1170 EIGHTH AVENUE
BETHLEHEM, PA 18016-7699

ROBERT S. MILLER, Jr.
CHAIRMAN OF THE BOARD
CHIEF EXECUTIVE OFFICER

October 15, 2001

Dear Member of the Bethlehem Steel Family,

Today, Bethlehem Steel Corporation took the difficult but necessary step to reorganize under the protection of Chapter 11 of the United States Bankruptcy Code.

Let me reassure you. This does not mean we are going out of business. On the contrary, we intend to use all of the opportunities afforded to us under the Bankruptcy Code to return Bethlehem to solid financial footing. Your pension is protected by law against any claims by creditors. Filing for Chapter 11 affords Bethlehem the necessary time to reorganize the business and stabilize its finances. We have obtained a loan commitment for Debtor-In-Possession financing that we believe should be sufficient to fund ongoing operations without interruption, as well as develop and implement our Plan of Reorganization.

As you know, we are not alone in our challenges – more than 20 other steel and steel related companies have filed for Chapter 11. The major issues facing Bethlehem are representative of those facing the entire domestic steel industry including unfair trade practices and the relatively high levels of steel imports. We are also grappling with high employment costs due to our significant healthcare obligations and workforce productivity issues at a time when many of our competitors, especially the mini-mills and foreign producers are not dealing with the same issues.

Bethlehem's employees have been the key to our success throughout the Company's nearly 100-year history, and your continued support as a former employee will be critical to our success. However, Bethlehem cannot successfully reorganize the Company without addressing the $3 billion in legacy obligations, which include providing healthcare for nearly 130,000 people. We intend to seek assistance from government, but we will need to take some self-help actions first, including changes to our benefits programs that will be necessary to successfully reorganize.

One thing is clear, returning Bethlehem to sustained profitability will require true partnership and shared sacrifice.

We will keep you informed about our progress and how you can help as we work on our reorganization plan. In the meantime, please see the enclosed material or visit our website at www.bethsteel.com for information about our restructuring.

As the Company that has helped build, defend and transport America throughout its nearly 100-year history, we are focused on building a strong future. I thank you for your continued support of Bethlehem.

Sincerely,

RETIREE & DEPENDENTS Q&A

Does filing for Chapter 11 mean that Bethlehem is going out of business?

No. This does not mean Bethlehem is going out of business. We intend to use the Chapter 11 process to ensure a strong and vibrant future for the Company. Bethlehem will continue to produce steel and to serve our customers without interruption.

Why is Bethlehem filing for Chapter 11 now?

This decision was made due to our continuing financial losses and was compounded by the fact that the business outlook is not promising in the months ahead. Filing for Chapter 11 also provides us with some opportunities to streamline operations and improve our financial structure, which would be difficult to accomplish outside of Chapter 11. But as you know, Bethlehem is not alone in its struggles. More than 20 other steel and steel-related companies have filed for Chapter 11.

Will Bethlehem be closing facilities?

We are conducting an extensive review to determine the current profitability and potential contributions of each facility as we work to turn the business around. We will continue our efforts to restructure or divest any non-core, under-performing facility/facilities.

This restructuring is an opportunity for the Company to continue to focus on our primary operations in Sparrows Point, Maryland, and Burns Harbor, Indiana.

As an ordinary course of business, particularly given the competitive environment today, ongoing analysis of performance is something that smart, healthy companies undertake. However, we remain strongly committed to our core operations in Sparrows Point and Burns Harbor.

Who actually "runs" the company in a Chapter 11 situation? The bank?

Bethlehem will continue to be operated by our own management team, however certain aspects of our restructuring will require the approval of the Court.

What percentage of Companies emerge from Chapter 11 and survive?

Companies that have a fundamentally strong business and loyal customer base often use the Code to strategically strengthen their businesses. We believe that Bethlehem falls into that category. We are using the law to restructure our current financial position. It is a sound decision for Bethlehem at this point in time.

When do you expect to emerge?

We are still in the early days of this process and Chapter 11 proceedings can be very fluid. The management team is committed to a successful emergence from Chapter 11, but right now it is too soon to pinpoint an exact time.

Do labor unions have any role in a Chapter 11 situation?

Yes. The Bankruptcy Code provides a separate procedure under Chapter 11 for handling collective bargaining agreements, which involves negotiations with Union representatives. We have always negotiated with the USWA in good faith, and will continue to do so while operating under Chapter 11.

Are agreements with retired employees ever affected?

Yes, they can be; although it is too soon to determine what changes, if any, will be necessary. We recognize the importance of retirees to Bethlehem's past successes. We have no plans to terminate our pension plan. The pension plan at Bethlehem is separately funded and its assets are separate from Bethlehem's assets, therefore, it is not affected by a Chapter 11 filing. However, other benefits including those that are part of Collective Bargaining Agreements with the USWA will be reviewed, just as we will review all other opportunities to improve our business.

Are retirees and surviving spouses still covered by life and healthcare coverage?

Yes. Retirees and surviving spouses are still covered. However, as you all know, we face major financial burdens due to the cost of healthcare, as do other major companies in North America. Changes are anticipated in the Medicare healthcare system in this country to help relieve this burden. For example, some benefits, such as prescription drugs, currently provided by Bethlehem, may become available to our retirees from other sources.

Can retiree and survivors and dependents benefit programs ever be changed or discontinued?

Yes. Retiree benefits, which the Company is contractually required to provide, such as obligations under a collective bargaining agreement, may be changed or discontinued under Chapter 11 proceedings, but only with the Court's approval.

Does this process affect Bethlehem Pension assets?

No. Pension funds are separate from the assets of Bethlehem, and can be used only to pay pension benefits including administrative expenses connected with the pension plan.

Are Pension Plan benefits covered by the Pension Benefit Guaranty Corporation?

Yes. The Pension Benefit Guaranty Corporation covers most Pension Plan benefits currently.

Will there be an impact on Special USWA Spouse Benefits?

Yes, there can be; although it is too soon to determine what changes, if any, will be necessary. These benefits are part of the Collective Bargaining Agreements with the USWA and will be reviewed.

May an active employee request retirement and retire after a company has filed for protection under Chapter 11 of the Code?

Yes. A Chapter 11 filing does not affect the continued normal operation of the Pension Plan.

If I am currently a shareholder, am I still a shareholder?

Yes. Many of us are Bethlehem shareholders, including the management team. Our shareholders remain the owners of our stock and it is our objective to balance the needs of all stakeholders in this process, including shareholders, employees, and creditors. The market will determine the value of the shares.

I own shares of Bethlehem stock – can I sell them?

There are SEC regulations that prevent us from giving you investment advice. It is too early to say what the ultimate impact on our reorganization will be on the equity of the Company. I am confident in our future, but investment decisions are personal and should be made by you with the help of your financial advisor.

Will I have problems cashing my pension check?

No. The Chapter 11 filing will not impact your ability to cash your pension check. The funds to meet these obligations are secure and your normal pension pay schedule will continue.

Is my 401K or Savings Plan impacted?

No. The 401K Savings Plan will continue to be operated under normal operating procedures. Of course, any plan with Bethlehem stock will be connected to the current share price.

I have more questions; where can I go for answers?

You can visit the Bethlehem Steel website at www.bethsteel.com where we will post our progress and how you can help as we work on our reorganization plan.