President's Award Breakfast Keynote Address

Robert P. Soulliere, president and chief executive officer, ThyssenKrupp Steel USA LLC

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AIST President Charles J. Messina presented Robert P. Soulliere with the 2008 AIST William T. Hogan, S.J. Lecture Award in appreciation for his keynote lecture presented before a sold-out crowd of 1,260 people at the AISTech 2008 President's Award Breakfast in Pittsburgh, Pa.

AIST President Charles J. Messina (left) presents Robert Soulliere with the 2008 William T. Hogan, S.J. Lecture Award for his keynote address.

Balancing Global Trends With Regional Markets: ThyssenKrupp Steel's Strategy for Growth

I'm delighted to have the opportunity to give the keynote address for the President's Award Breakfast today in the great steel city of Pittsburgh, and to have the opportunity to share ThyssenKrupp Steel's strategy for growth with so many distinguished and talented representatives from our important industry.

This is actually the first time ThyssenKrupp Steel USA has attended this important exposition as a member of the North American steel industry. It is exciting to us, and we look forward to being a member of this community for many years to come.

While current global economic news may be mixed, I believe our industry has a bright and exciting future. For those with vision and passion for new and innovative technologies, the future offers historical prospects for growth in the world's changing and emerging economies.

Worldwide, consumer demand for steel is growing, new product markets are revealing themselves, and industry innovation is spreading along with the hunger for new technologies, and new applications for high-quality products.

With the increase in global demand, we are seeing an increase in global competition. Mergers and acquisitions and consolidation are changing the familiar faces of global steel through strategies built on sustained profitability and viability.

This morning, I want to share with you some of the global, regional and customer trends that are important to us at ThyssenKrupp Steel, and how we are responding with a unique vision and strategy that we believe will ensure our success for many years to come.

Globally, there are many changes taking place in the industry. As I previously mentioned, companies are consolidating and competition is increasing.

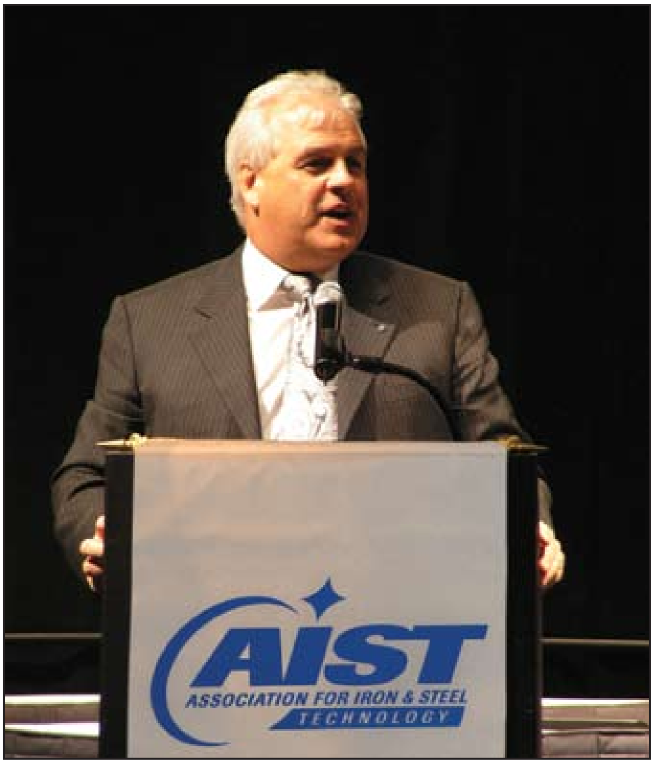
In the 1990s, the venerable German steel legends Thyssen, Krupp and Hoesch merged to become pioneers in European consolidation. In 2006, Arcelor joined with Mittal, and in 2007, the multinational Indian-based conglomerate Tata acquired Corus, which was itself born of a major international merger. But even as the number of major players is *decreasing,* the global demand for steel is *increasing.*

The economic outlook for different regions around the globe is mixed, inconsistent and changing. As some companies search for ways to capture them all, the areas of greatest interest to ThyssenKrupp Steel and the focus of our global strategy is Europe, NAFTA and China. In order to understand this strategy, you must first understand, as we do, the state of these markets and economies today.

GDP growth in the U.S. has fluctuated widely over the past two years, and the expectations for 2008 are modest to even the most hopeful economists, with many predicting recession. In Europe, though GDP growth rates remained low, they remained steady and only slightly less in 2008 than in 2007. China, on the other hand, continues to report double-digit annual growth and no appreciable slowdown until 2009, and even then, the forecast rates are only slightly lower.

The prices for iron ore and scrap continue to increase at unprecedented rates, and steel producers are focusing increasingly on the continuity and consistency of supply.

Here in the United States, housing continues to slump, affecting the durable goods and credit markets, while Europe and China have remained much less affected. It seems possible that an economic slump in the United States may not have as damaging an impact on other global economies as it may have had in the past.

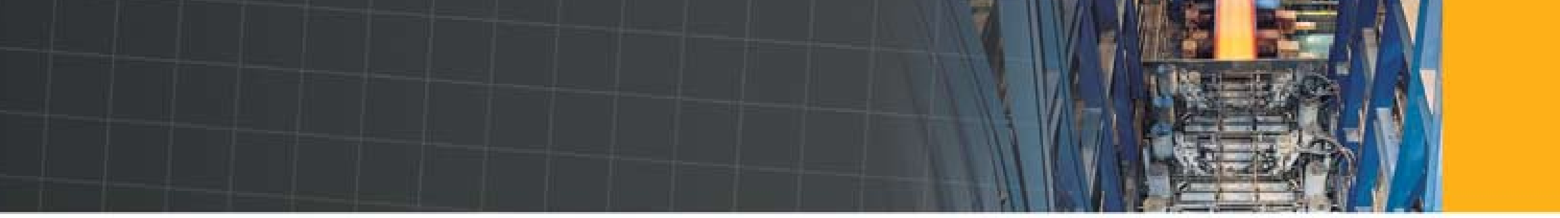


Robert Soulliere presents his keynote address.

Yet with all the mixed global economic news, almost all the steel markets in these regions are strong, and the demand for high-value steel is modestly, but steadily, growing. In the U.S., with words of recession in the wind, the domestic production capacity is struggling to meet the current demand for flat steel, as imports are now placing less pressure on the markets, requiring domestics to fill the gap.

In Europe and China, a similar situation exists, as prices continue to increase with demand and production costs. While some regions will, of course, experience greater demand than others, forecasts for global flat steel demand show it increasing an average of 3–4% a year in the next 10 years. In the NAFTA region, demand is expected to increase during this period by 1.6% annually. By contrast, Europe's demand is forecasted to increase 1.2% and China's nearly 6%, with both of these regions remaining exporters (Figure 1).

One trend of particular importance to our global strategy is that the demand for high-value carbon steel product is increasing in all these regions, including China; the expanding EU economies of Eastern Europe such as Poland, Slovakia and



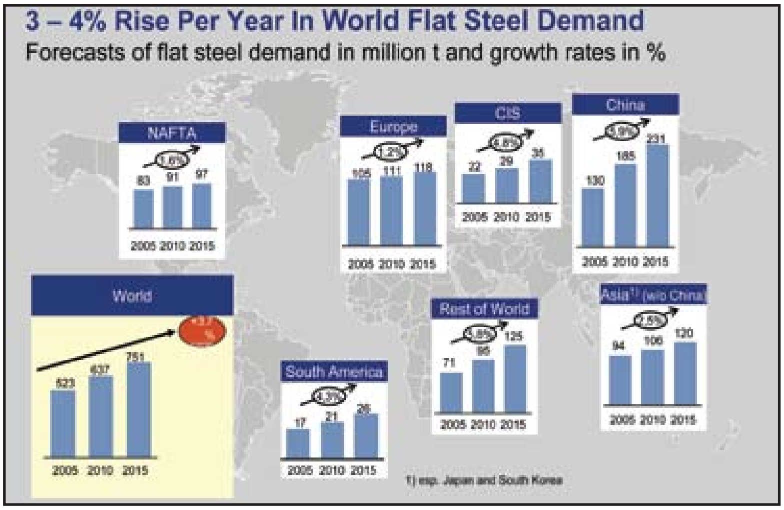


Figure 1 – World flat steel demand.

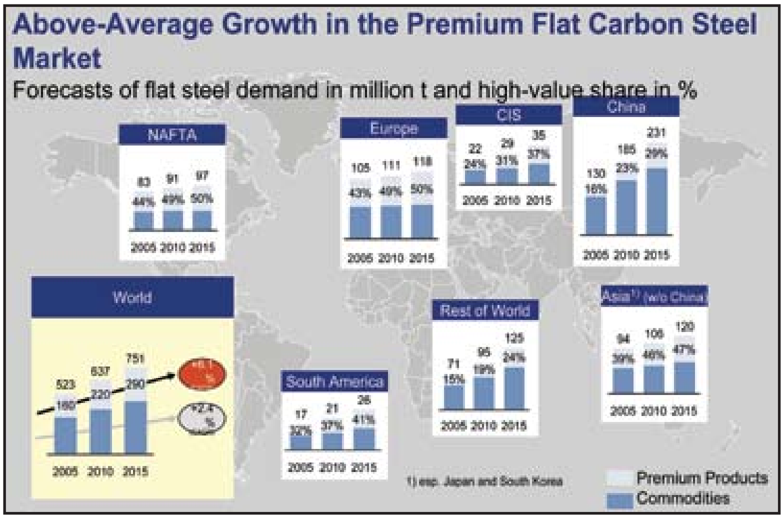


Figure 2 – Growth in the premium flat carbon steel market.

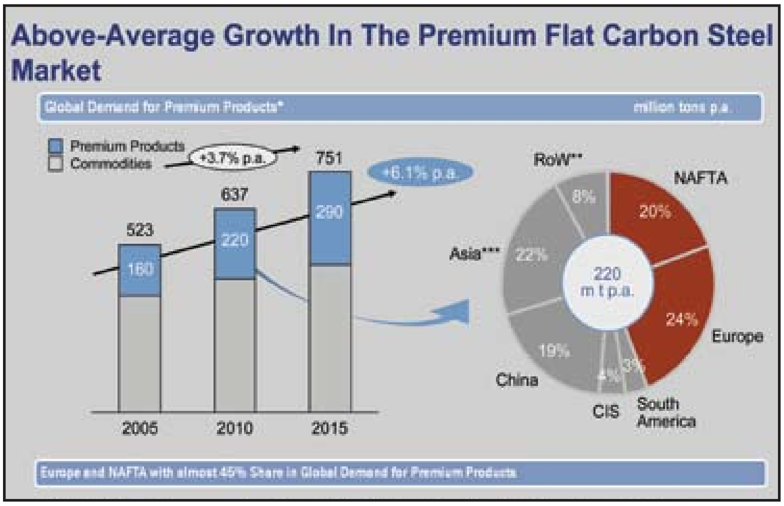


Figure 3 – Growth in the premium flat carbon steel market.

the Czech Republic; as well as Western Europe and NAFTA.

In Europe and NAFTA, high-value products took a 44% share of the market in 1995. By 2015, this share is expected to increase to 50% (Figure 2).

While China continues to expand its steelmaking capacity, we believe it will continue to import high-grade steel to meet a market segment of 29% by 2015, a smaller share relative to Europe and the NAFTA region, but still quite substantial.

Our strategy also responds to predicted above-average growth in the premium flat carbon steel market during the next 10 years, with a global market growth of more than 6% per year compared to that of 3.7% for commodity steel products (Figure 3).

Within the next 10 years, Europe and NAFTA will account for nearly 45% of the share in global demand for premium products, followed by a combined 41% share in Japan and South Korea. China is a growing premium steel consumer, but still has the smallest share among the developed markets.

In the important area of durable goods, the outlook on the U.S. automotive industry is very different today than it was 10 years ago. Sales and production have been declining since 2005, and a return to real growth is not expected until 2010. In Europe, while sales have been flat since 2006, they are expected to grow again in 2009 and 2010. China's sales have been growing at double-digit rates and have exceeded growth rates of 20% for the past three years. Their growth is expected to remain in double-digit figures through at least the next five or six years.

Finally, our strategy responds to trends in the exchange rate for global currencies, which are affecting regional markets. Since 2000, the dollar has weakened by more than 50% against the Euro. Exchange rate fluctuations in Korean, Russian and, more recently, Chinese currencies have also contributed to an impact on the global steel trade, as product that was once easily exported has now become too expensive to ship to the United States.

So, how do these trends translate into the demand for various steel products in these regions?

China's demand for high-tech, high-quality products is low, but is slowly rising (Figure 4). Their market demand is driven by low-value-added products such as hot rolled and heavy plate.

Nevertheless, their demand for consumer durables such as automobiles and appliances continues to grow at a rapid pace.

Europe has traditionally been ThyssenKrupp's core market for flat steel, with roughly half of this in high-value product. While the growth rates may be small, they are higher than the rates expected in lower-quality flat steel demand, and we expect this demand will be supplemented by the expanding new EU markets I have previously mentioned (Figure 5).

In NAFTA, while the growth may be low overall, we expect above-average demand for high-value and high-quality products, accounting for nearly 50% of the market (Figure 6). Customer trends in this region are reflecting southern shifts, consolidation and this growing demand (Figure 7).

While the automotive industry will continue to be led by the "Big Three" American automakers, there is a growing and impressive presence of Asian and European automotive and manufacturing companies in the southern U.S. and Mexico which will increase the future demand for high-value steel products and technological capability in these regions.

Pipe and tube, another ThyssenKrupp Steel target industry, is also demanding high-value grades along with higher yield strengths. and there is increased demand for spiral welded tubes and large-diameter pipe of 20 inches or greater.

While there is an abundance of service centers in North America, this segment is shifting toward consolidation. However, even with consolidation, their share of the market will remain high.

The appliance industry is growing globally as well, and as in the North American automotive industry, it is also shifting south.

Our strategy for growth takes advantage of all these trends by leveraging our historical strength in the high-quality flat carbon steel market with a plan for expanded capacity to do what we do best in these growing global regions that will need and value it most.

ThyssenKrupp is one of the world's largest technology groups and an acknowledged leader in European steel-making for over a century. More than 190,000 employees worldwide work in the Group's main areas of steel and capital goods and services, realizing sales of over $80 billion in fiscal year 2006–2007 (Figure 8).

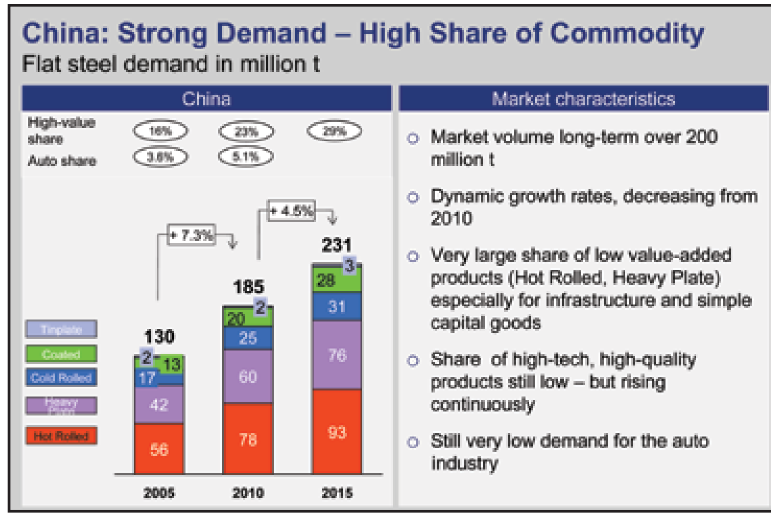


Figure 4 – *Market characteristics in China.*

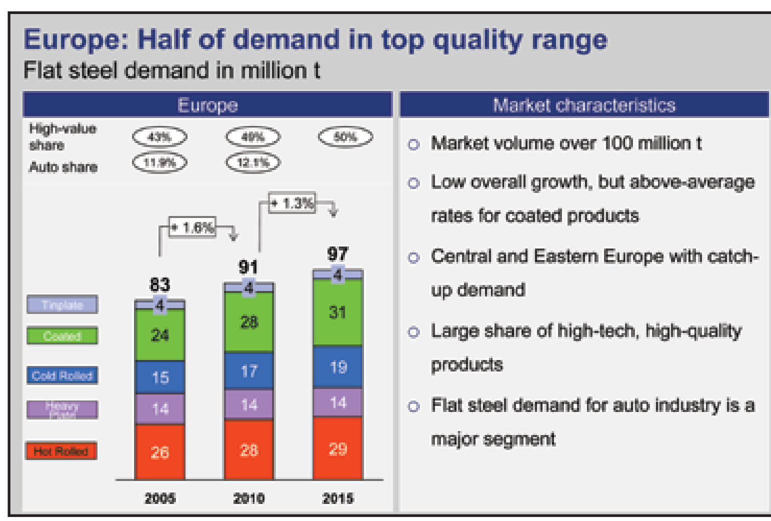


Figure 5 – *Flat steel demand in Europe.*

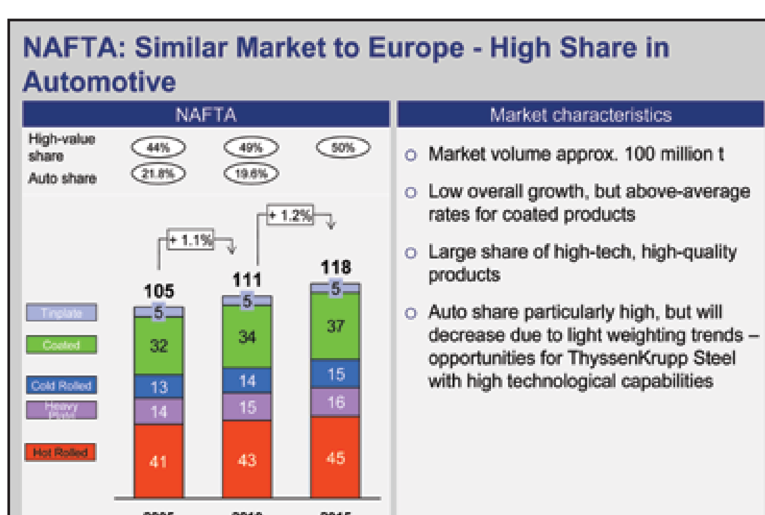


Figure 6 – *NAFTA share of the automotive market compared to Europe.*

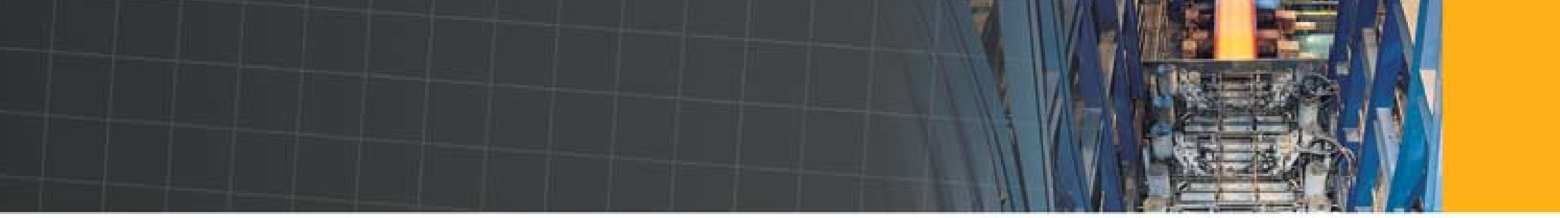


Figure 7 – NAFTA trends in the automotive and manufacturing sectors.

Figure 8 – ThyssenKrupp Group's main areas of activity are steel, capital goods and services.

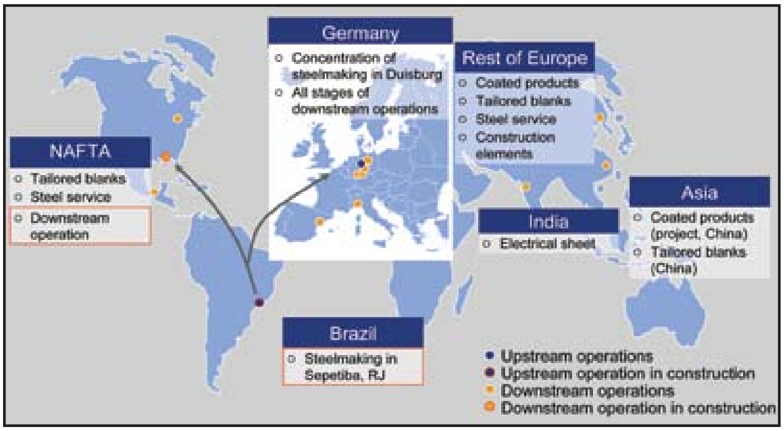


Figure 9 – ThyssenKrupp Steel's production sites worldwide, with Rhine-Ruhr region as basis.

We are currently the second largest producer of flat rolled carbon steel on the European continent, and a world leader in electrical steel and tailored welded blanks, with a heavy concentration on high-value-added products. Our facilities in the Ruhr area of Germany have a capacity of 17.3 tonnes of crude steel a year, and from this legendary location we have fed European industrial growth for well over a century (Figure 9).

Our presence in China is meeting a relatively small but growing high-value market in the automotive and appliance industries, with a 450,000-ton-capacity hot-dip coating line in Dalian and tailored welded blank factories in Wuhan and Changchun.

We have begun to strengthen our international presence in the global premium steel market through a full and notably diverse range of high-quality products such as tailored welded blanks, tinplate, electrical steel, coated products, cold strip, heavy plate and hot strip, to name a few. With these quality products, we bring an expertise in innovative technologies and a willingness to partner with our customers on research and development projects aimed at making their products even better (Figure 10).

In the face of all these new global and regional dynamics, ThyssenKrupp Steel has a unique strategy that is clearly and confidently addressing the challenges of increased globalization and consolidation, changes in the raw materials markets, and the current growth trends in the industry of flat carbon steel (Figure 11).

ThyssenKrupp Steel has a successful business model that differentiates our company from our competitors. It also forms the basis for the medium- and long-term steps of our global strategy. The areas of greatest interest to ThyssenKrupp Steel and the focus of this strategy are Europe and NAFTA. In order to understand it, you must first see as we do the state of these markets and economies today.

We will not be losing sight of the growth market of China. We are investing in small steps in this high-value segment. In 2003, together with our partner Angang New Steel Co., our TAGAL hot-dip coating line in Dalian in northern China was opened. To meet the expected growing demand in these areas, the joint venture will open a second hot-dip coating line with roughly the same capacity this year, and even greater investment is being considered.

Figure 10 *– ThyssenKrupp's position in the premium market is more secure because of its high-value-added products.*

Figure 11 *– ThyssenKrupp Steel is facing new challenges.*

In Europe, we are investing more than $600 million to expand our capacity for value-added processing by expanding our hot strip, cold rolling and coating lines. In addition, the company is investing another $530 million to strengthen our metallurgical operations, which include a new blast furnace that began operation in December 2007. These, combined European investments of over $1 billion, are aimed at utilizing growth opportunities in our expanding core market, and they are integrated with another large investment in South America that will optimize supply with expanding European demand.

In South America, specifically Brazil, we are investing over $4 billion in an integrated steelmaking facility which includes two blast furnaces, a BOF steelmaking shop, two continuous casters, a coke plant, power plant, sinter plant, and a captive port with rail connections to a secure high-quality ore supply. With an annual capacity of 5 million tonnes of high-quality slabs, this new facility will support our marketing strategies in the European and NAFTA regions.

With this additional capacity, we will ship 2 million tons of slabs to feed our expansion in Germany. The remaining 3 million tons will be shipped to the U.S. to our new $3.7 billion greenfield, state-of-the-art steel and stainless processing facility in north Mobile County, Alabama (Figure 12). This facility is now under construction and is expected to begin operation in the second quarter of 2010.

Shiploads of carbon steel slabs will leave our new integrated facility in Brazil on Panamax ships bound for Mobile, Ala. There, they will be transferred to barges that will carry the slabs up the Tombigbee River to our terminal for our hot strip mill, which is colored in red in Figure 13.

This mill is designed to roll in excess of 5 million tons per year, 4 million of which will be used for carbon steel products. The hot strip mill will be fully equipped to produce the highest quality bands for sale as hot rolled and substrate for cold rolled and coated products. It will be capable of rolling from 1.5 mm up through 25.4 mm in thickness.

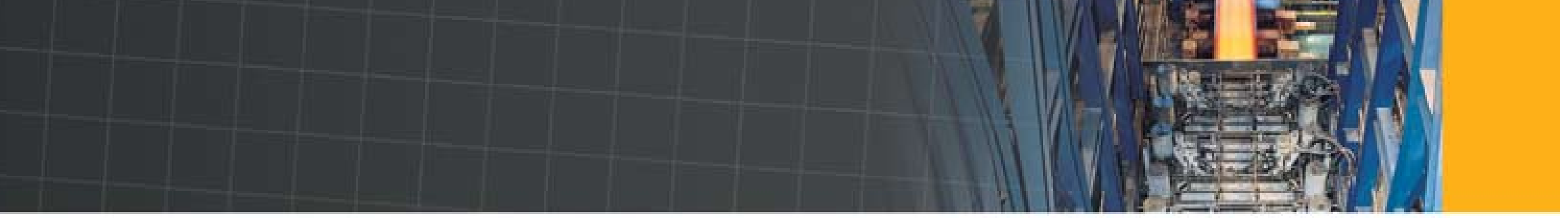
The continuous pickle tandem mill, shown in orange in Figure 13, will be state of the art, with the ability to roll from 0.3 mm up through 3.0 mm and make the highest quality product for both exposed and unexposed applications.

Adjacent to the pickle tandem mill will be an independent pickle line designed to serve those markets that seek only pickled coils.

Finally, we will have four continuous galvanizing lines, shown in green, capable of producing 1.8 million tons of coated products for exposed and unexposed applications, including construction. Two of these lines will produce product up to 1,870 mm wide, and the other two up to 1,670 mm wide. One of the lines will be capable of producing both cold rolled and coated products, depending on the demand of our customers.

Our product mix will be comprehensive. We will be making 2.1 million tons of hot rolled bands and pickled coils. It will also include full finished cold rolled as well as galvanized, galvannealed, aluminized and Galvalume products. Our intent is to produce a full range of steel grades to include mild steels, high-strength and advanced high-strength steels, as well as high-carbon and structural steels.

ThyssenKrupp Stainless USA, who will be co-locating on part of the site, will build its own meltshop, colored in yellow. This will produce 1 million tons of slabs, which will be processed through our carbon hot strip mill, then through to the stainless cold rolling mill, colored in dark blue. The two facilities will share the optimized logistics of river, rail and



road to deliver our products on time to demanding customers throughout the NAFTA region.

Our products will support high-value applications by manufacturers in Mexico and throughout North America, taking special advantage of the region's north-to-south migration of modern industrial centers. The carbon steel facility will serve the automotive, construction, and pipe and tube industries, as well as service centers and the manufacturers of appliances, precision machinery and engineered products.

With the slabs we'll be producing in Brazil, we will meet the growing need in North America, and especially the expanding manufacturing base in the southern U.S. and Mexico, for the high-quality products, advanced technical support, and long-term customer relationships that ThyssenKrupp Steel is known for.

Since our groundbreaking in November 2007, the 3,500-acre site has been cleared, and we have recently completed the preparation and grading activities. We have begun piling for the

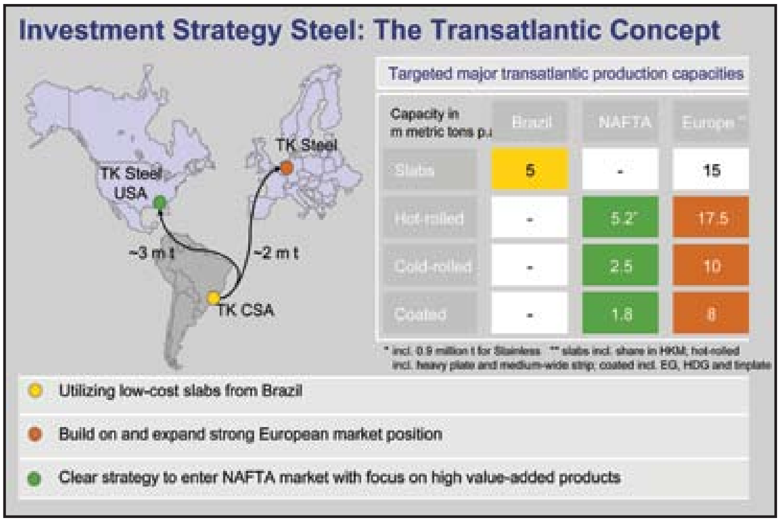


Figure 12 *— ThyssenKrupp's investment strategy in the steel industry includes shipping approximately 5 million tons of slabs from its integrated facility in Brazil to both Germany and the USA.*

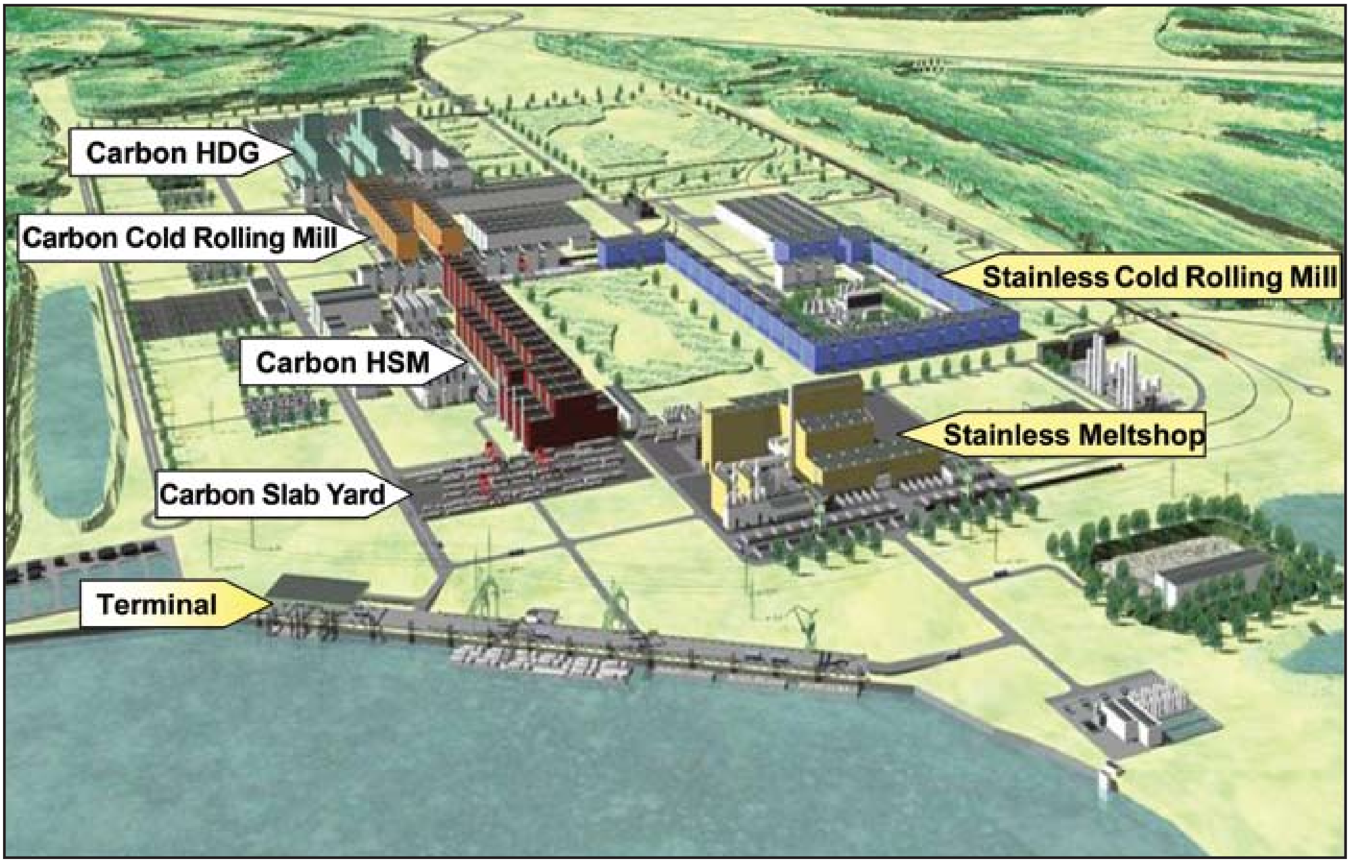


Figure 13 *— Layout of the new ThyssenKrupp Steel USA plant in Mobile, Ala.*

substructures and soon will begin pouring the foundations that the new ThyssenKrupp Steel USA will stand upon for many years to come.

The Alabama State Port Authority has begun work on a new $100 million port facility dedicated to transferring each month an average of 300,000 tons of incoming slabs onto barges bound for our river terminal.

In another close partnership, the state is also aiding us in recruiting and screening production applicants through a local training center. We have begun the process of welcoming the first of our estimated 2,700 employees into the growing family of ThyssenKrupp and introducing them to our philosophy of teamwork and excellence in product quality, customer service and innovation. Since our site selection announcement, we have received more than 20,000 resumes and applications for both professional and production-related positions. Already, 1,000 of these have been processed through pre-training classes or interviews.

With the additional crude steel capacity in Brazil, we will improve our competitive position. By focusing on the high-value segments in Europe and strengthening the heart of our company in Germany with expanded production capacity and a steady flow of slabs from Brazil, we will sustain our dominating European presence.

With this foothold in North America, we will bring the proven and valued traditions of ThyssenKrupp quality, superior service, technical innovation and long-term relationships to our customers in the NAFTA region.

ThyssenKrupp Steel will go its own way, choosing a unique path we believe will ensure us profitable growth for many years. We are thinking globally, but we are acting regionally by responding to what we see as trends affecting regional markets.

This path will lead us to the cooperative partnerships that have built our reputation in Europe and are now in growing demand in NAFTA. This path will enable us to capture those markets where we see long-term, stable growth in the demand for premium products.

Amid the constant change in global and regional markets, and despite the ebb and flow of economies, exchange rates, and booms and busts, the growing industrialized world is as dependent as ever on this amazing product that has brought us here today.

For the first time, ThyssenKrupp is reaching globally for new customers, partners and markets, going its own way with a strategy we believe will ensure our continued success for generations to come.

Like proud parents who can't stop talking about their children, we at ThyssenKrupp Steel USA relish every opportunity to tell others about these newest additions to the distinguished ThyssenKrupp family.

I would like to again thank AIST for this opportunity today. We look forward to working with customers, colleagues and competitors alike to keep the North American and European steel industries among the strongest and most respected in the world. ✦

Robert Soulliere presents his keynote address before a sold-out crowd of 1,260 at AISTech 2008 in Pittsburgh, Pa.