

Remarks

by

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Member of the Executive Board of ThyssenKrupp AG  
and  
Chairman of the Executive Board of ThyssenKrupp Steel AG

at the

**Press Conference**

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Ladies and gentlemen,

Dr. Schulz has just told you about a new record year for ThyssenKrupp AG. We from the Steel segment have made a significant contribution to this, as underlined already by the figures for the first nine months. Without coming into conflict with the rules of the capital market I can tell you this much: in fiscal year 2006/2007, which ended a few days ago, our sales and earnings also reached record levels. To preempt your questions, I am unable to quantify this yet. However you will be aware of the comparative figures for the previous year - sales €10.75 billion, earnings before taxes (EBT) €1.42 billion, crude steel production 13.8 million tons (*Chart 1 – Continuous performance improvement in the Steel segment*).

In a robust economic environment the Steel segment remains on growth track. Customer demand for our premium carbon steel flat products was extremely high in the reporting year and could not be met in full for capacity reasons. Our capacities were fully utilized, and many of our facilities set new production records. The key reason for our success, alongside increased selling prices, was our premium product mix. Renewed cost increases for raw materials and energy were more than offset by price and efficiency increases.

In the first nine months of 2006/2007 this resulted in sales of €9.9 billion - compared with €9 billion a year earlier. EBT increased from €1.1 to 1.3 billion. (*Chart 2 – Indicators with significant upward trend*). This includes impairment charges of €76 million for the Metal Forming business which we acquired from the former Automotive segment at the beginning of the fiscal year. The market-oriented business units Auto, Industries and Processing achieved significant earnings increases.

That's all I have to say about the past fiscal year. Turning to the current fiscal year we continue to see positive signals from the market. China will remain the growth driver of the international steel market. The other regions of the world are showing steady, slightly upward trends, enabling us to say that steel demand is stabilizing at a very high level. Because of the capacity bottlenecks ThyssenKrupp Steel has so far been unable to share in this trend to the extent we would wish. This is why in 2006 we launched our forward strategy of profitable growth based on the three pillars of a slab facility in Brazil, a processing facility in the southeastern USA, and optimization of our facilities in Europe (*Chart 3 – Green light for growth strategy*).

Our slab bottlenecks will be removed after 2009 when our major investment in Brazil has gone on line. A year ago we laid the foundation stone there and after 12 months I am able to report that we are on schedule and we are keeping to our budget of €3 billion for the 5 million ton per year slab facility (*Chart 4 – Planned slab facility in Brazil*). I would also like to add that the acceptance of our project in Sepetiba Bay among the Brazilian public has been exceptionally good, as has the support from the government and public bodies.

The steel mill near Rio de Janeiro is the central element of our forward strategy to further strengthen our excellent position in the steel industry. As a manufacturer of high-end flat-rolled carbon steel we focus not on quantities but on revenues in comparing ourselves with the competition (*Chart 5 – Global comparison of steel companies*).

But as the media are always interested in tangible production statistics I will outline briefly the direction we are heading. Of the 1.2 billion tons of crude steel produced worldwide in 2006, 700 million tons are long products. We have withdrawn from this market segment completely over the last ten years. That leaves 500 million tons of flat products. Included in this are 200 million tons of premium carbon steel flat-rolled. It is here that we are concentrating our activities, aiming in the medium term for a share of 10 percent – i.e. 20 to 25 million tons.

This premium segment is also growing at an above-average rate. For carbon steel flat products as a whole, growth rates of under 4 percent per year are expected up to 2015, whereas for the premium products growth of well over 6 percent is forecast, taking place mainly in Europe and the NAFTA region (*Chart 6 – Disproportionate growth in premium products*). That is why we are stepping up our involvement in the USA, where we intend to copy our European success model. The goal is a market share of 5 percent, compared to less than 1 percent today.

For this, together with our sister segment Stainless we are investing a further €3.1 billion in a jointly operated facility in Mount Vernon, Alabama. The Supervisory Board gave its approval in May. The authorities in the USA will be granting us the two main environmental licenses any day now. Such quick treatment would have been impossible in Germany, although the environmental legislation in the USA is just as strict as in Europe. The interest from people in Alabama is huge and there has been great public support. More than 1,700 citizens visited our open-house events to find out more about us and our project.

We will be laying the foundation stone on November 2. You reported extensively on this project in the summer, so I'll just remind you of one or two key facts. The hot strip mill, the centerpiece of the plant, has a capacity of 5.2 million tons per year (*Chart Greenfield Project*). It will also process 1 million tons of stainless steel slabs. Mr. Fechter will be presenting details of the facilities of ThyssenKrupp Stainless shortly. For ThyssenKrupp Steel the hot strip mill will be followed in the work flow by a cold rolling mill and hot-dip coating lines. In total we aim to produce 4.1 million tons of premium finished products per year. The starting material will include the 3 million tons of low-cost, highest-quality slabs which we will be getting from Brazil. Above all we will be serving demanding customers in the auto and appliance industries.

Our forward strategy of profitable growth also includes a third component which will help us gain market share in Europe (*Chart 8 – High investment strengthening German sites*). For this we are investing €400 million at our German sites to adapt our hot rolling, cold rolling and hot dip galvanizing capacities to the extra 2 million tons of slabs which will be coming from Brazil. We are investing a further €340 million in the construction of blast furnace 8, due to start operation in December, and the relining of neighboring furnace 9. This will stabilize our iron and steelmaking operations in Duisburg. With its outstanding infrastructure this site is one of the best in the world. Our investment program demonstrates that it will stay that way in the future.

I would now like to deal with the portfolio change at ThyssenKrupp Steel I mentioned earlier: Since October 1, 2006, the Umformtechnik group has been run by ThyssenKrupp Steel under the name Metal Forming. The companies in the group produce body and chassis stampings and assemblies, counting all major auto manufacturers among their customers. In fiscal 2005/2006 Metal Forming achieved sales of 1.4 billion euros and employed around 8,000 people. Its operations are concentrated on Europe, where it has sites in Germany, France, the UK, Poland, Spain and, since August, Turkey. The first steps towards an overseas presence have been taken with plants in Brazil, China and India.

With the acquisition of the Umformtechnik group, ThyssenKrupp Steel has become the only steel producer capable of covering the entire development and production chain from material to finished part. In the future we will focus our innovation efforts even more closely and further shorten the development cycles for new, mature automotive solutions.

I now invite Mr. Fechter to speak to you about ThyssenKrupp Stainless.