Foreign Direct Investment: Financing Sustainability Conference

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U. S. Steel Kosice, s.r.o.
U. S. Steel

- United States Steel
  - Founded in 1901
  - World’s first billion dollar corporation
  - Known on Wall Street as “The Corporation”
  - A giant of 20th century American industry
  - Growth fueled by American industrial expansion
U. S. Steel

- Manufactured many types of steel products
- Owned a variety of steel and non-steel businesses
- Pioneered technologies and management techniques
- Employed over 200,000 people; owned facilities across the U.S.
- Integrated steel company
U. S. Steel

1990’S – Modernized facilities to meet world class standards

Entered in joint ventures with companies from:
  • Mexico
  • Japan
  • Korea
  • US

Focus on core business and customers
Globalization of USS Customers
- U. S. Steel customers operating overseas

Globalization Criteria
- Support customer overseas operations
- Serve emerging markets
- Develop new markets for USS products

USS search led to Kosice, Slovakia
U. S. Steel Kosice

- U. S. Steel aware of VSZ’s assets:
  - Modern equipment
  - Well-maintained facility
  - Highly-educated workforce

- 1998 – U. S. Steel signed agreement with VSZ to produce tin plate

- USS assumed control of VSZ steel plant in November, 2000
Central Europe – A Good Investment Decision

• Potential for economic change
• Healthy and dynamic market economy
• Emerging markets
• Excellent educational system
• Skilled workforce
• Cooperative governments

$121 million profit, $61 million CAPEX in 2001
Global Economic Conditions

- Gross Domestic Product Growth in Central Europe Will Decline, but Not as Severely as EU, US, and Japan
- Slovakia GDP will increase

Source – OECD 2001
Global Impacts

- Over Capacity
- Trade Cases
- Protective Tariffs
- Bankruptcies
- Consolidation
- Privatization
Price Trends in Germany

CRU Statistics

USD per ton

Hot rolled
Cold rolled
Galvanized
Growth Markets
Real GDP Growth
Central Europe exceeds Western Europe

Real GDP Growth % change YOY

Western Europe
Central Europe

2000 3.3% 4.3%
2001 1.7% 2.6%
2002 1.5% 2.7%
2003 2.9% 4.1%
Sheet Steel Consumption Growth
Consumption Exceeds Production

Source: CRU October 2001 Sheet Steel Quarterly
Central European Vehicle Production

000 units of production

Greater than 10% annual growth expected

2001: 1,396
2002: 1,449
2004: 1,665
2006: 1,972
2011: 2,111
Central European Growth Corridor
Serbia Is Part Of Central European Growth Corridor

- Serbia is making great political and economic progress

- Serbian Government is:
  - Stabilizing economy
  - Strengthening democracy
  - Improving investment climate
Commitment To Economic Development

- Attract FDI to Promote Economic Growth and Job Creation
- Publicize Benefits
- Help Establish New Businesses
Commitment To Economic Development

◆ Over 280 Companies Contacted
◆ 10 Companies Considering Relocation
◆ 5 Companies Have Established Operations
  - Approximately 1000 New Jobs at Full Staff and $26 Million in Foreign Direct Investment
Why Would USS Do This?

- To generate more business for U.S. Steel
- If we recruit businesses that use steel products, we can sell steel products
- To be a part of the all aspects of the community: economic, social, cultural, and civic
- To integrate into the society at large
Commitment To Community

Since December 2000, USSK has Donated
Over 1.4 Million US Dollars:

- Health Care
- Environment
- Education
- Science
- Sports
- Culture
- Charities
Commitment To Employees

- USSK has Maintained Employee Level at Approximately 16,000
- Employees Are the Strength and Character of the Company
- Increased Cooperation Between Labor and Management
- Labor Agreements Signed Early
- Employee Cooperation, Trade Unions, Improved Productivity and Profitability Resulted in Increased Wages
U. S. Steel Kosice

- FDI Critical to Business Success in Transition Economies
- Commitment to Succeed
- Commitment to Economic Development
- Commitment to Community
- Commitment to Employees
FDI Benefits All

Domino Effect

- Attracts More Foreign Investment
- Sustainable Growth
- More Jobs / Reduced Unemployment
- Increased Social Programs
- Improved Standard of Living
- More Spendable Income
- Lower Interest Rates
- Domestic Investment
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