) consortium project, initiated by the EU Commission and over 48 European companies and organizations, a pilot plant trial has already been successfully conducted with a completely redesigned blast furnace process control system on a converted mini blast furnace with 1.2 meter hearth diameter. Three further concepts are being tested for suitability. But I would like to dampen any short-term expectations. No new technologies will be available for industrial use before 2020.

Ladies and Gentlemen,

Although Duisburg is a long way from Washington, I would like to talk about a local problem. To implement the standards introduced in 2005 to improve air quality, the Düsseldorf district government developed clean air plans for the Ruhr area. ThyssenKrupp Steel introduced a number of measures to significantly reduce air pollution at our main site. On the basis of a voluntary agreement with the Düsseldorf district government, the company carried out 41 measures to improve air quality.

These included two tire washing facilities to prevent dust from unsurfaced roads from being transferred to highways. Other measures in place are more intensive cleaning of plant roads, improved sprinkling of storage areas, the greening of open spaces, and the training of employees in environmental management to eliminate dust as far as possible in their work. The success of the measures has been verified with the North Rhine-Westphalia environmental authority. Air quality in the north of Duisburg has been measurably improved. Since 2002 particulate pollution has been reduced by up to 20%. ThyssenKrupp Steel now accounts for only 20% of the particulate pollution in the north of Duisburg. Over 60% is carried in from surrounding and more distant areas, while the rest comes from traffic and domestic fuel combustion.

Commissioned in December 2007, blast furnace 8 is a masterpiece not just because of its pleasing color design but also in terms of environmental compatibility. It features a specially developed dust collection system for use during rail car unloading, the first of its kind worldwide. With this we have set new standards, at an investment cost of 20 million euros. Altogether, a quarter of the 250 million euro investment in blast furnace 8 was spent on pollution control. Measurements taken by the TÜV technical inspectorate together with the North Rhine-Westphalia environmental agency confirm that blast furnace 8 produces virtually no uncontrolled diffuse dust emissions.

A further new measure has recently been resolved: ThyssenKrupp Steel is investing an additional 30 million euros in the reduction of particulate pollution in the north of Duisburg. By mid-2011 the sinter plant at the Schwelgern plant is to be equipped with additional filters to capture dust and dust-containing off-gases. With this we are doing our bit to ensure that the European union emissions standards are met in the north of Duisburg.

Ladies and Gentlemen,

We expect world economic growth, already losing momentum in 2008, to slow further in the coming year. The continued uncertainty over the financial market crisis and its consequences for the real economy is dampening the economic outlook. High inflation and restrictive lending policies are hampering economic growth in many regions.

But we are confident. The reason for our optimism is that the forecasts for the global steel market remain favorable. Demand in particular from Asia, Latin America, the Middle East and the CIS will continue to grow at an above-average rate in the next few years and significantly impact the global market. In Europe, the NAFTA region and Japan, steel market growth will be more moderate given the deterioration in the general economic outlook. According to the autumn forecast of the IISI, global consumption of rolled steel will increase in 2008; crude steel production will be well in excess of 1.4 billion tons. Raw material prices have eased to a certain extent recently, but it remains to be seen how long this will last.

We will make further efforts to optimize earnings. I have every confidence we will again succeed, because our employees are not only highly motivated but also extremely creative. What is more, the outsourcing of slabs, which is necessary on account of the bottlenecks in our crude steel base, protects us against demand fluctuations.

I would like to close by stating that ThyssenKrupp Steel has a full workload because we are active in the attractive segment of premium steel grades with sustained growth opportunities. In addition we maintain excellent relations with our customers. This is reflected in our large number of regular customers. We have achieved success with this concept in Europe and will do so again on the NAFTA market.

Thank you for your attention.