

Klöckner & Co SE

A Leading Multi Metal Distributor

**CA Cheuvreux – German Corporate Conference
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klöckner & co

multi metal distribution



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- Downturns in the business cycle of the industries in which we compete;
- Increases in the prices of our raw materials, especially if we are unable to pass these costs along to customers;
- Fluctuation in international currency exchange rates as well as changes in the general economic climate
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Agenda

1. Company overview and market

2. Crisis management and strategy update

3. Outlook

Appendix

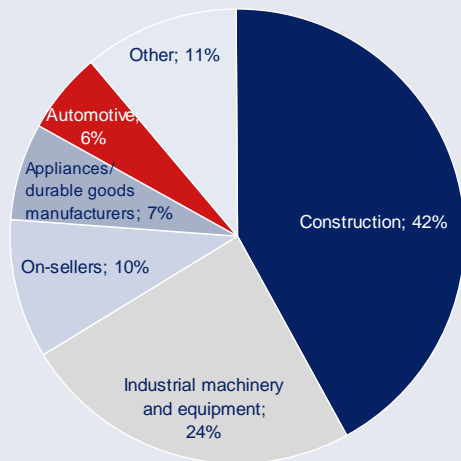


Klöckner & Co at a glance

Klöckner & Co

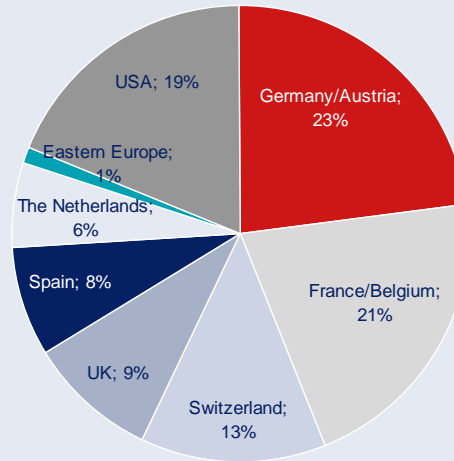
- Leading producer-independent steel and metal distributor in the European and North American markets combined
- Network with around 250 distribution locations in Europe and North America

Sales split by industry



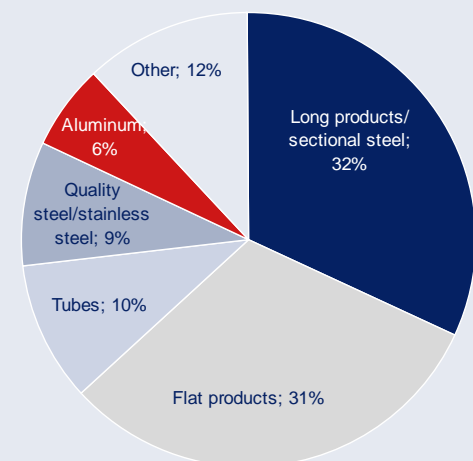
As of December 2008

Sales split by markets



As of December 2008

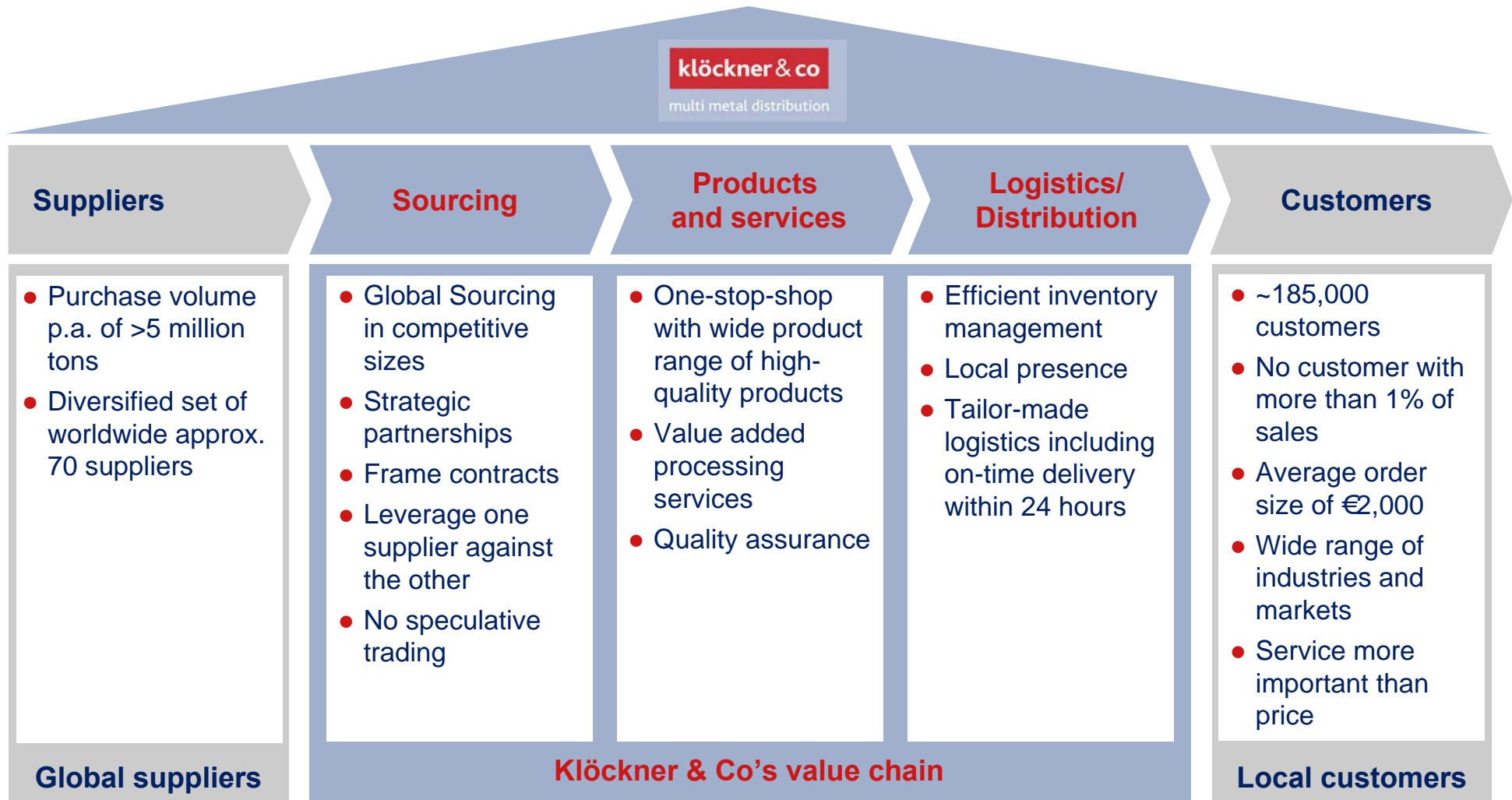
Sales split by product



As of December 2008



Distributor in the sweet spot



Highlights Q3 2009 and until today

- First quarter since beginning of the crisis with positive EBITDA of €11m
- Volumes on same levels as in Q1 and Q2
- Gross margin increased from 16.8% in Q2 to 22.3% in Q3
- Cost cutting ahead of plan with almost fully achieved €100m net cost savings target for 2009
- Successful placement of a rights issue with net proceeds of €193m
- Net debt position converted into net cash position with €139m due to further release of NWC and rights issue
- Back on acquisition track to strengthen Klöckner & Co's position in flat steel: Becker Stahl-Service Group's SSC with around €600m sales and constantly higher EBITDA-margin than Group target

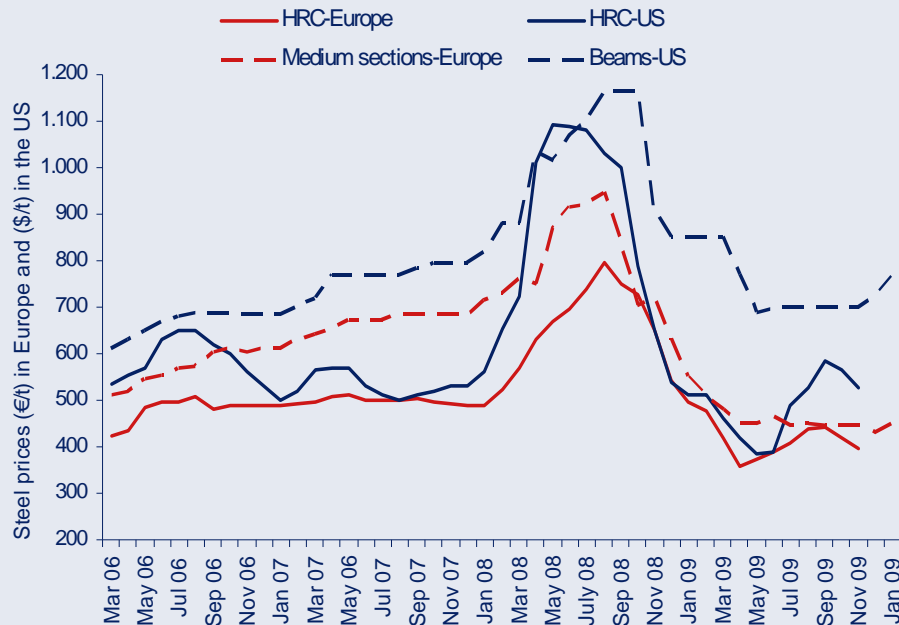
* Adjusted for inventory devaluations



Improving price environment

- Steel prices are improving globally
- Higher raw material prices will increase the floor for 2010
- Still comparatively low inventories throughout the supply chain leaves room for technical demand increase

Steel prices recovered slightly



Source: SBB

Steel inventories in the US remain near all time lows



Source: Metals Service Center Institute



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1. Company overview and market

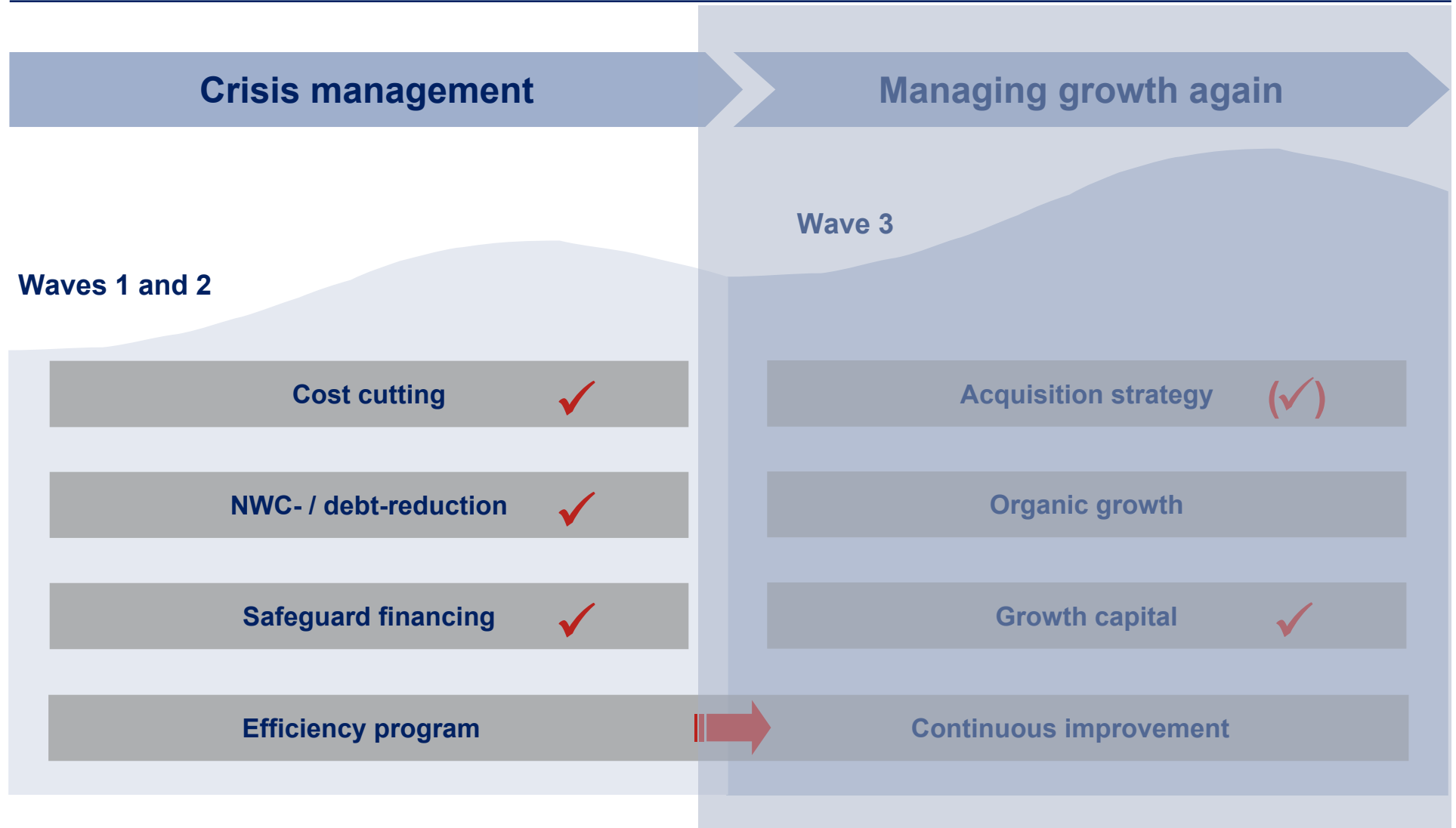
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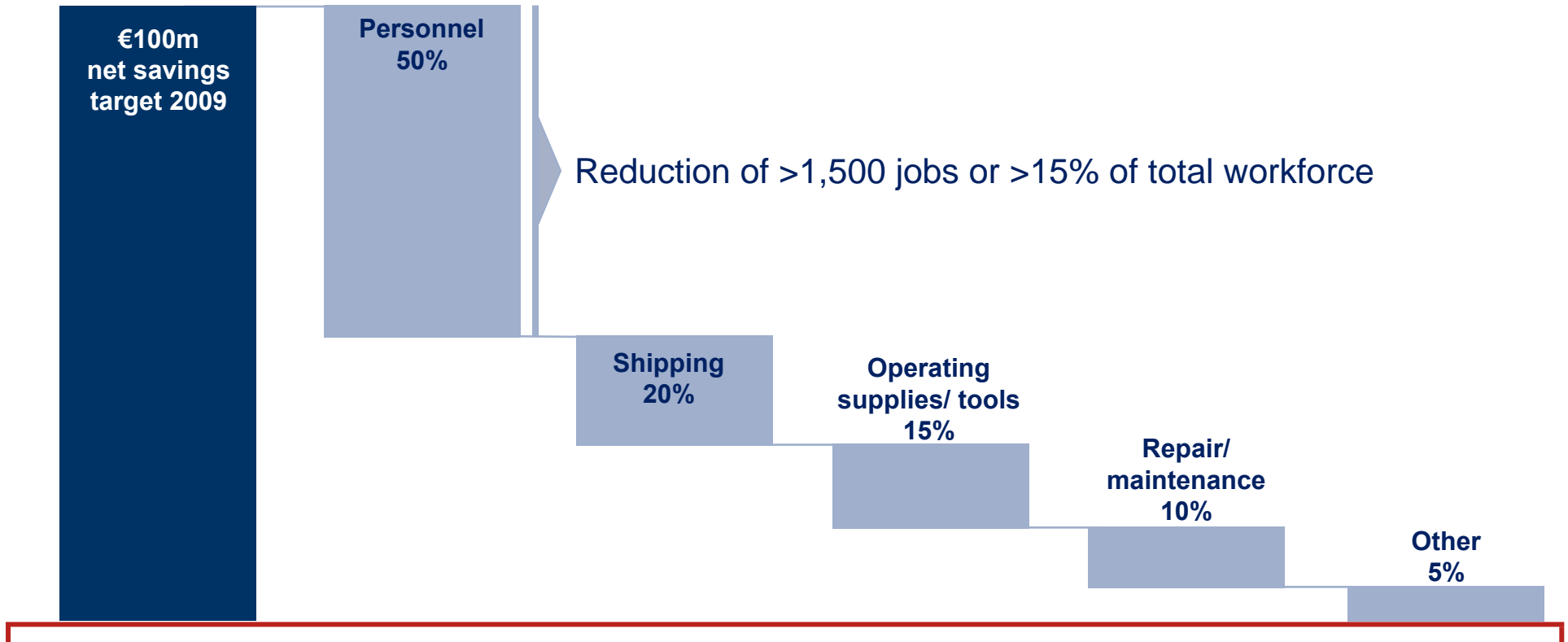


Effective crisis management



Cost cutting ahead of plan

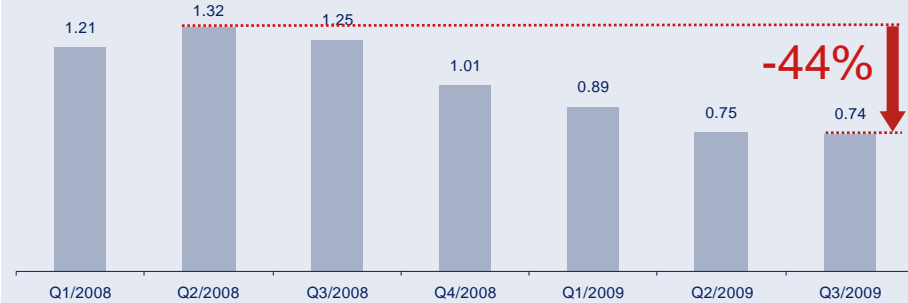
- €35-40m fixed cost savings in 2009, annualized fixed cost savings of €50-60m



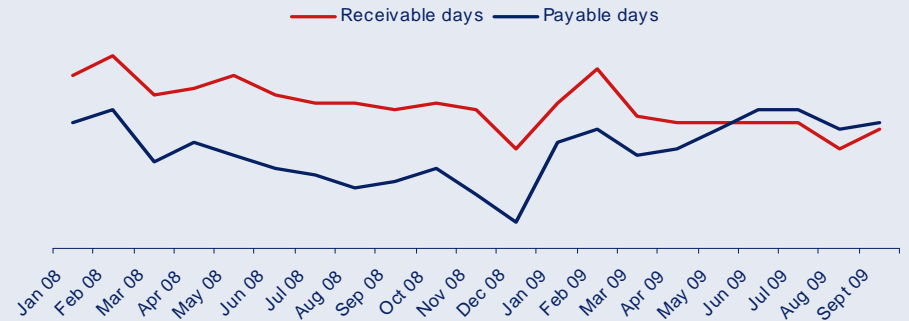
Fast adaptation of NWC- / Net-debt to current situation

Destocking

Stock levels of KCO in million to

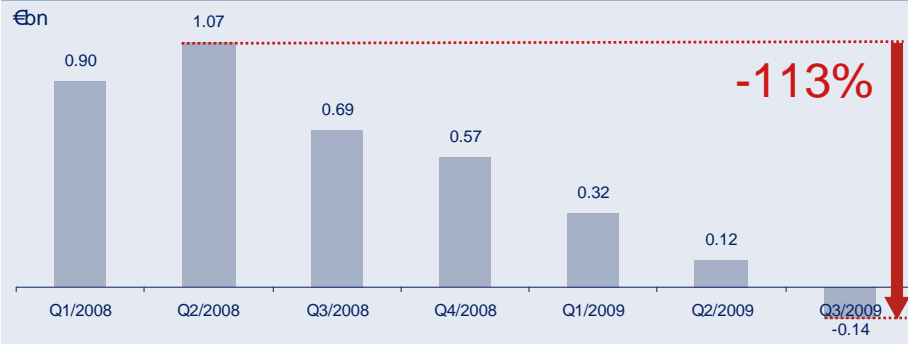


Receivable / payable days

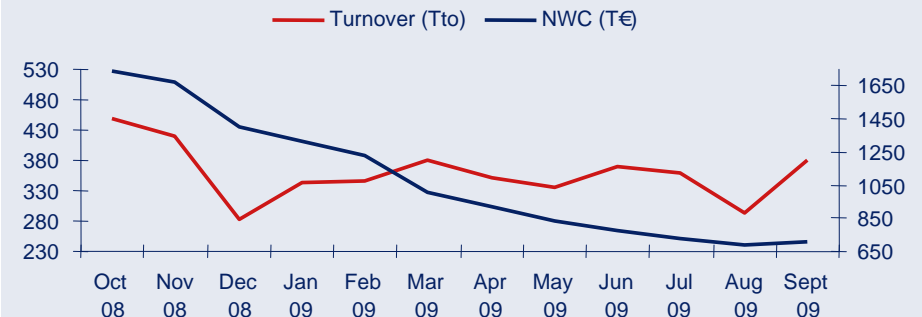


Net debt

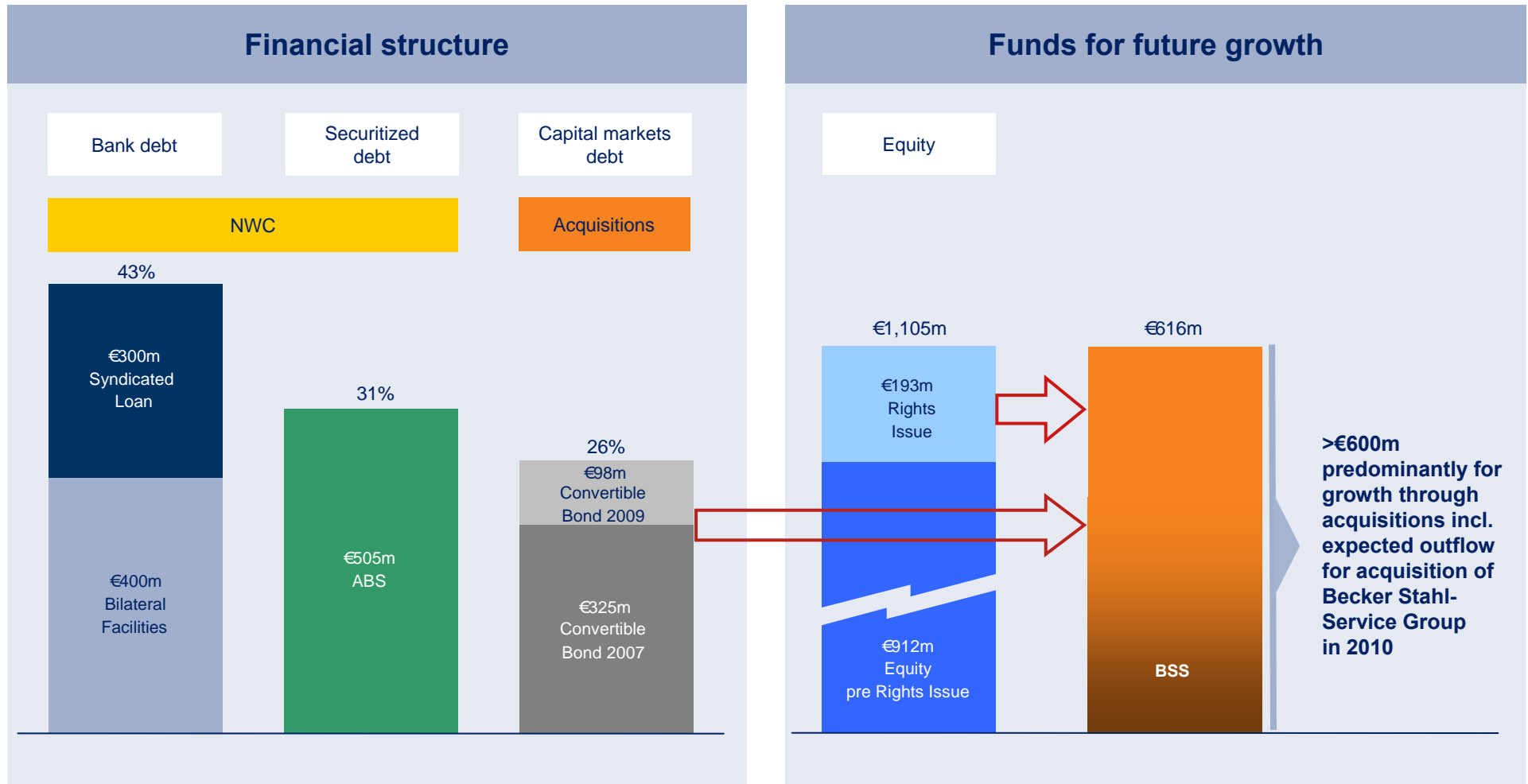
€bn



Monthly shipment levels / NWC










Strong financial power for growth through acquisitions

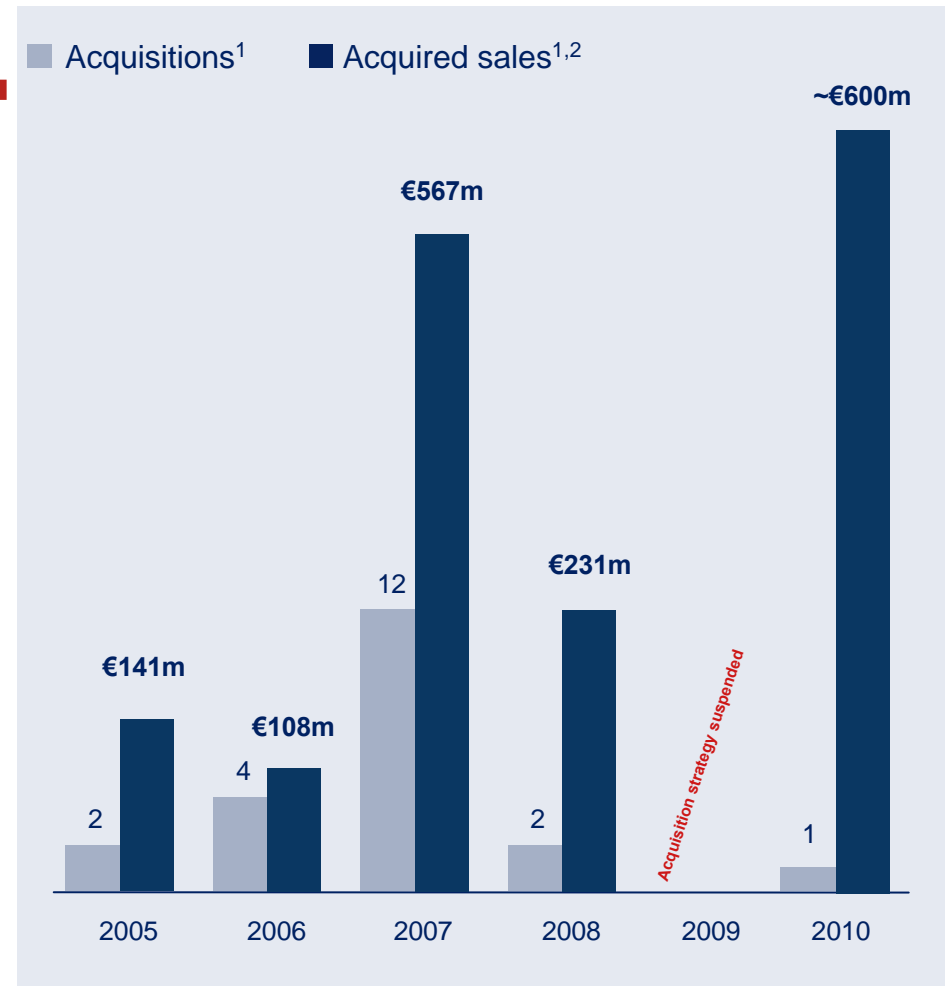


After managing the crisis back on track with Wave 3



Successful acquisition-led growth re-established

Country	Acquired ¹	Company	Sales (FY) ²
	Early 2010 ³	Becker Stahl-Service Group	~€600m
	Mar 2008	Temtco	€226m
	Jan 2008	Multitubes	€5m
2008			€231m
	Sep 2007	Lehner & Tonossi	€9m
	Sep 2007	Interpipe	€14m
	Sep 2007	ScanSteel	€7m
	Aug 2007	Metalsnab	€36m
	Jun 2007	Westok	€26m
	May 2007	Premier Steel	€23m
	Apr 2007	Zweygart	€11m
	Apr 2007	Max Carl	€15m
	Apr 2007	Edelstahlservice	€17m
	Apr 2007	Primary Steel	€360m
	Apr 2007	Teuling	€14m
	Jan 2007	Tournier	€35m
2007			€567m
2006			€108m



¹ As of announcement ² Figures refer to the latest fiscal years, prior to the acquisitions of the companies

³ Subject to due diligence and the approval by the antitrust authority



Facility



Overview

BSS is the largest single site SSC in Europe

- Privately owned business
- ~€600 million sales in 2008/2009*
- Consistently higher EBITDA margin than Group target
- 460 employees
- Located in Bönen (Ruhr area)

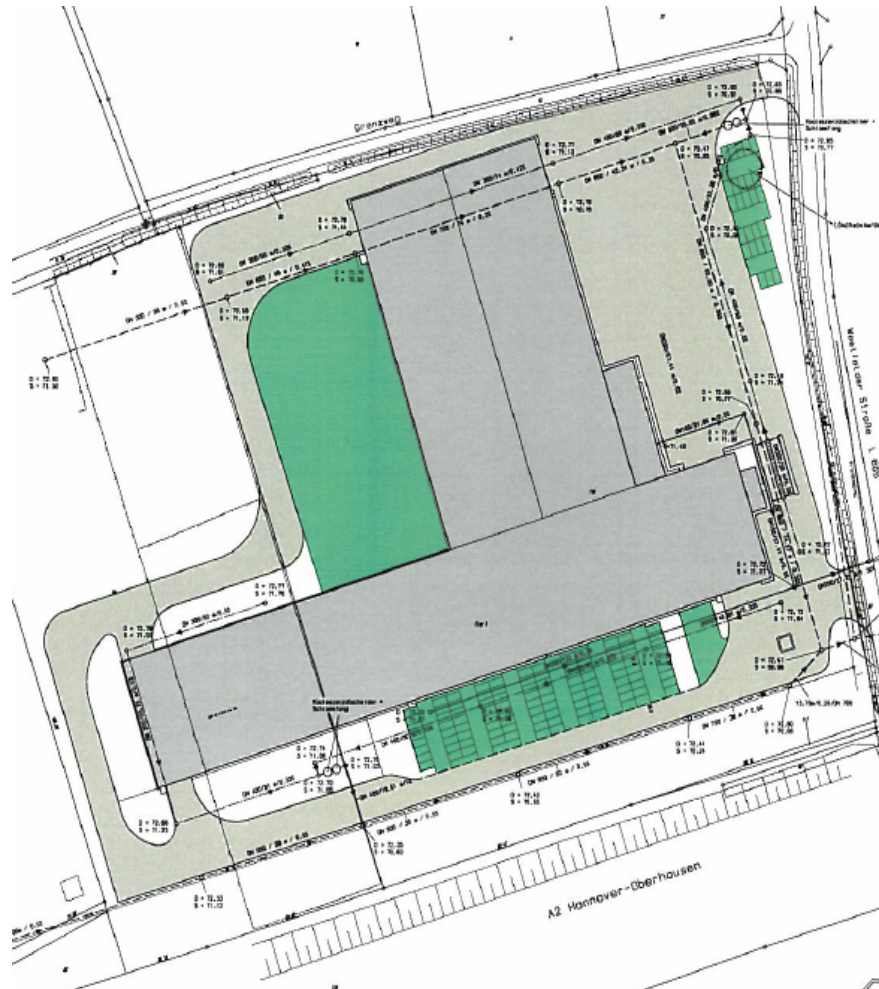
BSS has a unique market position based on size and flexibility

- Covers all applications up to 4 mm thickness supplying to automotive OEM, Tier 1, white goods and other manufacturing
- Cost leadership with significant scale advantage vs. all EU SSC including mill tied locations
- Only SSC that has flexibility to deliver on short notice almost all specifications
- Modern location with exceptional logistical concept – recently completed expansion “Werk Nord” is most likely the world leading SCC site
- BSS enjoys an excellent market reputation for flexibility, reliability and quality

*preliminary figures business year ending in September subject to due diligence



Recently completed expansion most modern site



- Total property of 74.900 m²
- Covered site area: 14.500 m²
- Total invest of ~ €30 million
- Cut to length and slitting line
- Fully automatic coil storage and handling
- Expansion > 4mm possible



#1 independent SSC in GER and #1 single site in EU



Market share of Top 10 SSC in Germany	
ThyssenKrupp SSC	14.0%
Becker Stahl-Service (BSS)	11.5%
ArcelorMittal SSC	8.2%
EMW Eisen- und Metallwerke	6.8%
Salzgitter ⁽¹⁾	5.6%
Tata Corus	5.4%
Stahlo / Starcon	5.0%
Knauf Interfer ⁽²⁾	4.7%
DM-Stahl ⁽³⁾	3.8%
OKS (Stemcor)	3.3%
Others	31.7%

⁽¹⁾ Hövelmann & Lueg

⁽²⁾ Max Baumann Stahlservice, W. Patz, Delta Stahl

⁽³⁾ Inkl. Bandstahl-Service Hagen

Source: Handbuch Stahl 2008 / 09

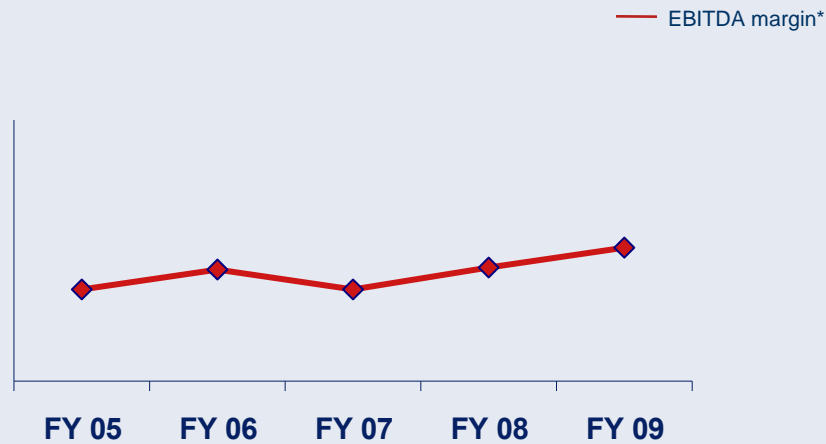
Company/Group	Site	Location	Production t/a
Becker Stahl-Service GmbH	Unna-Bönen	Germany	>1,000,000
Voestalpine, Linz	Linz	Austria	>500,000
MCB International BV	Valkenswaard	NL	>500,000
CLN	7 Sites, split na	Italy, EEC	50,000-500,000
EMW	Neunkirchen	Germany	>250,000
Hoewelmann & Lueg GmbH	Schwerte	Germany	>250,000
Stahlo	Dillenburg	Germany	>250,000
ROS CASARES	Victoria	Spain	>250,000
Mi-King	Kolln	Czech Republ.	>250,000
Corus Gelsenkirchen	Gelsenkirchen	Germany	>100,000
Corus Degels	Neuss	Germany	>100,000
Corus Service Centre	Maastricht	NL	>100,000
Namascor	Moerdijk	NI	>100,000
Unitol	Corbell	France	>100,000
Layde		Spain	>100,000
ThyssenKrupp Stahl-SC	Bochum	Germany	>100,000
ThyssenKrupp Stahl-SC	Breyell	Germany	>100,000
ThyssenKrupp Stahl-SC	Leverkusen	Germany	>100,000
ThyssenKrupp Stahl-SC	Mannheim	Germany	>100,000
Herzog Coilex	Stuttgart	Germany	>100,000
ThyssenKrupp SA	Fosses	France	>100,000
Stahl-Metall-Service GmbH	Fellbach	Germany	>100,000
Walter Platz GmbH	Mudersbach	Germany	>100,000
Starcon	Gera	Germany	>100,000
Atlas-Blech-Center GmbH	Mauthausen	Austria	>100,000
ThyssenKrupp SA	Jeumont	France	>100,000
ThyssenKrupp Stahl-SC	Radebeul	Germany	>100,000
ThyssenKrupp SC UK	Newport	UK	>100,000
Voestalpine, Polska	Polska	Poland	>100,000
Koenig Feinstahl AG	Sennwald	Switzerland	>100,000
Mercur	Naklo	Slovenia	>100,000
NASS Group		UK	na
PUDS Group		Poland	na
Spanish Group/Transid		Spain	na
Italian Group		Italy	na



Constant high profitability even in tough environment

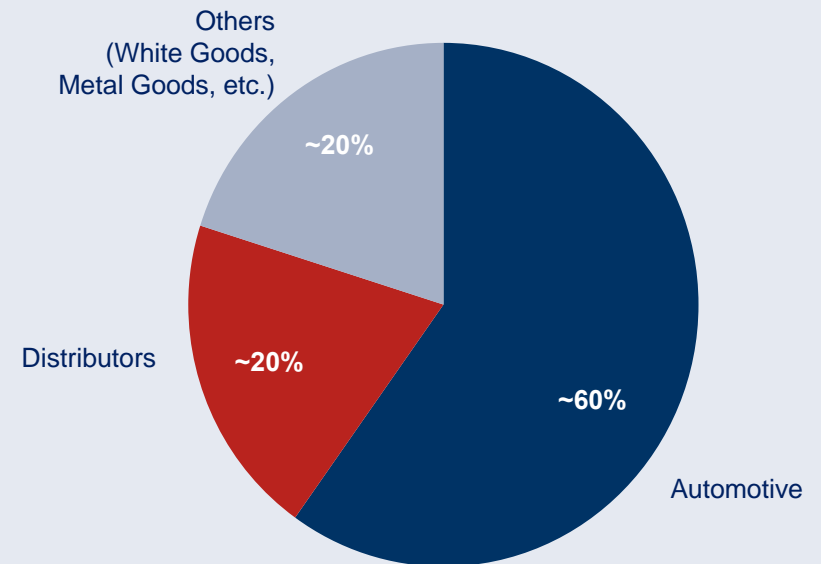


Normalized EBITDA margin



- Constant high EBITDA margin
- EBITDA-margin above Group's target margin

Customers Split



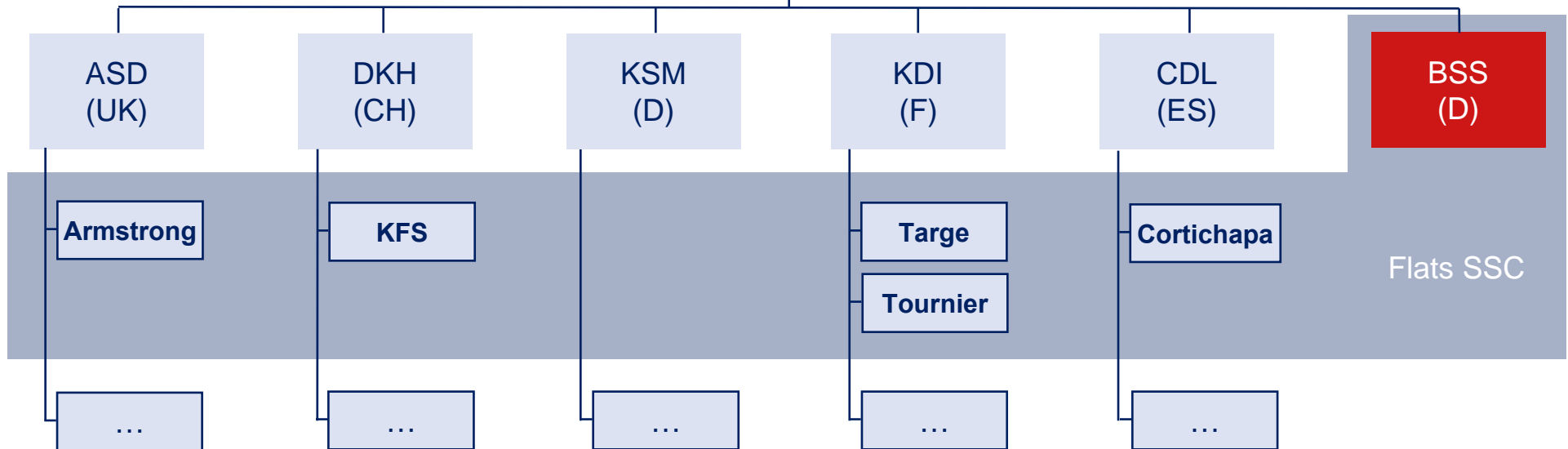
Note: Becker Group closes on 30/09 every year. 2009e based on first nine month plus budget last three months.
Source: Eurometal 2008 * Subject to due diligence



BSS will be the core of KCO EU Flats SSC Division



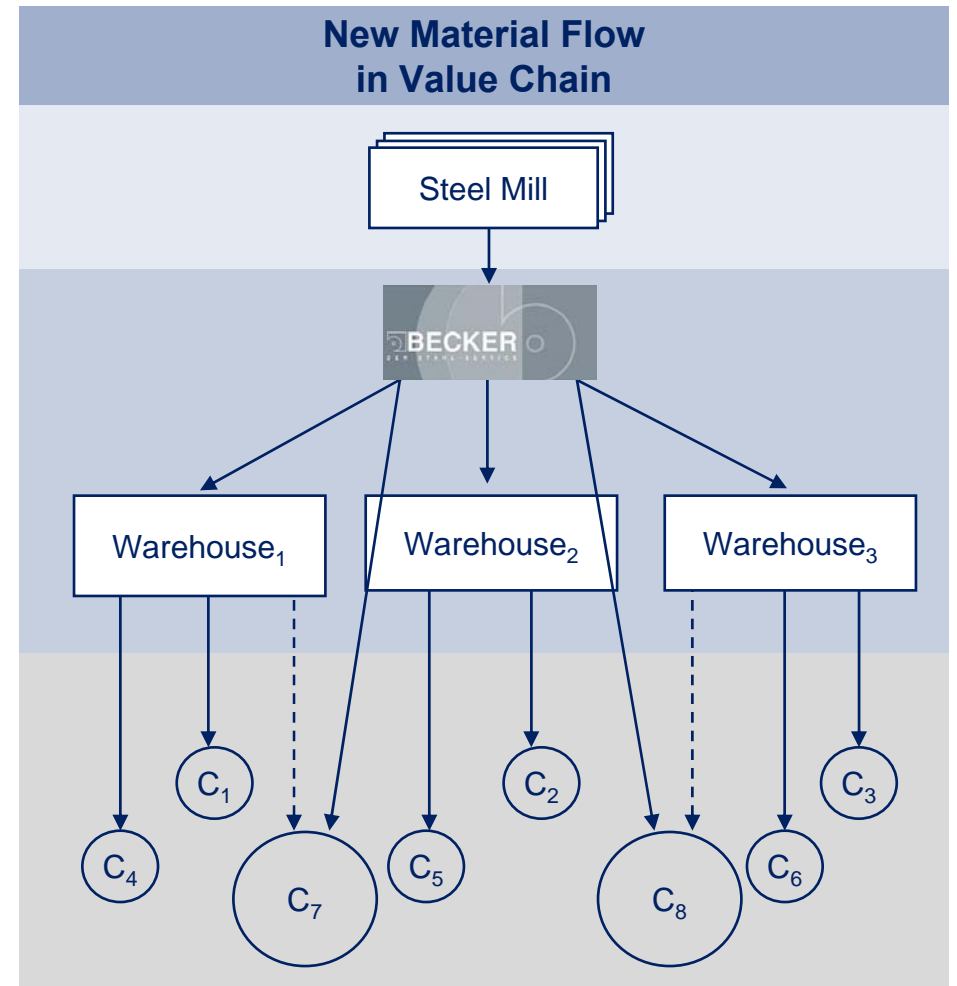
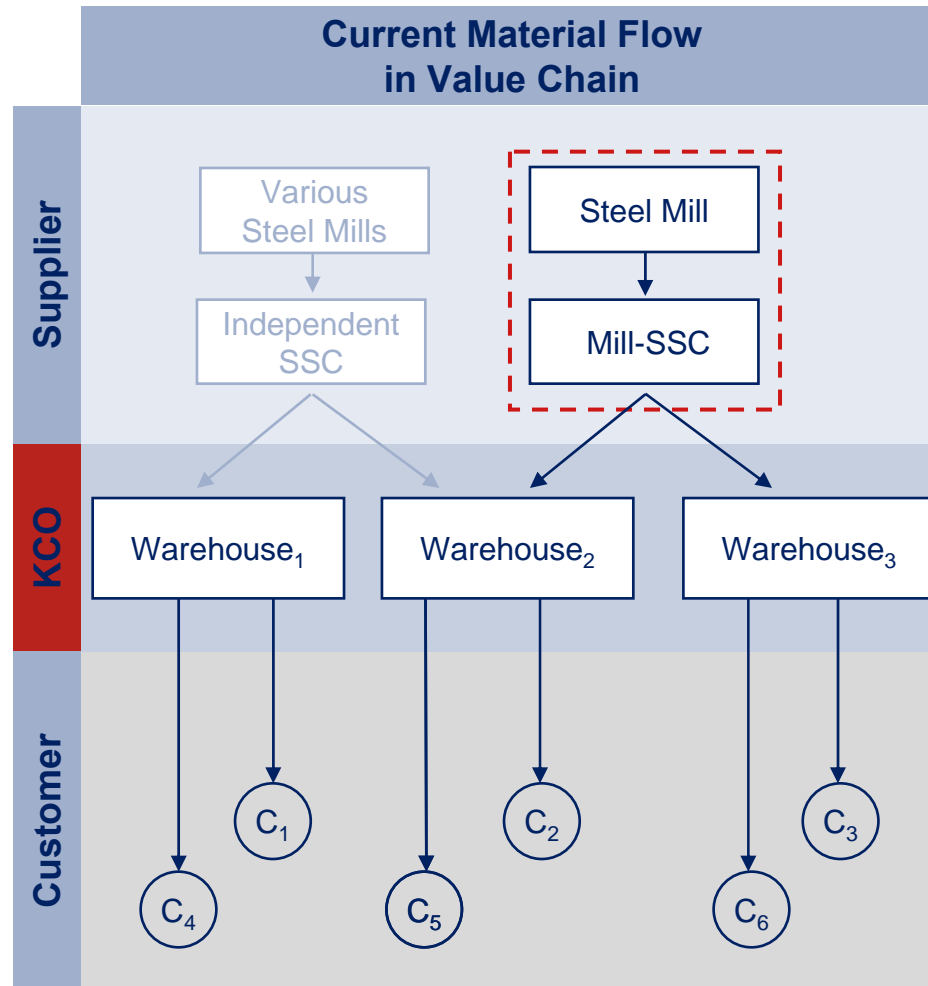
Klöckner & Co SE



- Internal sheets supply to KSM and other distribution workhouses would reduce NWC, expand product portfolios and significantly improve competitiveness
- BSS know how and processes would be rolled out to existing SSC in UK, F, ES and CH
- Synergies from capacity adjustments expected

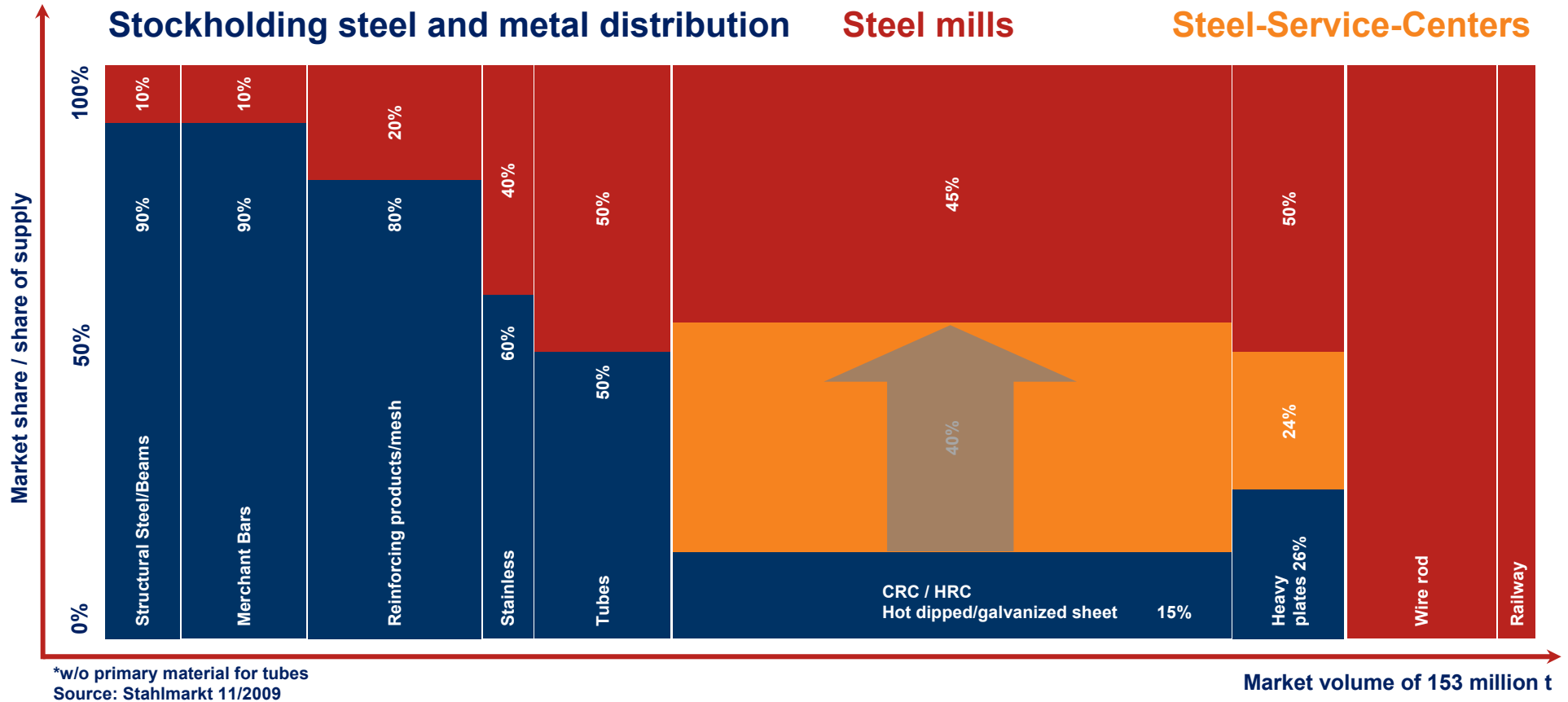


Internal supply from BSS would increase effectiveness



EU-27: Market share steel products* / suppliers 2008

- Becker Stahl-Service expands Groups flat capabilities entering into SSC segment



Overall attractive set of synergies



Overall EU purchasing power in flats would significantly increase

- Combined normal purchasing volume would increase from about 500 Tto to more than 1,500 Tto

Existing SSC production capacity with equipment could be shifted permanently to BSS supply

- Total EU capacity based on 2 shifts per day about 100 Tto
- Detailed analysis to be carried out – divestments to be considered

Sourcing from BSS with short lead times would allow for reduced inventories

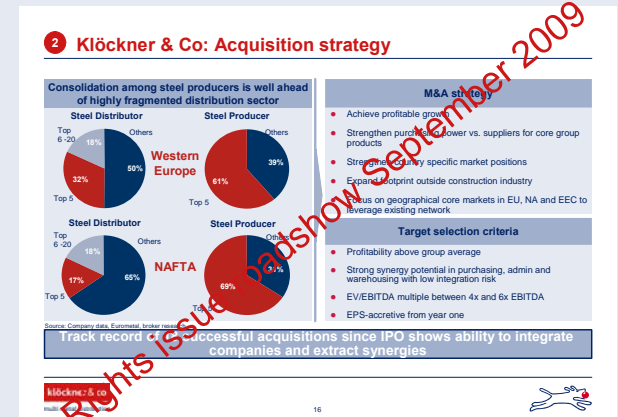
- Assuming a doubling of inventory turns and direct supply would result in significant NWC reduction



Perfect fit to our acquisition criteria



- Achieve a leading EU-position in sheets in one single step with largest most modern single site Steel Service Center operation (SSC)* ✓
- Leverage to Group's flat procurement ✓
- Leverage to Group's SSC activities and know how ✓
- Realize synergies in purchasing ✓
- Customer diversification outside construction ✓
- Stabilize Group earnings volatility ✓
- Constant EBITDA-margin above Group target (6%) ✓
- EPS-accretive from year one ✓
- Attractive valuation within target range of 4x-5x EBITDA ✓



*Deal is subject to due diligence and competitive authority approvals and expected to be closed beginning of 2010



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We stick to our targets

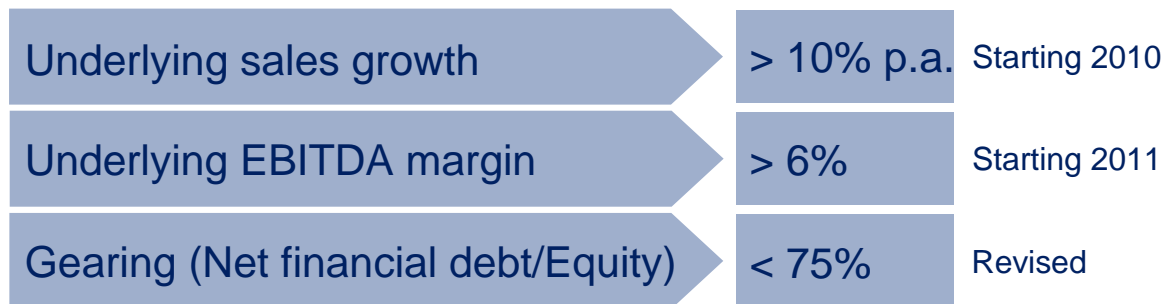
Financials

Financial Targets

	Target	Actual 2006
Underlying sales growth	> 10% p.a	11%
Underlying EBITDA margin	> 6%	7.1%
Leverage (Net financial debt/EBITDA)	< 3.0x	0.9x
Gearing (Net financial debt/Equity)	< 150%	50%

Roadshow Presentation April 2006

Challenging financial targets throughout the cycle



Outlook 2009

- Initial Q3 statement “EBITDA in H2 maximum break even given seasonality and price environment despite positive EBITDA for Q3 and October” is now backed by more confidence given the positive pricing environment
- Overachievement of cost cutting target of €100m net in 2009
- Stocks and NWC not expected to materially change in Q4
- Accretive acquisition initiated and expected to be closed beginning of 2010
- Gradual volume improvement expected into 2010 although no signs of real demand recovery recognized yet



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Financial calendar 2010 and contact details

Financial calendar 2010

March 9, 2010:	Annual Statement 2009
May 12, 2010:	Q1 interim report 2010
May 26, 2010:	Annual General Meeting
August 11, 2010:	Q2/H1 interim report 2010
November 10, 2010:	Q3 interim report 2010

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Summary income statement Q3/9M 2009

(€m)	Q3 2009	Q3 2008	Δ%	9M 2009	9M 2008	Δ%
Volume (Ttons)	1,033	1,348	-23.4	3,154	4,823	-34.6
Sales	934	1,773	-47.4	2,988	5,355	-44.2
Gross profit	208	391	-46.6	447	1,193	-62.5
<i>% margin</i>	22.3	22.0	1.4	15.0	22.3	-32.8
EBITDA	11	413	-97.3	-151	735	-120.6
<i>% margin</i>	1.2	23.3	-94.8	-5.1	13.7	-136.9
EBIT	-7	395	-101.7	-204	686	-129.7
Financial result	-14	-18	-18.9	-46	-51	-11.3
Income before taxes	-21	378	-105.5	-249	634	-139.3
Income taxes	-2	-30	-92.4	51	-108	-147.4
Minority interests	0	4	-108.2	1	-1	-145.2
Net income*	-23	352	-106.7	-197	525	-137.6
EPS basic (€)	-0.42	7.56	-105.5	-4.16	11.28	-136.9
EPS diluted (€)	-0.42	7.01	-106.0	-4.16	10.55	-139.4

* Attributable to shareholders of Klöckner & Co SE



Segment performance Q3 2009

(€m)	Europe	North America	HQ/ Consol.	Total
Volume (Ttons)				
Q3 2009	784	249	-	1,033
Q3 2008	997	351	-	1,348
Δ %	-21.5	-28.9	-	-23.4
Sales				
Q3 2009	775	159	-	934
Q3 2008	1,391	382	-	1,773
Δ %	-44.3	-58.4	-	-47.3
EBITDA				
Q3 2009	4	10	-3	11
<i>% margin</i>	<i>0.5</i>	<i>6.4</i>	-	<i>1.2</i>
Q3 2008	353	51	9	413
<i>% margin</i>	<i>25.4</i>	<i>13.2</i>	-	<i>23.3</i>
Δ % EBITDA	-98.9	-80.1	-	-97.3

Comments

- Organic volume development in North America -27.2%



Balance sheet as of Sept. 30, 2009

(€m)	Sept. 30, 2009	Dec. 31, 2008**
Long-term assets	746	811
Inventories	573	1,001
Trade receivables	556	799
Cash & Cash equivalents*	863	297
Other assets	176	176
Total assets	2,914	3,084
Equity	1,105	1,081
Total long-term liabilities	1,071	1,177
• thereof financial liabilities	618	813
Total short-term liabilities	738	826
• thereof trade payables	427	392
Total equity and liabilities	2,914	3,084
Net working capital	702	1,407
Net financial debt	-139	571

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

Comments
<p>Shareholders' equity:</p> <ul style="list-style-type: none"> • Increased from 35% to 38% • Would be at 50% if cash would be used for debt reduction <p>Financial debt:</p> <ul style="list-style-type: none"> • Gearing reduced from 53% to -13% <p>Net Working Capital:</p> <ul style="list-style-type: none"> • Decrease is price- and volume-driven



Statement of cash flow

(€m)	9M 2009	9M 2008
Operating CF	-161	452
Changes in net working capital	703	-384
Others	-1	-36
Cash flow from operating activities	541	32
Inflow from disposals of fixed assets/others	7	387
Outflow from investments in fixed assets/ others	-13	-296
Cash flow from investing activities	-6	91
Equity component of convertible bond	26	-
Rights issue	195	-
Changes in financial liabilities	-161	22
Net interest payments	-25	-22
Dividends	0	-38
Cash flow from financing activities	35	-39
Total cash flow	570	84

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



Quarterly results and FY results 2005-2009

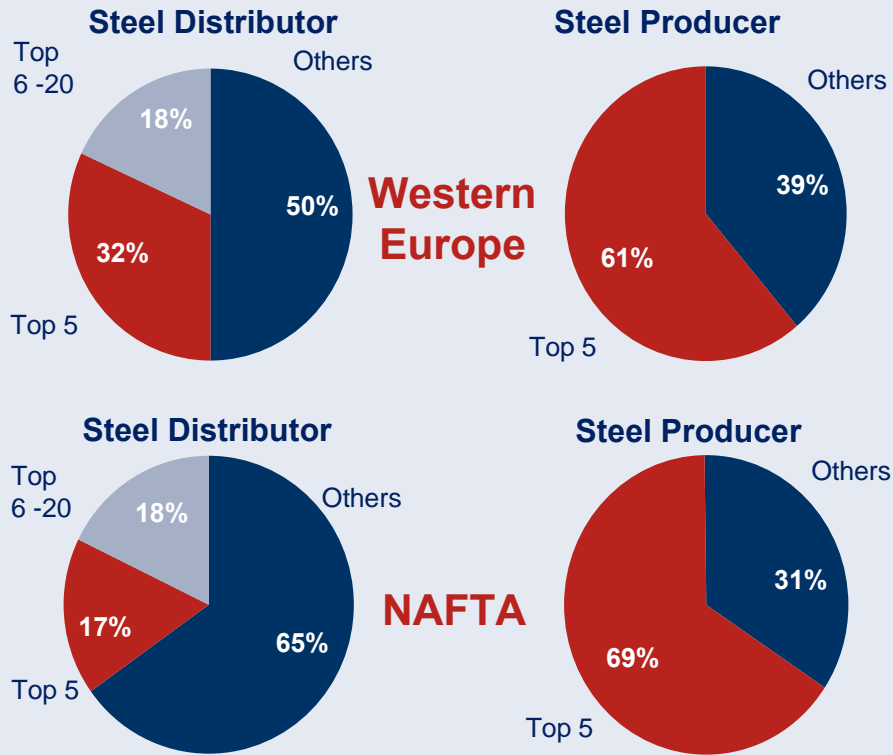
(€m)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	FY 2008	FY 2007	FY 2006	FY 2005*
Volume (Ttons)	1,033	1,053	1,068	1,151	1,348	1,755	1,720	5,974	6,478	6,127	5,868
Sales	934	959	1,095	1,394	1,773	1,922	1,660	6,750	6,274	5,532	4,964
Gross profit	208	161	78	173	391	462	340	1,366	1,221	1,208	987
<i>% margin</i>	22.3	16.8	7.1	12.4	22.0	24.0	20.5	20.2	19.5	21.8	19.9
EBITDA	11	-31	-132	-134	413	212	109	600	371	395	197
<i>% margin</i>	1.2	-3.2	-12.0	-9.6	23.3	11.0	6.6	8.9	5.9	7.1	4.0
EBIT	-7	-48	-149	-152	395	197	93	533	307	337	135
Financial result	-14	-15	-16	-18	-18	-17	-17	-70	-97	-64	-54
Income before taxes	-21	-63	-165	-171	378	180	76	463	210	273	81
Income taxes	-2	16	38	29	-30	-55	-24	-79	-54	-39	-29
Minority interests	0	-1	-2	-15	-4	3	-2	-14	23	28	16
Net income	-23	-48	-126	-126	352	122	51	398	133	206	36
EPS basic (€)	-0.42	-1.04	-2.70	-2.72	7.56	2.63	1.09	8.56	2.87	4.44	-
EPS diluted (€)	-0.42	-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).



Significant acquisition potential in fragmented markets

Consolidation among steel producers is well ahead of highly fragmented distribution sector



Source: Company data, Eurometal, broker research

M&A strategy

- Achieve profitable growth
- Strengthen purchasing power vs. suppliers for core group products
- Strengthen country specific market positions
- Expand footprint outside construction industry
- Focus on geographical core markets in EU, NA and EEC to leverage existing network

Target selection criteria

- Profitability above group average
- Strong synergy potential in purchasing, admin and warehousing with low integration risk
- EV/EBITDA multiple between 4x and 6x EBITDA
- EPS-accretive from year one



Leading producer-independent multi-metal distributor

Largest independent multi-metal distributor

Sales 2008 in €bn



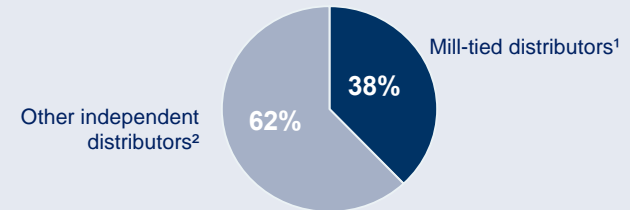
Independence provides:

- Sourcing flexibility
- Ability to obtain steel at market prices, even in tight markets
- Better ability to react to changes in supply and demand, as products are sourced from a variety of suppliers
- Mill-tied distributors competing against customers of the mills

Source: Public information Note: Average exchange rate \$/€ 2008: 0.683
¹ Includes complete Steel Solutions and Services ² Mill-tied distributors

2008 European competitive landscape

Europe:
~3,000 market participants



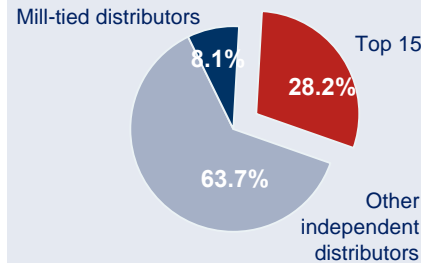
Source: Eurometal (2009), public information, based on turnover in tons

¹ Top 3 mill-tied distributors ArcelorMittal/ ThyssenKrupp/ Corus

² Klöckner & Co is largest independent distributor

2008 North American competitive landscape

North America:
~1,200 market participants

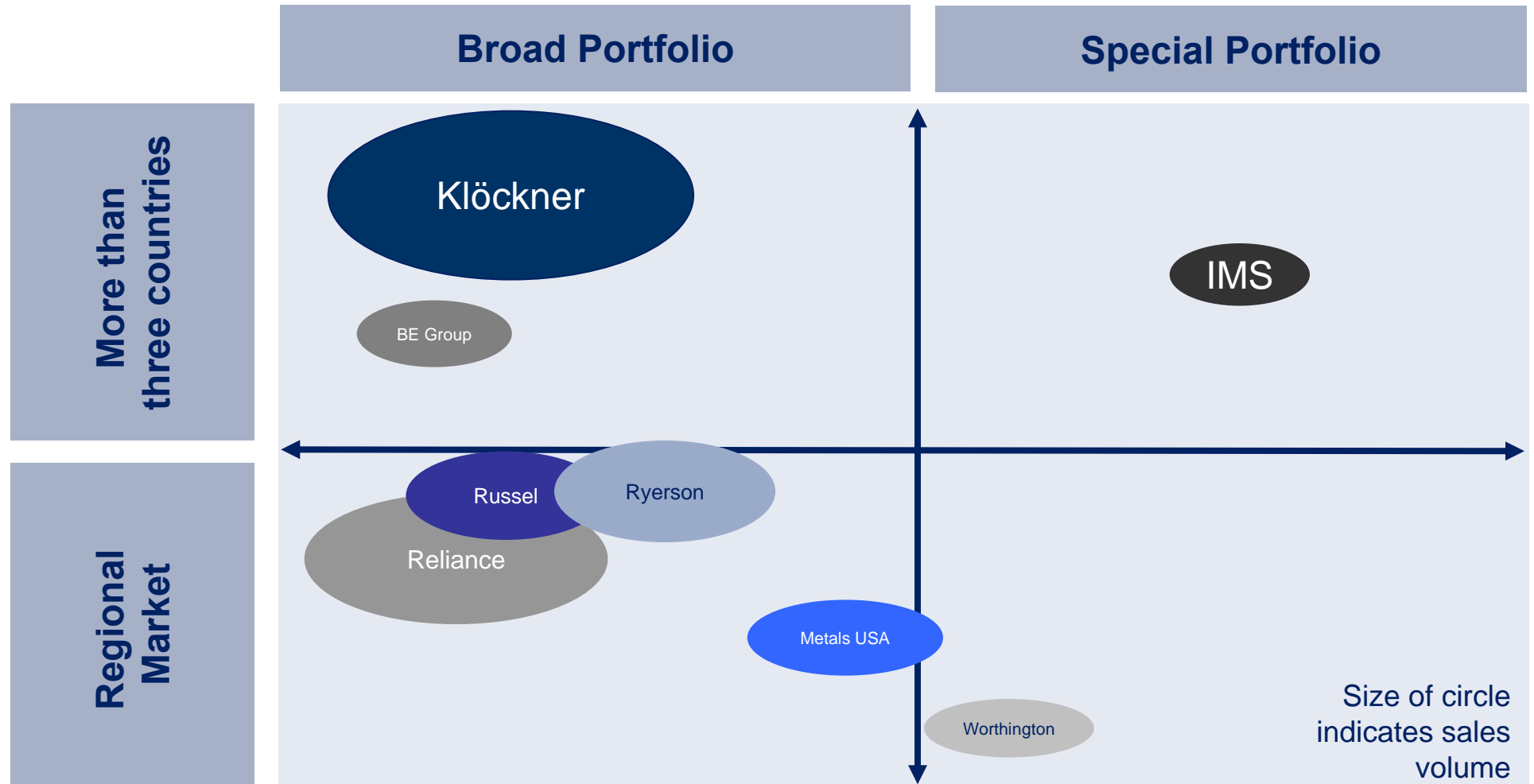


Rank	Company	Mkt. Share
1	Reliance Steel	5.7%
2	Ryerson Inc	3.5%
3	McJunkin Red Man	2.6%
4	Samuel, Son & Co.	2.1%
...		
10	Klöckner-Namasco	1.2%
11	A.M. Castle & Co	0.9%
...		
Top 15 combined		28.2%

Source: Metal Center News (Sept. 2009), Purchasing Magazine (April 2009), based on sales

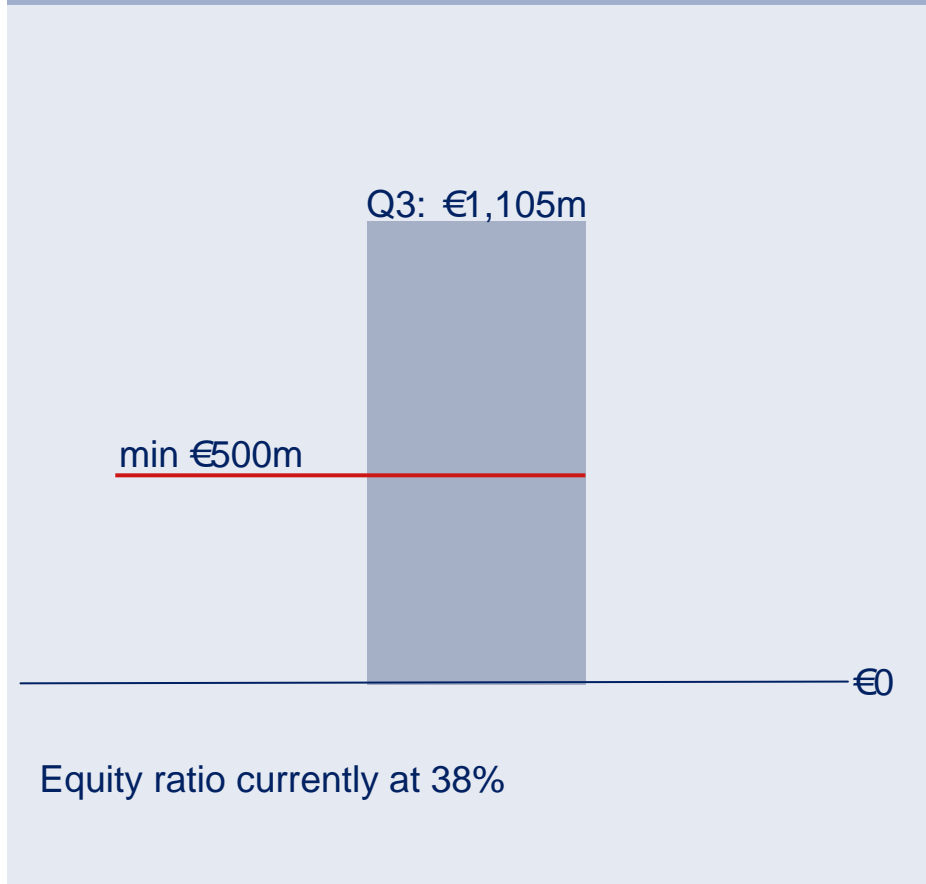


Comparison of independent metal distributors

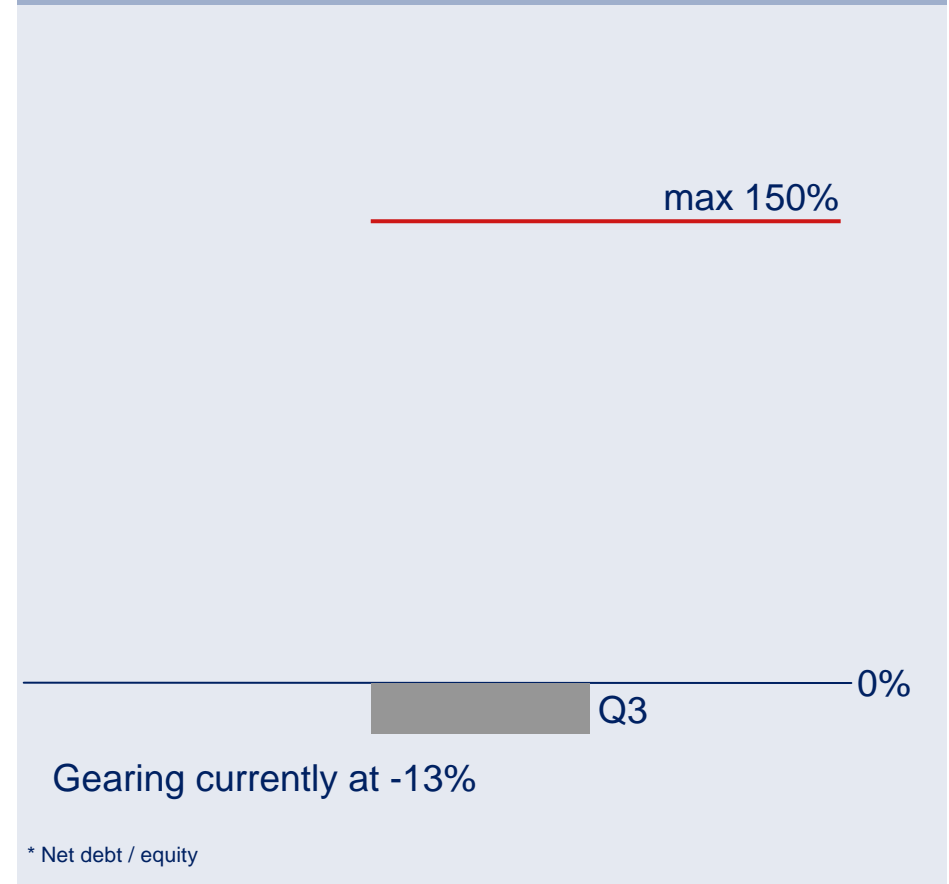


Existing covenants on Syndicated Loan and European ABS

Minimum Equity Covenants



Maximum Gearing*



Debt and liquidity overview

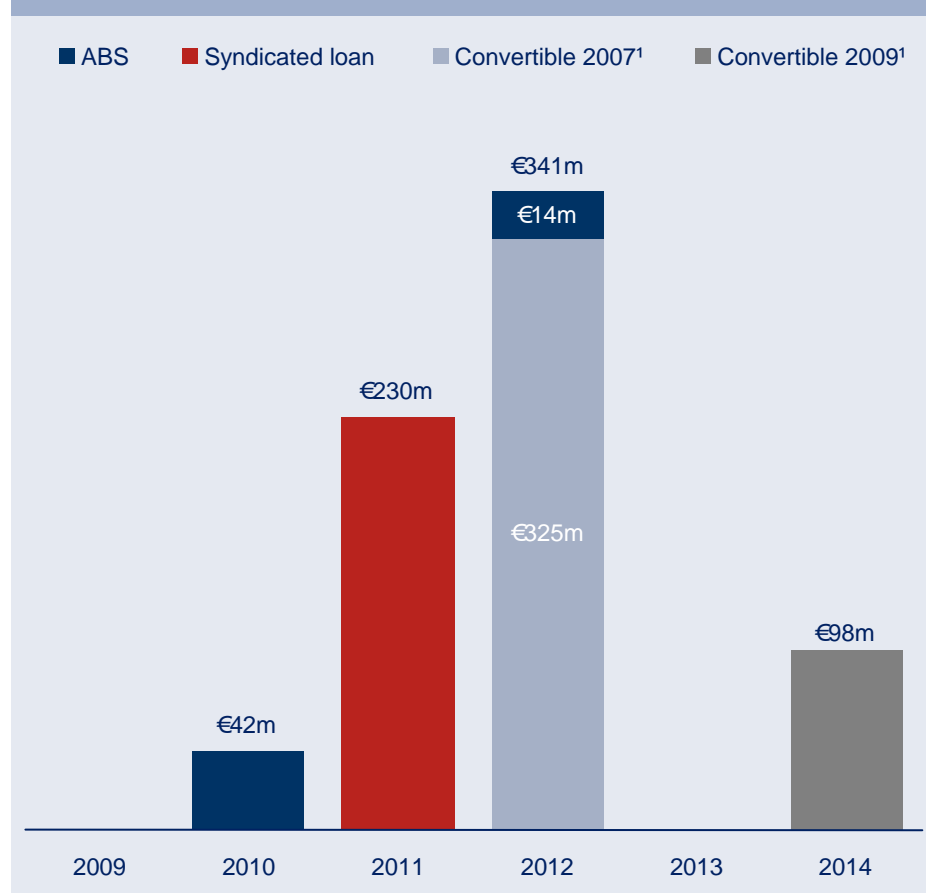
Overview of cash & indebtedness (€m)

Facility	Committed	Drawn amount	
		FY 2008	Q3 2009
Bilateral Facilities	417	65	66
ABS	505	213	56
Syndicated Loan	300	298	230
Total Senior Debt	1,222	576	352
Convertible 2007 ¹	325	280	288
Convertible 2009 ¹	98	0	75
Finance leases	9	12	9
Total Debt	1,654	867	724
Cash		297	863
Net financial position		571	-139

- Additional flexibility through renegotiated covenants, which are now free of performance measures
- Improved Liquidity and total Net Cash Balance after rights issue in September

¹ Drawn amount excludes equity component

Current maturity profile of drawn amounts

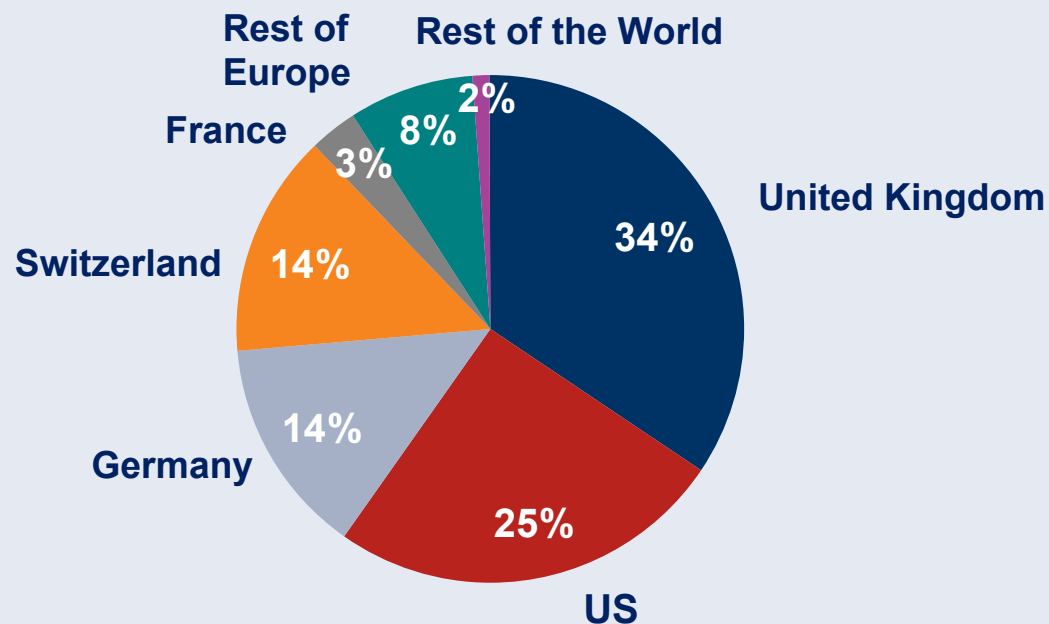


¹ Excluding bilateral facilities and finance leases



Current shareholder structure

Geographical breakdown of identified institutional investors



Comments

- Identified institutional investors account for 56%
- UK based investors dominate (Franklin remains Klöckner's biggest investor with 9.32% of the total shares outstanding)
- Top 10 shareholdings represent around 28%
- Retail shareholders represent 24%
- 100% free float

Source: Survey Thomson Financial (as of September 2009)



Our symbol

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

