

# **Klöckner & Co SE**

**A Leading Multi Metal Distributor**

**Q2/H1 2009 Results  
Analysts' and Investors' Conference Call**

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CFO

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# Agenda

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## 1. Overview Q2/H1 2009, market and strategy

Dr. Thomas Ludwig, CEO

## 2. Financials Q2/H1 2009 and outlook

Gisbert Rühl, CFO

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# Overview Q2 2009

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- Volumes stabilized on low levels of Q1 2009
- EBITDA of -€31m still negative, but significantly better than in Q1
- Segment Europe already with small positive EBITDA
- Gross profit per ton increased from €108 in Q1 to €122 in Q2\*
- Net debt further reduced to €118m due to significant reduction of NWC
- Cost cutting measures on track, planned headcount reduction nearly finalized
- New convertible issuance of €98m in June at 6% coupon for five years
- Safeguarding of financing with total facilities of €1.6bn

**Situation stabilized, results improved**

\* adjusted for write-ups/downs



## Results Q2/H1 2009

(€m)	Q2 2009	Q2 2008	Δ%	H1 2009	H1 2008	Δ%
<b>Volume (Ttons)</b>	<b>1,053</b>	1,755	-39.9	<b>2,121</b>	3,475	-38.9
<b>Sales</b>	<b>959</b>	1,922	-50.1	<b>2,054</b>	3,582	-42.7
<b>EBITDA</b>	<b>-31</b>	212	-114.6	<b>-163</b>	321	-150.6
<b>EBIT</b>	<b>-48</b>	197	-124.3	<b>-197</b>	290	-167.8



# Results Q2/Q1 2009

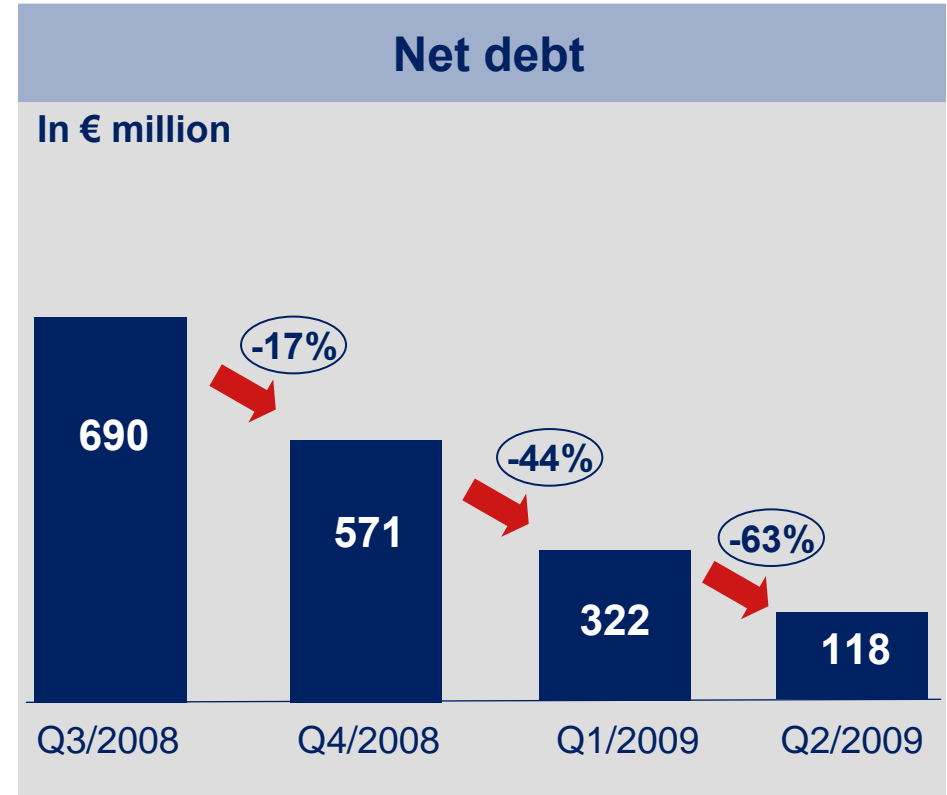
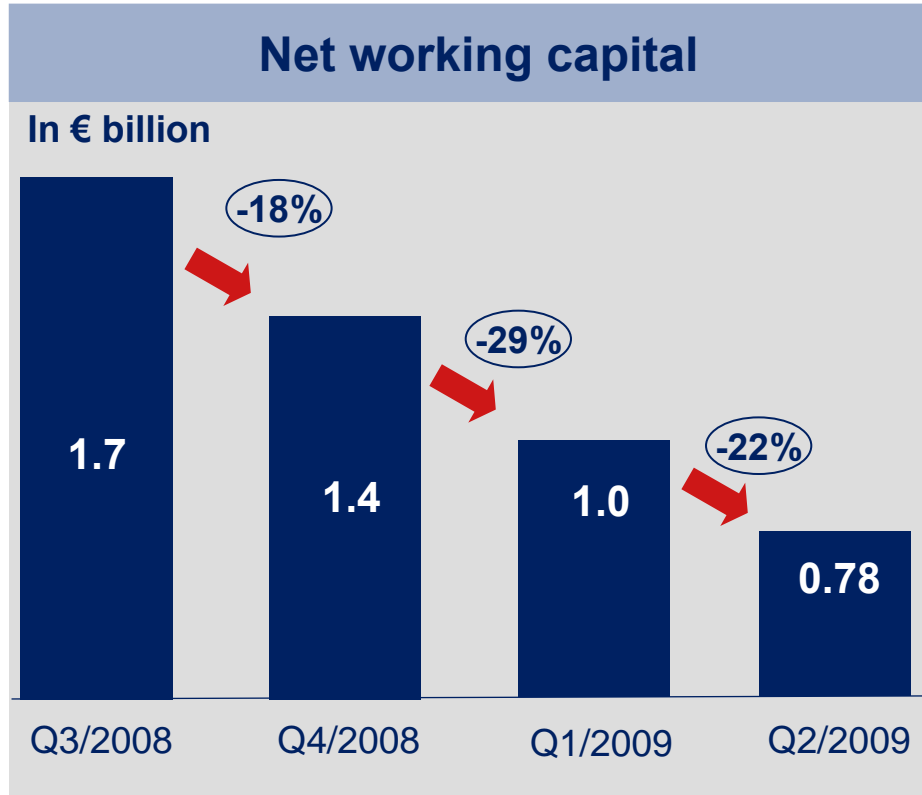
(€m)	Q2 2009	Q1 2009	Δ%
<b>Volume (Ttons)</b>	<b>1,053</b>	1,068	-1.3
<b>Sales</b>	<b>959</b>	1,095	-12.5
<b>EBITDA</b>	<b>-31</b>	-132	n.a.
<b>EBIT</b>	<b>-48</b>	-149	n.a.

## Comments

- Adj. for working days and Easter season Q2 on same level as Q1
- Sales price in Q2 driven below Q1, but better gross margin due to less windfalls and write-ups for inventory



# NWC- and debt-reduction targets overachieved

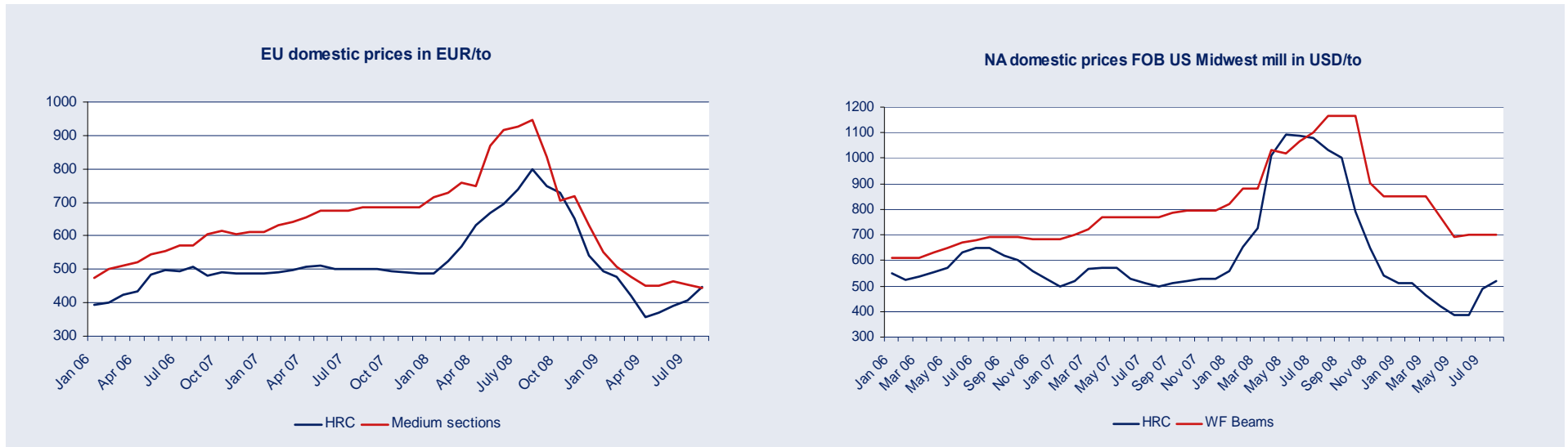


**Strong CF generation leads to net debt of €118m**

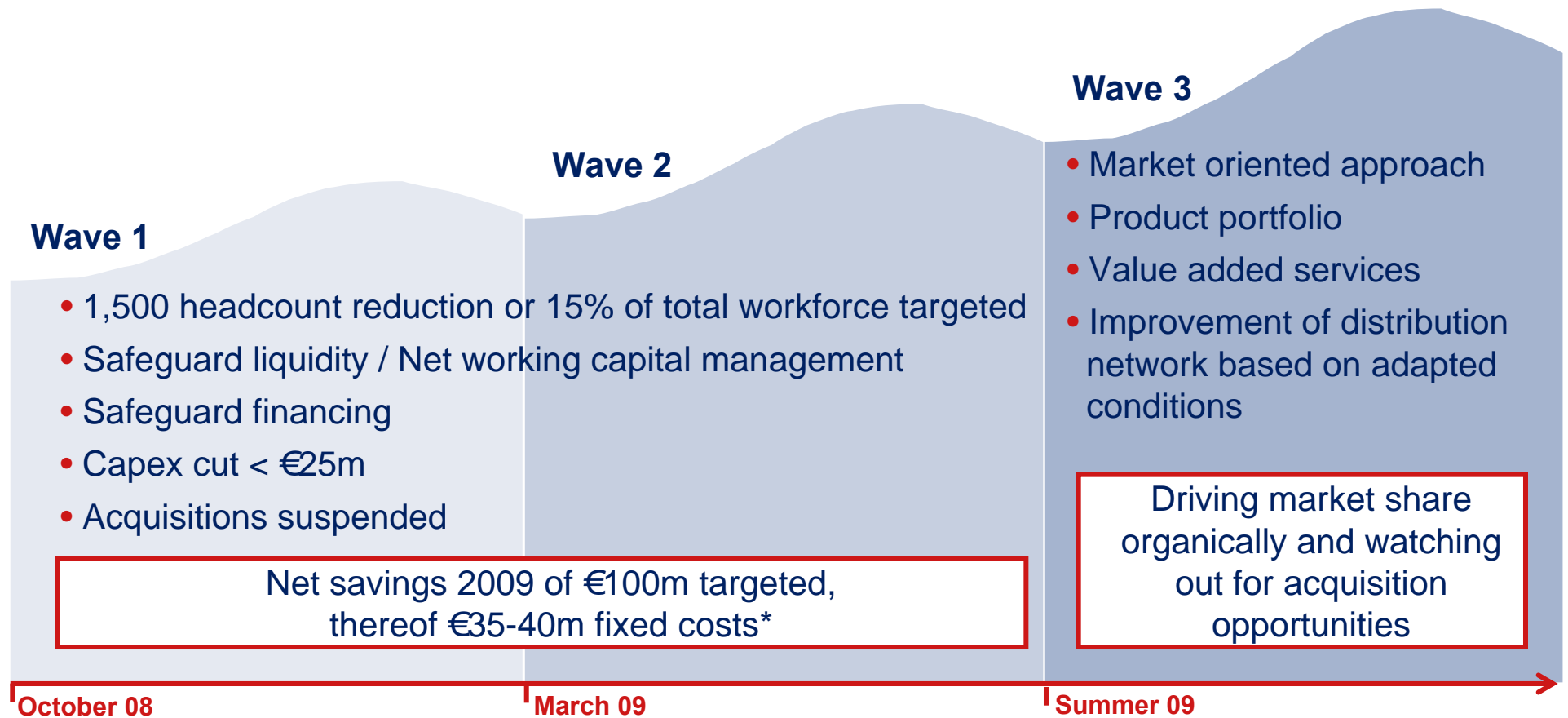


# Market conditions are improving

- IP increased slightly in Europe and started to stabilize in the US
- Market conditions are improving as destocking is ending and demand stabilizing
- Faster improving market conditions in the US through finalized destocking and signs of sequential demand improvement
- Low risks of imports from China due to tight domestic market and strengthened prices
- Utilization rates in the US and Europe are increasing due to stronger apparent demand
- Prices for carbon products and stainless products are picking-up in the US and also in Europe



# Cost oriented programs implemented, market oriented initiated

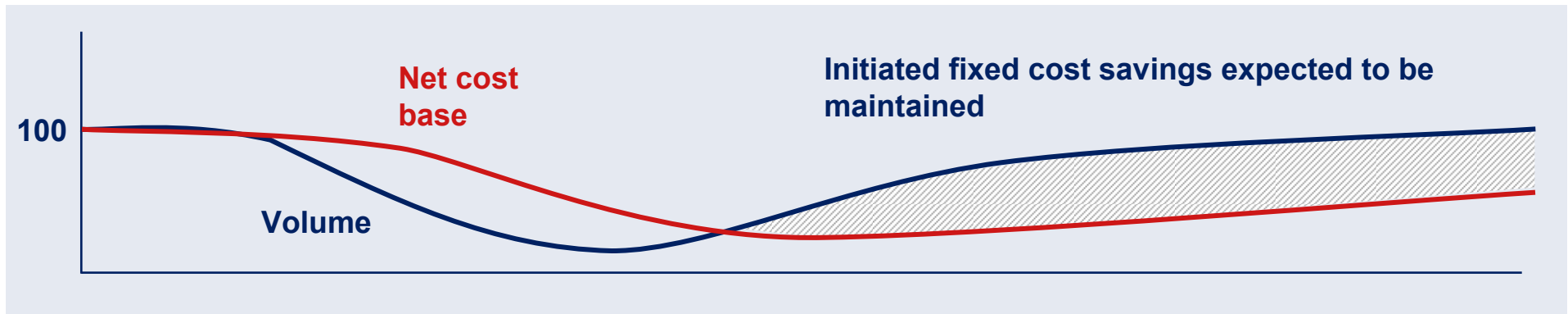
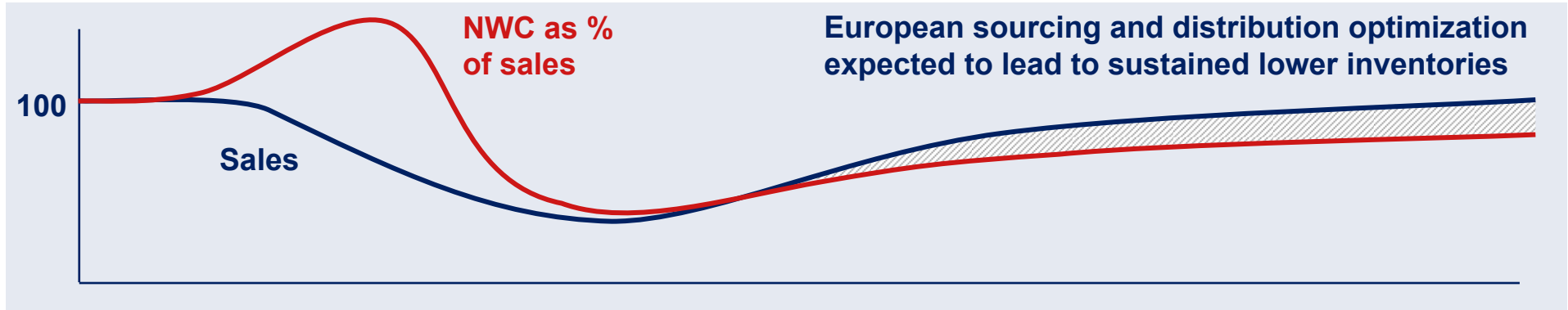


**Approx. half of targeted €100m net savings in 2009 (incl. STAR) already realized**

\* Company estimates



# Structural improvements will be maintained



**Sustainable improvements increase competitiveness in next upturn**



# Resume

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- Sharp cost cutting initiatives show results
  - 1,300 out of 1,500 of planned headcount reduction already completed or signed
  - Half of targeted €100m cost reduction for 2009 already realized
- Flexible business model generated high cash flow in downturn
- Strong balance sheet and restructured €1.6bn facilities give enough headroom also for attractive acquisitions if opportunities arise during the financial crisis
- Further stabilization of demand and volumes in H2 expected but due to summer holidays typical weaker demand in July/August
- Further stabilization and improvement of prices in Q3 expected
- Price development beyond Q3 depends on the ability and intention of the producers to keep demand and production in balance and to bring idled capacity not back on stream too quickly

**Tough H1, outlook improving**



# Agenda

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## 1. Overview Q2/H1 2009, market and strategy

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## Appendix



# Summary income statement Q2/H1 2009

(€m)	Q2 2009	Q2 2008	Δ%	H1 2009	H1 2008	Δ%
<b>Volume (Ttons)</b>	<b>1,053</b>	<b>1,755</b>	<b>-39.9</b>	<b>2,121</b>	<b>3,475</b>	<b>-38.9</b>
<b>Sales</b>	<b>959</b>	<b>1,922</b>	<b>-50.1</b>	<b>2,054</b>	<b>3,582</b>	<b>-42.7</b>
<b>Gross profit</b>	<b>161</b>	<b>462</b>	<b>-65.2</b>	<b>239</b>	<b>803</b>	<b>-70.2</b>
<i>% margin</i>	<i>16.8</i>	<i>24.0</i>	<i>-30.2</i>	<i>11.6</i>	<i>22.4</i>	<i>-48.1</i>
<b>EBITDA</b>	<b>-31</b>	<b>212</b>	<b>-114.6</b>	<b>-163</b>	<b>321</b>	<b>-150.6</b>
<i>% margin</i>	<i>-3.2</i>	<i>11.0</i>	<i>-129.3</i>	<i>-7.9</i>	<i>9.0</i>	<i>-188.2</i>
<b>EBIT</b>	<b>-48</b>	<b>197</b>	<b>-124.3</b>	<b>-197</b>	<b>290</b>	<b>167.8</b>
Financial result	<b>-15</b>	<b>-17</b>	<b>-8.5</b>	<b>-31</b>	<b>-34</b>	<b>-7.3</b>
<b>Income before taxes</b>	<b>-63</b>	<b>180</b>	<b>-135.1</b>	<b>-228</b>	<b>257</b>	<b>-189.0</b>
Income taxes	16	-55	-128.8	54	-79	-168.2
Minority interests	-1	-3	-76.6	1	-5	-118.0
<b>Net income*</b>	<b>-48</b>	<b>122</b>	<b>-139.5</b>	<b>-174</b>	<b>173</b>	<b>-200.5</b>
<b>EPS basic (€)</b>	<b>-1.04</b>	<b>2.63</b>	<b>-139.6</b>	<b>-3.74</b>	<b>3.72</b>	<b>-200.5</b>
<b>EPS diluted (€)</b>	<b>-0.85</b>	<b>2.48</b>	<b>-134.2</b>	<b>-3.28</b>	<b>3.54</b>	<b>-192.6</b>

\* Attributable to shareholders of Klöckner & Co SE



# Factors impacting EBITDA Q2 2009

Impact	Amount (€m)	Comments
Windfall losses*	-40 to -60	<ul style="list-style-type: none"> <li>Declining prices affected almost all products</li> <li>Effect difficult to quantify due to strong dynamics and very limited purchases</li> </ul>
Volume losses*	-100 to -120	<ul style="list-style-type: none"> <li>Impact of poor economic environment</li> </ul>
Special expense effects*	40 to 50	<ul style="list-style-type: none"> <li>Mainly driven by price related releases of inventory devaluation reserves at quarter end</li> </ul>
Acquisitions / divestitures	-16	<ul style="list-style-type: none"> <li>Mainly affected by divestiture of KVT and Canada</li> </ul>
One-offs	1	<ul style="list-style-type: none"> <li>Sale of property in France</li> </ul>
Exchange rate effects	-2	

\* Company estimates



# Segment performance Q2 2009

(€m)	Europe	North America	HQ/ Consol.	Total
<b>Volume (Ttons)</b>				
Q2 2009	815	238	-	1,053
Q2 2008	1,223	532	-	1,755
<b>Δ %</b>	<b>-33.3</b>	<b>-55.1</b>	<b>-</b>	<b>-39.9</b>
<b>Sales</b>				
Q2 2009	798	161	-	959
Q2 2008	1,523	399	-	1,922
<b>Δ %</b>	<b>-47.6</b>	<b>-59.7</b>	<b>-</b>	<b>-50.1</b>
<b>EBITDA</b>				
Q2 2009	3	-25	-8	-31
<i>% margin</i>	0.3	-15.8	-	-3.2
Q2 2008	150	67	-5	212
<i>% margin</i>	9.9	16.7	-	11.0
<b>Δ % EBITDA</b>	<b>-98.3</b>	<b>-138.2</b>	<b>-</b>	<b>-114.6</b>

## Comments

- Organic volume development in North America -37.7%
- Includes acquisition-related sales of €8m for Q2/2009 in North America



# Balance sheet Q2 2009

(€m)	June 30, 2009	Dec. 31, 2008**
Long-term assets	775	811
Inventories	604	1,001
Trade receivables	591	799
Cash & Cash equivalents*	616	297
Other assets	173	176
<b>Total assets</b>	<b>2,759</b>	<b>3,084</b>
Equity	938	1,081
Total long-term liabilities	1,108	1,177
• thereof financial liabilities	626	813
Total short-term liabilities	713	826
• thereof trade payables	417	392
<b>Total equity and liabilities</b>	<b>2,759</b>	<b>3,084</b>
<b>Net working capital</b>	<b>778</b>	<b>1,407</b>
<b>Net financial debt</b>	<b>118</b>	<b>571</b>

Comments
<p><b>Shareholders' equity:</b></p> <ul style="list-style-type: none"> <li>Decreased slightly from 35% to 34%</li> <li>Would be at 44% if cash would be used for net debt reduction</li> </ul>
<p><b>Financial debt:</b></p> <ul style="list-style-type: none"> <li>Leverage increased slightly from 0.95x to 1.03x EBITDA</li> <li>Gearing reduced from 53% to 13%</li> </ul>
<p><b>Net Working Capital:</b></p> <ul style="list-style-type: none"> <li>Decrease is price- and volume driven</li> </ul>

\* Including restricted cash of €7m; \*\* restated due to initial application of IFRIC 14



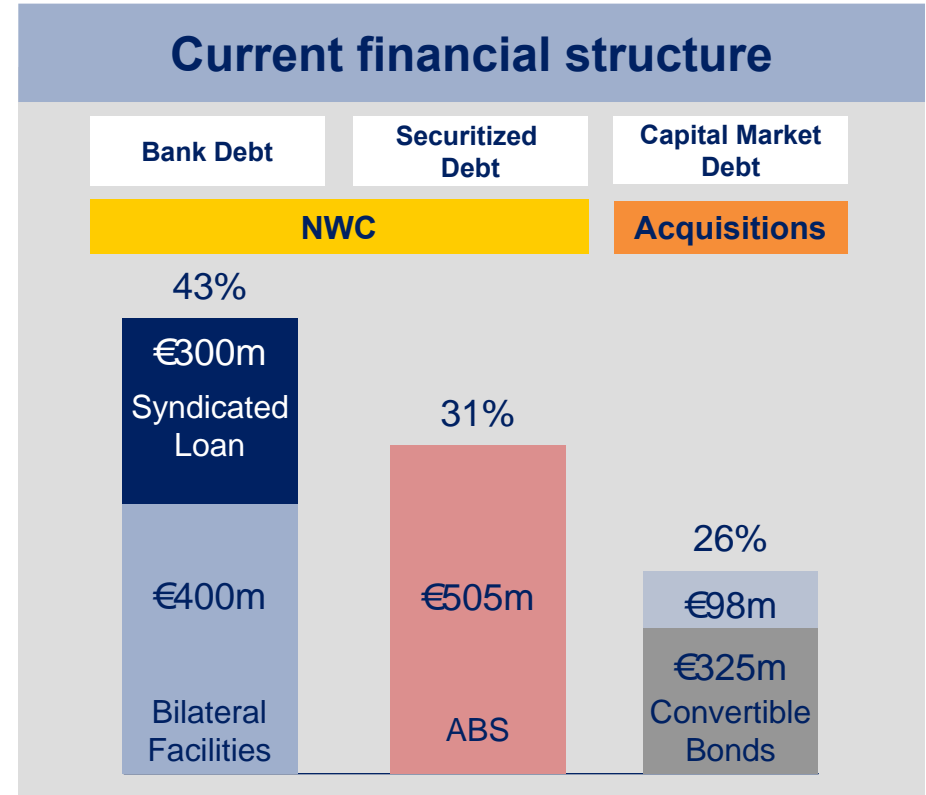
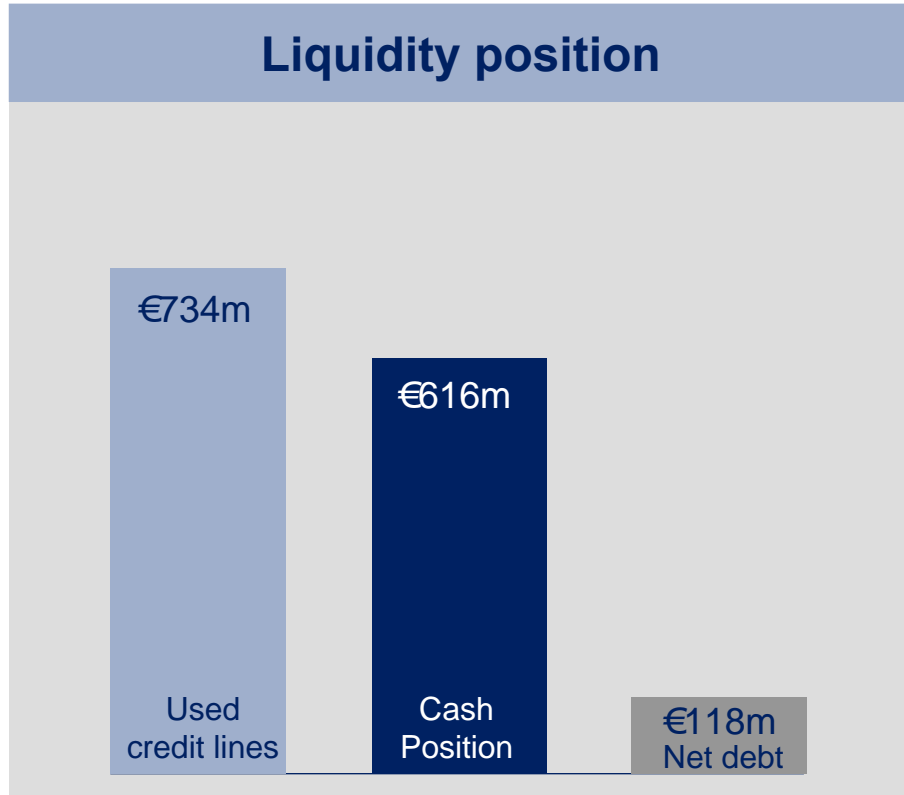
# Statement of cash flow H1

(€m)	H1 2009	H1 2008
Operating CF	-170	317
Changes in net working capital	640	-274
Others	-2	-40
<b>Cash flow from operating activities</b>	<b>468</b>	<b>3</b>
Inflow from disposals of fixed assets/others	6	8
Outflow from investments in fixed assets/ others	-8	-282
<b>Cash flow from investing activities</b>	<b>-2</b>	<b>-274</b>
Equity component of convertible bond	26	0
Changes in financial liabilities	-149	296
Net interest payments	-22	-16
Dividends	0	-38
<b>Cash flow from financing activities</b>	<b>-145</b>	<b>242</b>
<b>Total cash flow</b>	<b>321</b>	<b>-29</b>

Comments
<ul style="list-style-type: none"> <li>Operating CF negatively impacted by volume drop, offset by change in NWC</li> <li>Investing CF mainly balanced because of postponement of acquisitions and investment cut</li> </ul>



# Changes in financial structure succeeded



**€1.6bn facilities without performance covenants allow to finance growth and to pursue acquisition opportunities**



# Outlook 2009

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- Volume development expected to remain subdued in H2
- Higher prices in Q3 but increasing capacity utilization could be a risk for Q4
- Strict cost cutting measures on track, headcount reduction nearly completed
- H2 results expected to be clearly better than H1 but offset of H1 losses not achievable
- Market oriented action plan initiated to step ahead

**Homework done, now looking ahead!**



# Agenda

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## 1. Overview H1 2009, market and strategy

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Gisbert Rühl, CFO

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# Appendix

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Quarterly results and FY results 2005-2009

Current shareholder structure



# Financial calendar 2009 and contact details

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## Financial calendar 2009

October 5+6: Capital Market Days

November 13: Q3 Interim Report

## Contact details Investor Relations

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# Quarterly results and FY results 2005-2009

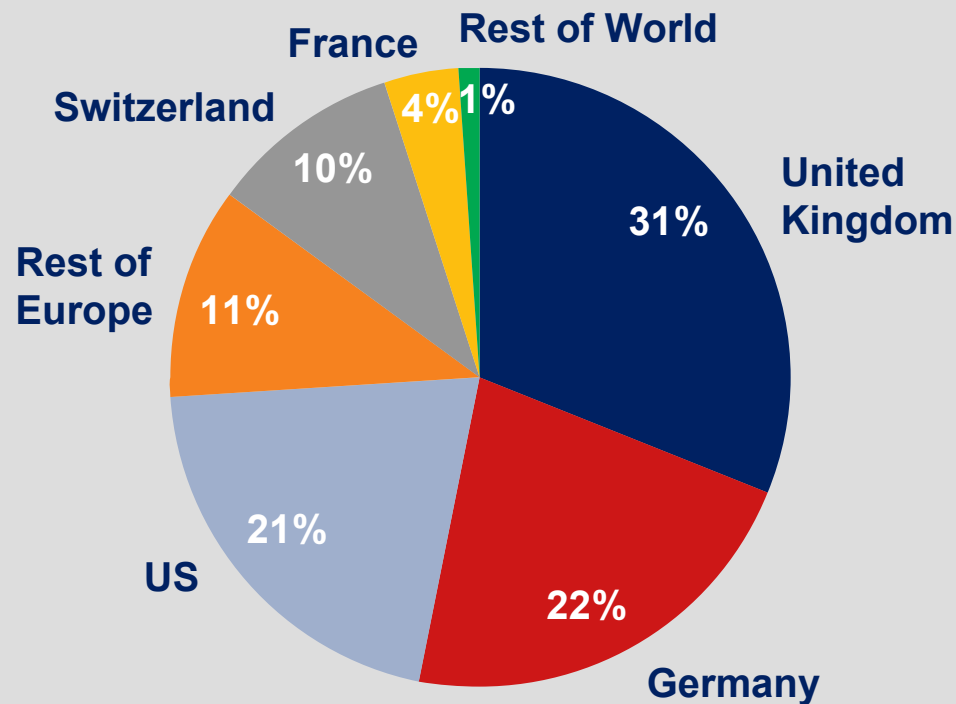
(€m)	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	FY 2008	FY 2007	FY 2006	FY 2005*
Volume (Ttons)	1,053	1,068	1,151	1,348	1,755	1,720	5,974	6,478	6,127	5,868
Sales	959	1,095	1,394	1,773	1,922	1,660	6,750	6,274	5,532	4,964
Gross profit	161	78	173	390	462	340	1,366	1,221	1,208	987
% margin	16.8	7.1	12.4	22.0	24.0	20.5	20.2	19.5	21.8	19.9
EBITDA	-31	-132	-134	413	212	109	600	371	395	197
% margin	-3.2	-12.0	-9.6	23.3	11.0	6.6	8.9	5.9	7.1	4.0
EBIT	-48	-149	-152	395	197	93	533	307	337	135
Financial result	-15	-16	-18	-18	-17	-17	-70	-97	-64	-54
Income before taxes	-63	-165	-171	378	180	76	463	210	273	81
Income taxes	16	38	29	-30	-55	-24	-79	-54	-39	-29
Minority interests	-1	-2	-15	-4	3	-2	-14	23	28	16
Net income	-48	-126	-126	351	122	51	398	133	206	36
EPS basic (€)	-1.04	-2.70	-2.72	7.56	2.63	1.09	8.56	2.87	4.44	-
EPS diluted (€)	-0.85	-2.43	-2.44	7.01	2.48	1.06	8.11	2.87	4.44	-

\* Pro-forma consolidated figures for FY 2005, without release of negative goodwill of €139 million and without transaction costs of €39 million, without restructuring expenses of €17 million (incurred Q4) and without activity disposal of €1.9 million (incurred Q4).



# Current shareholder structure

## Geographical breakdown of identified institutional investors



Source: Survey Thomson Financial (as of Feb. 09)

## Comments

- Identified institutional investors account for 66%
- UK based investors dominate (Franklin previously accounted for US share, 9.89%)
- Top 10 individual shareholdings represent around 31%
- 100% Free float
- Retail shareholder represent 11%



# Our symbol

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**the ears**  
attentive to customer needs

**the eyes**  
looking forward to new developments

**the nose**  
sniffing out opportunities  
to improve performance

**the ball**  
symbolic of our role to fetch  
and carry for our customers

**the legs**  
always moving fast to keep up with  
the demands of the customers

