



Klöckner & Co SE

A Leading Multi Metal Distributor



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klöckner & co

multi metal distribution

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Agenda

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Overview

02

Financials and performance Q3 2010

03

Klöckner & Co 2020

04

Appendix



Producers



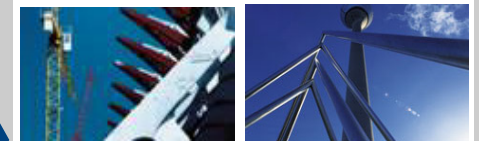
Distributor / Service Center

Klöckner & Co SE

- Largest manufacturer-independent steel and metal distributor in Europe and North America combined
- Among TOP 3 distributors in each European market where active
- Distribution network with around 250 locations in 15 countries
- Key figures for 2010e

Sales:	> €5.0 billion
EBITDA:	> €200 million
Sales volumes:	> 5.0 million tons
- Target to be the first global multi metal distributor with doubling sales volumes by 2015 and quadrupling by 2020

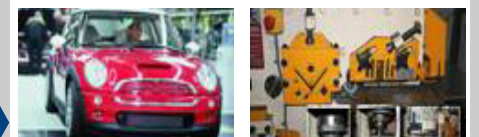
Customers



- Construction industry
- Steel construction
- Residential construction, building and underground construction

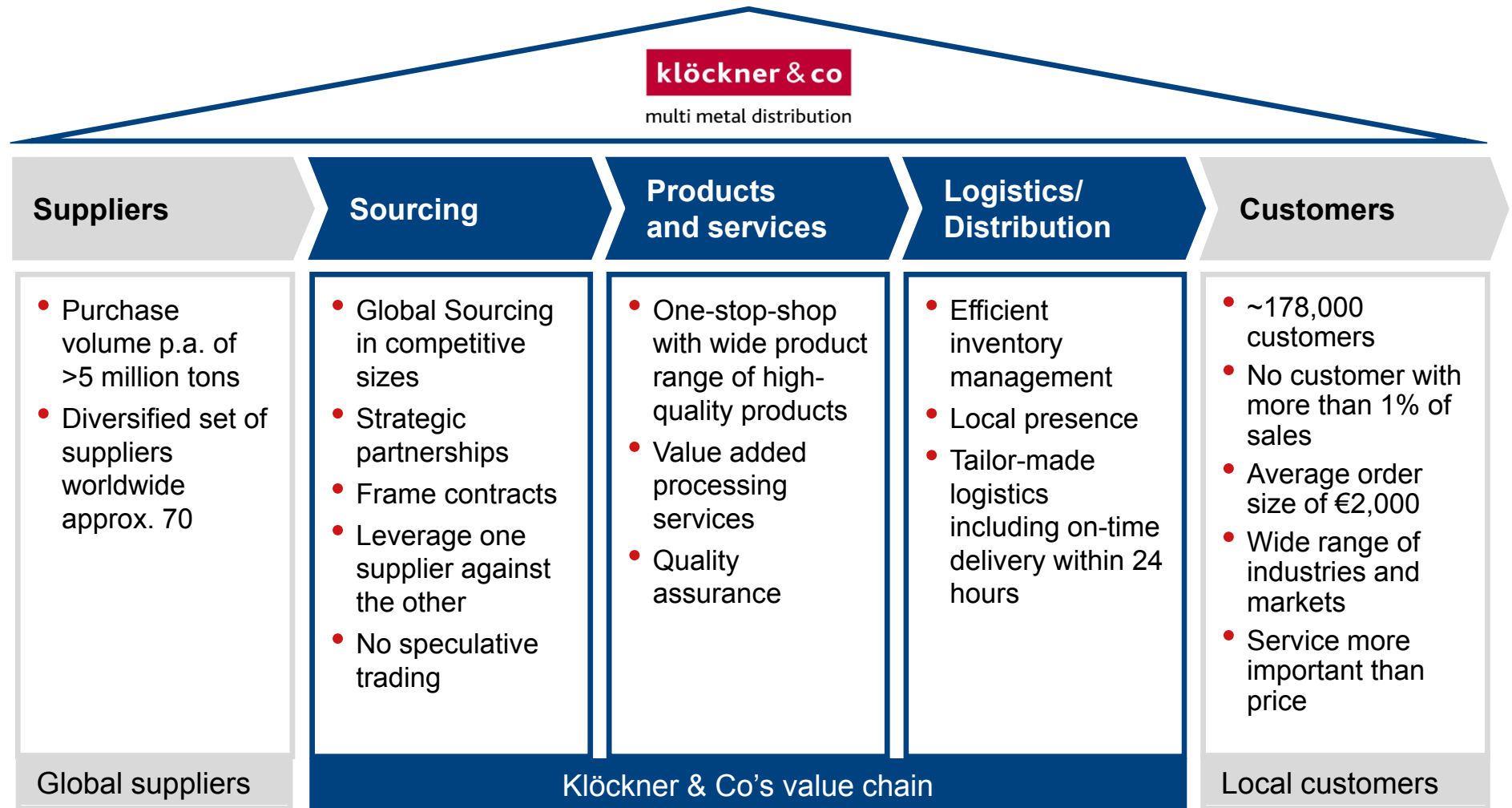


- Mechanical engineering and machinery



- Automotive
- White Goods
- Miscellaneous

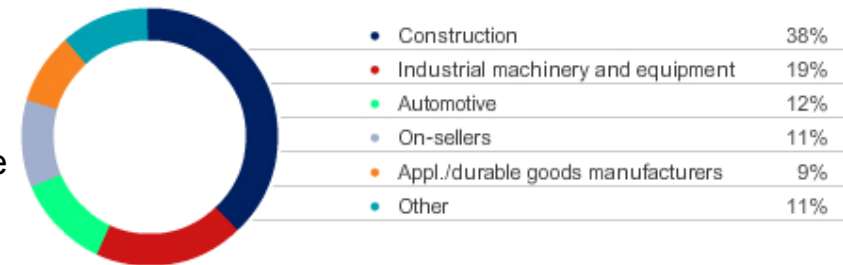




Klöckner & Co

- 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 by industry



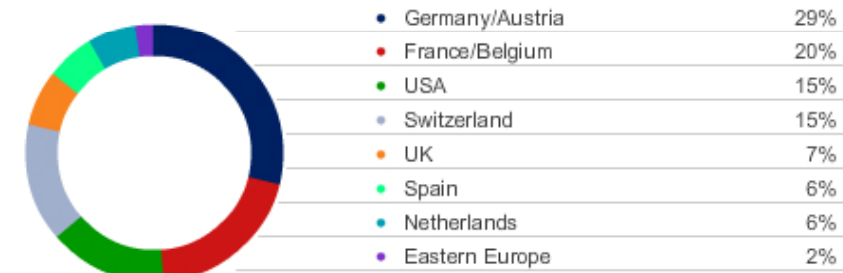
as of December 2009

Sales by product



as of December 2009

Sales by markets



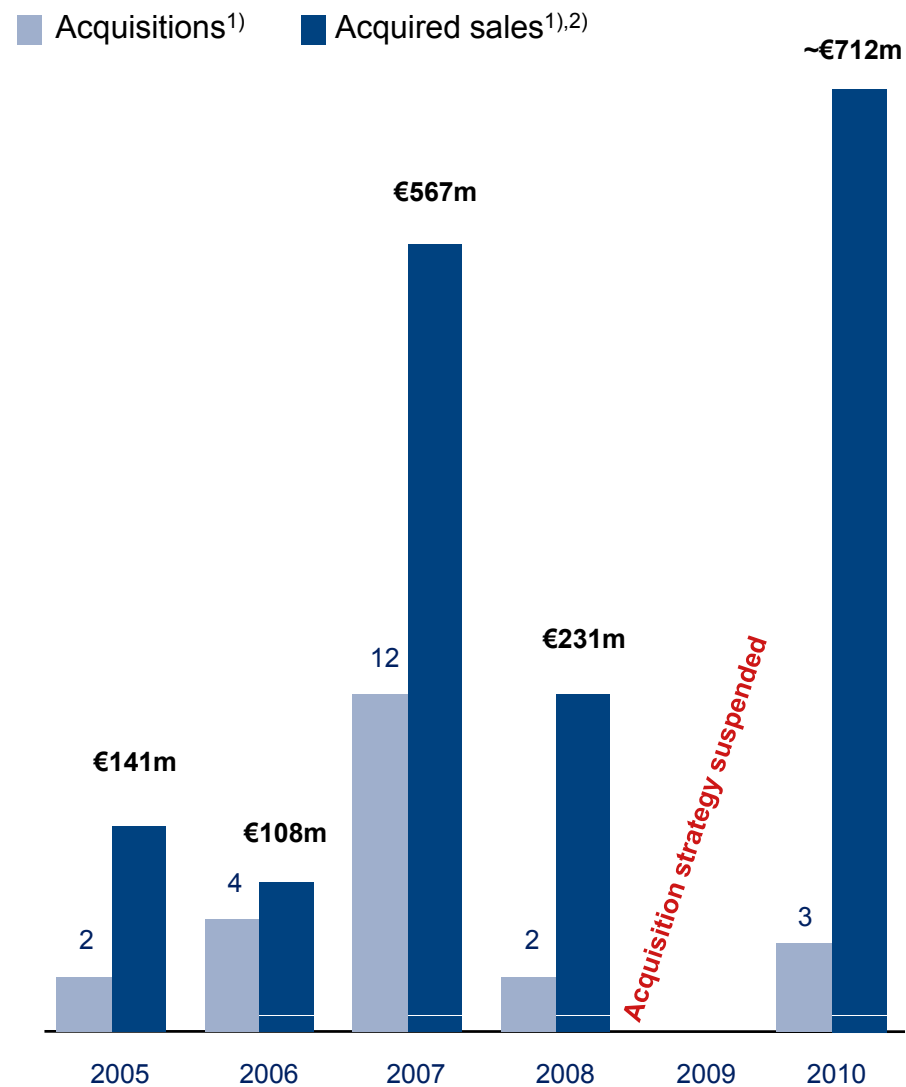
as of December 2009

Including Becker Stahl-Service Group pro-forma figures (year ending September)



01 M&A activities in line with IPO growth strategy

Country	Acquired ¹⁾	Company	Sales (FY) ²⁾
US	Dec 2010	Lake Steel	~€50m
US	Sep 2010	Angeles Welding & Mfg Inc	~€30m
GER	Mar 2010	Becker Stahl-Service Group	~€600m
CH	Jan 2010	Bläsi	€32m
2010			~€712m
US	Mar 2008	Temtco	€226m
UK	Jan 2008	Multitubes	€5m
2008			€231m
CH	Sep 2007	Lehner & Tonossi	€9m
UK	Sep 2007	Interpipe	€14m
US	Sep 2007	ScanSteel	€7m
BG	Aug 2007	Metalsnab	€36m
UK	Jun 2007	Westok	€26m
US	May 2007	Premier Steel	€23m
GER	Apr 2007	Zweygart	€11m
GER	Apr 2007	Max Carl	€15m
GER	Apr 2007	Edelstahlservice	€17m
US	Apr 2007	Primary Steel	€360m
NL	Apr 2007	Teuling	€14m
F	Jan 2007	Tournier	€35m
2007			€567m
2006			€108m



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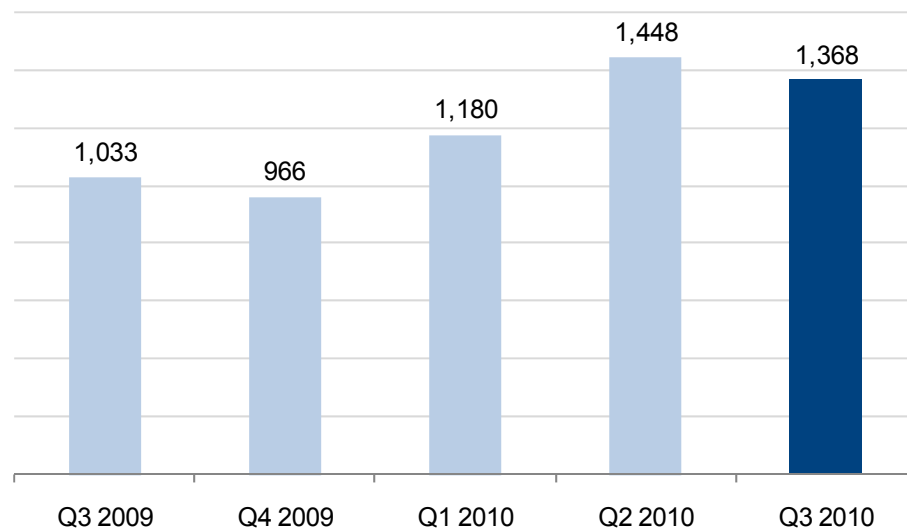
Klöckner & Co 2020

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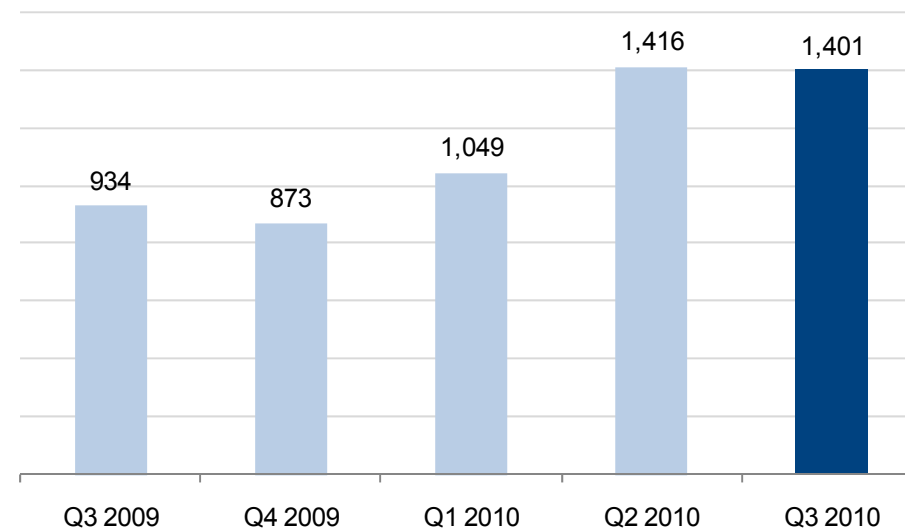
Appendix



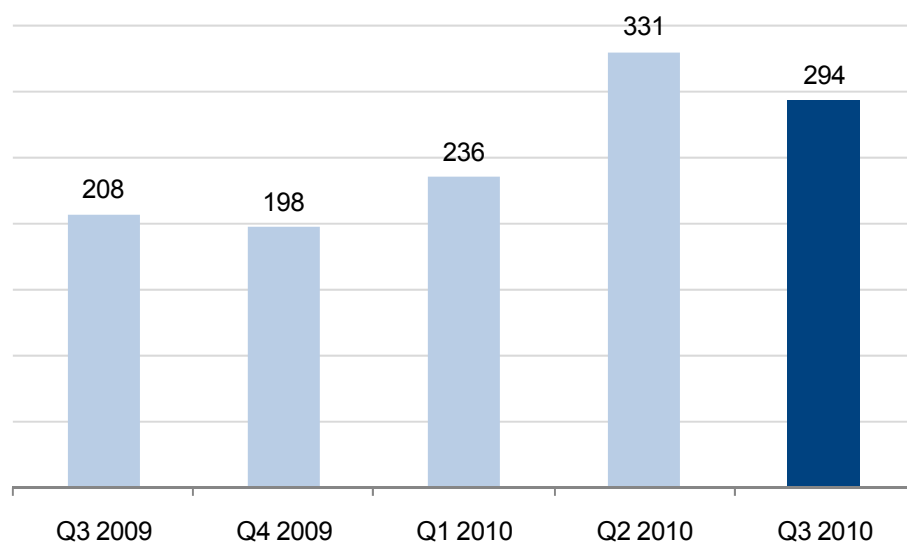
Sales volumes (Tto)



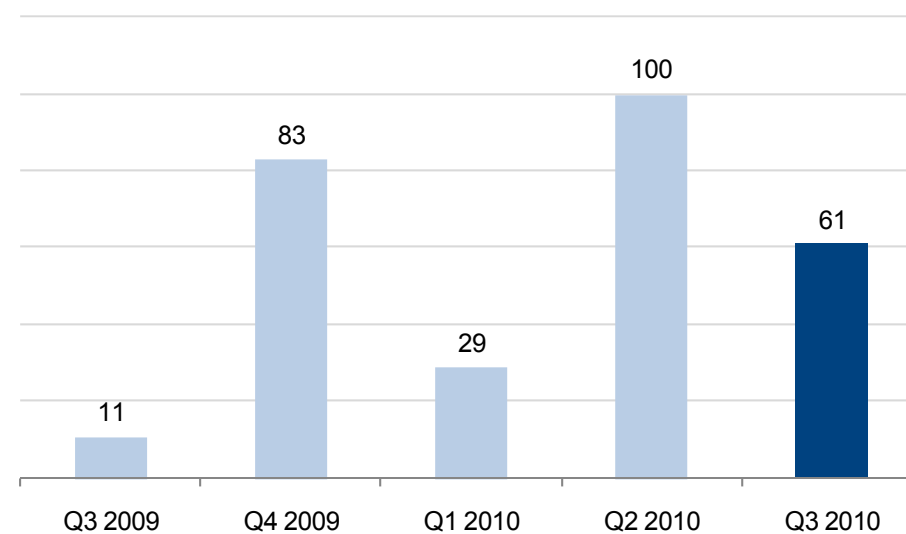
Sales (€m)



Gross profit (€m)

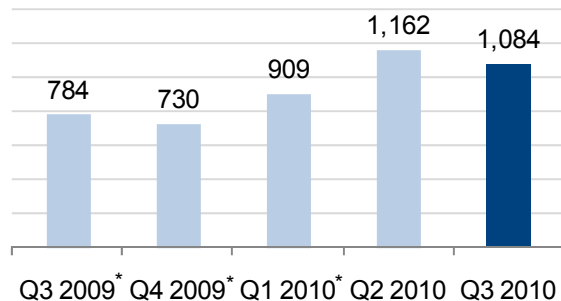


EBITDA (€m)

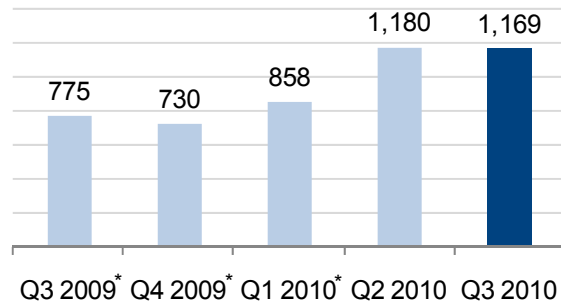


Europe

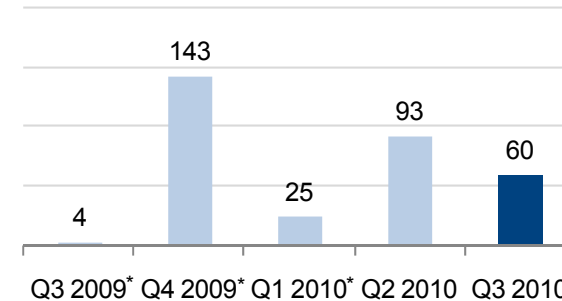
Volumes (Tto)



Sales (€m)

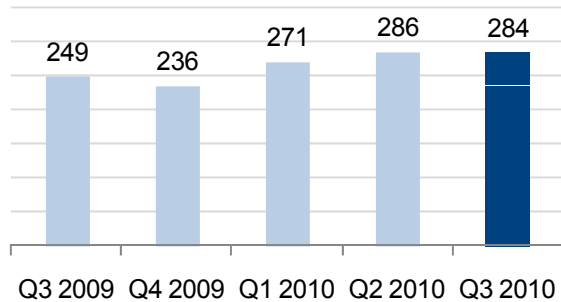


EBITDA (€m)

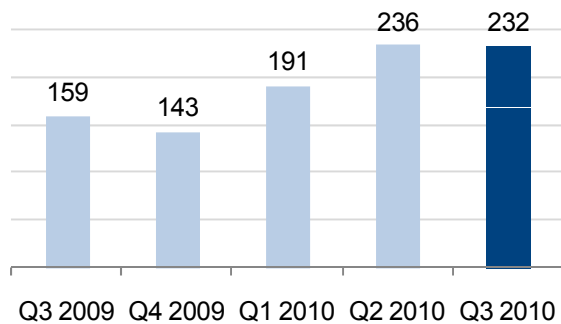


North America

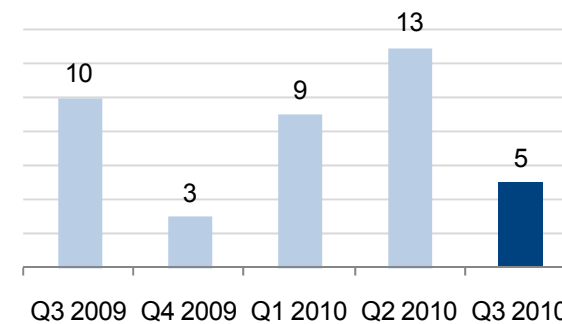
Volumes (Tto)



Sales (€m)



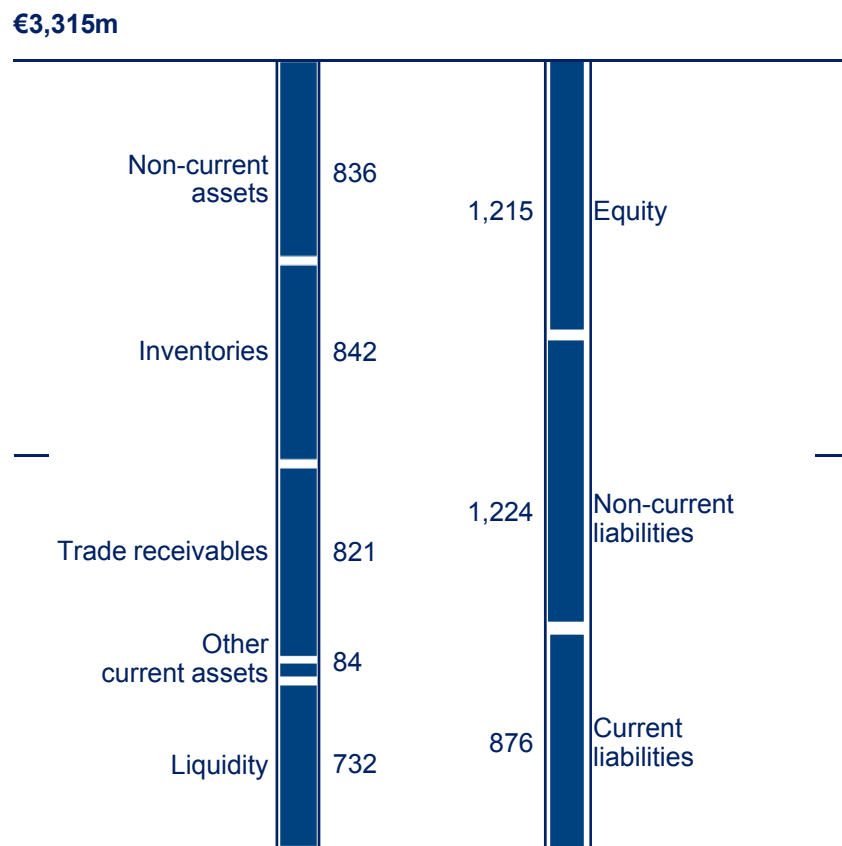
EBITDA (€m)



* consolidation of BSS as of March 1, 2010



Q3 2010



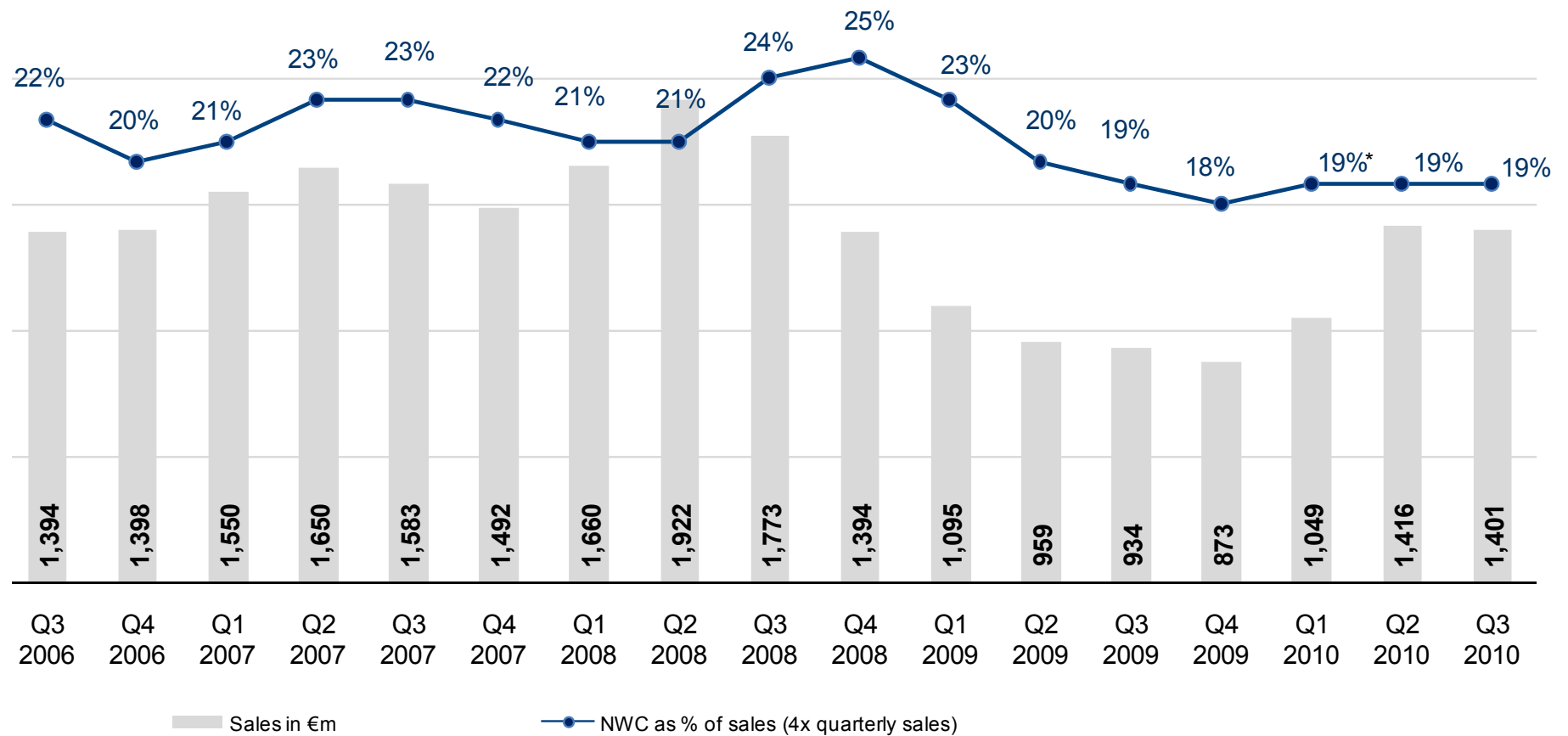
Comments

- Equity ratio of 36.6%
- Net debt €233m
- Gearing* at 19%
- NWC increased by €18m to €1,090m qoq

* Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE



Sales/ NWC as percentage of sales



*adjusted for BSS consolidation effect



▶ Fourth quarter

- Volumes expected to be slightly below Q3
- Prices seem to be bottoming out
- EBITDA expected to be below Q3

▶ Full year

- >25% sales growth resulting from acquisitions and normalization of customers' stock levels
- More than €200m EBITDA (>4% EBITDA-margin) driven by economic recovery, successfully integrated acquisitions and sustained cost cutting measures
- Resumption of dividend payment

*as of Q3 announcement on November 10, 2010



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- Four years after the IPO a strategy realignment and a target setting for the coming 10 years until 2020 is necessary because:

Externally

- Sustained shift in market environment due to global economic and financial crisis:
 - Long lasting recovery of steel consumption with significant overcapacity in industrial countries
 - Strong recovery and dynamic growth in emerging markets

Internally

- Our so far mainly unspecified consolidation strategy needs more focus
- Organic growth needs more momentum
- Earnings volatility and exposure to steel price development have to be reduced
- Insufficient personnel and management development



External
growth
strategy

▶ Challenge is acquiring right objects and subsequent integration

Organic
growth
strategy

▶ Challenge is timeline and success monitoring

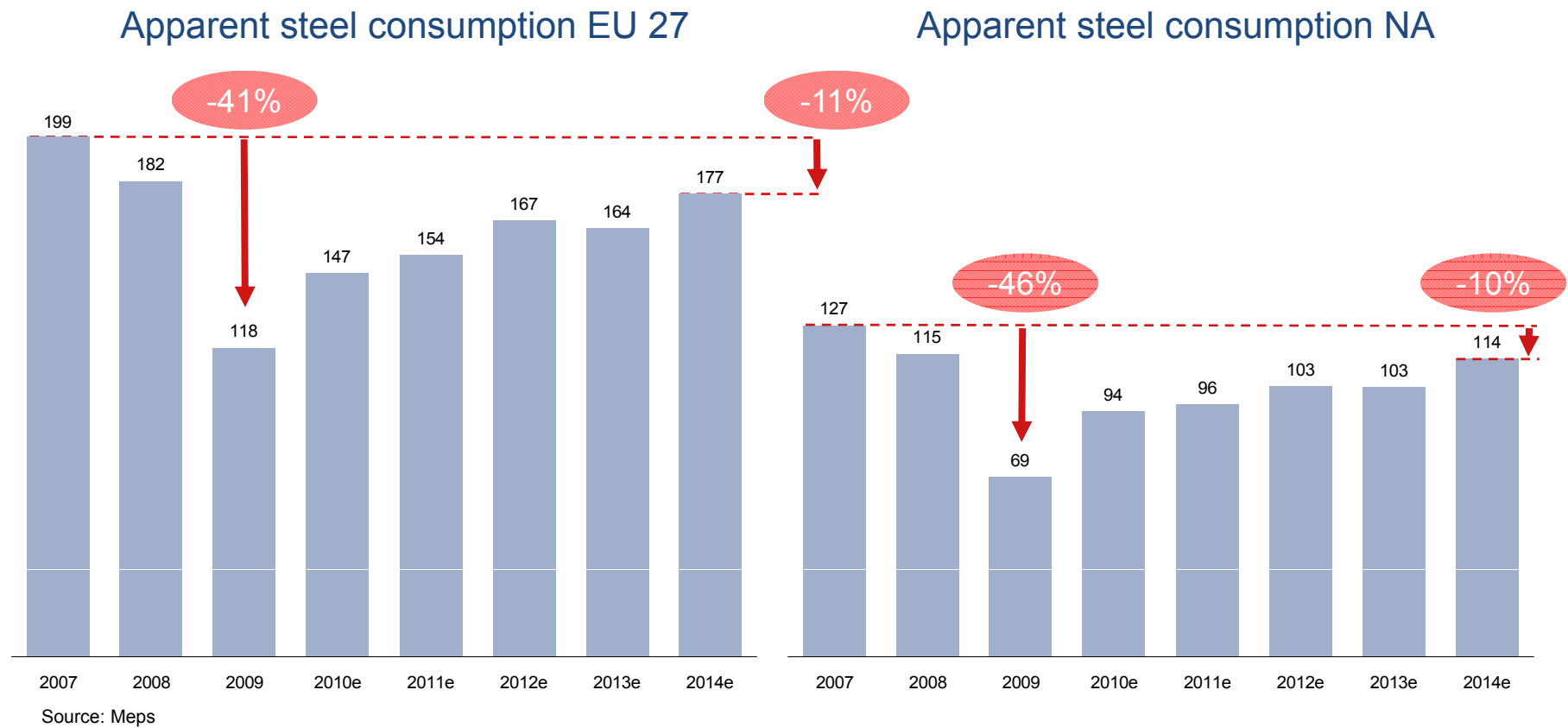
Business
optimization

▶ Challenge is decentralized structure

Personnel &
Management
development

▶ Challenge is to ramp up activities quickly from a non-existing base

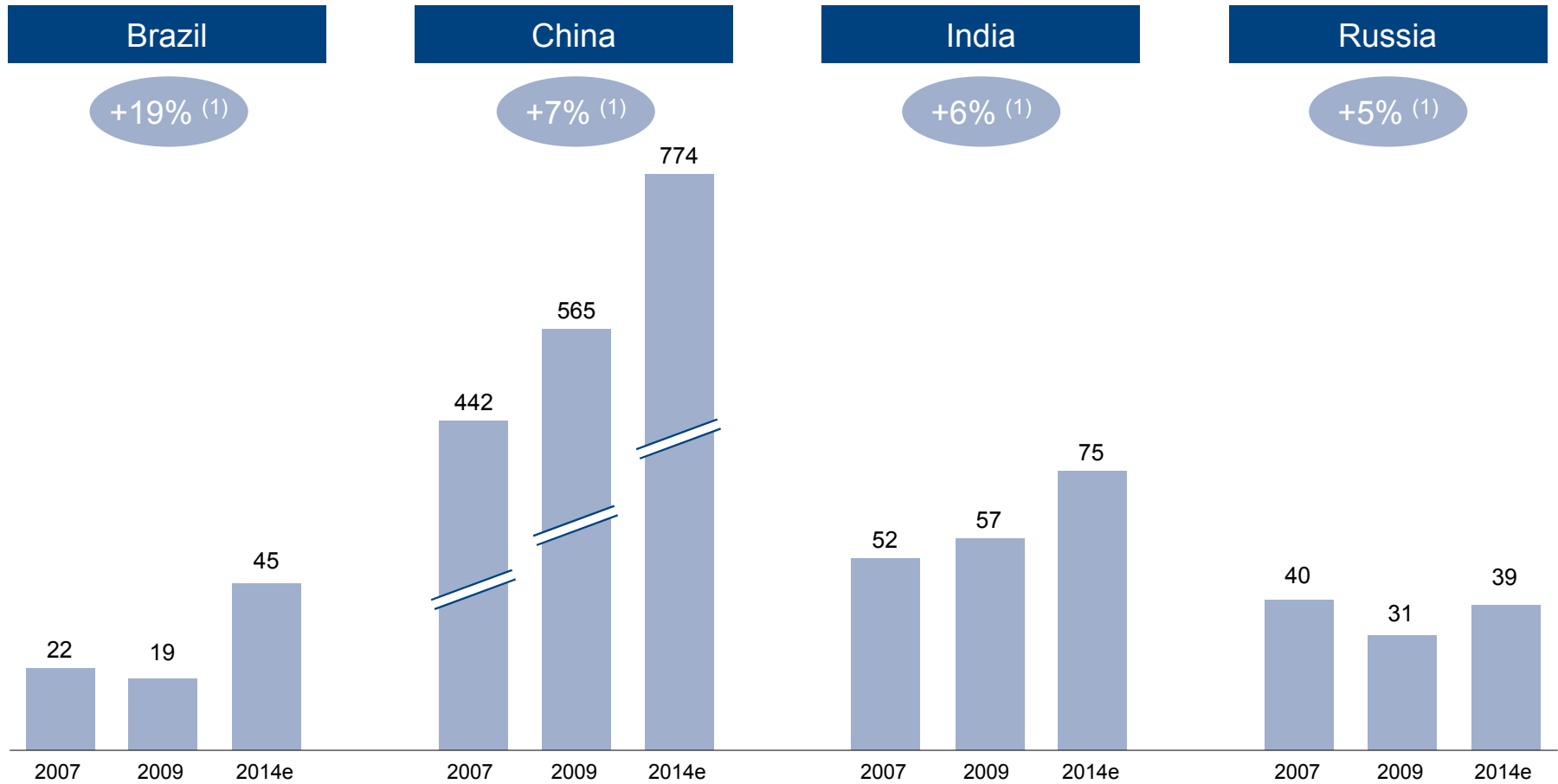




03

Strong growth in steel consumption in emerging markets

Apparent steel consumption in million to



(1) CAGR 2009 - 2014e

Source: China: RB/CISA, Brazil: BMI, India and Russia: Meps



General

- Continued growth outside the construction industry to better balance customer portfolio
- Expansion of flat rolled SSC business
- EBITDA-margin should be above current average at attractive multiples with transactions that are accretive from day one
- Targets should be more sizeable than in the past

EU external growth strategy

- Acquisition of higher margin businesses with more specialized products and services like recently acquired BSS and Bläsi

NA external growth strategy

- Expanding our geographical coverage
- Larger companies preferred to achieve a leading market position



Brazil

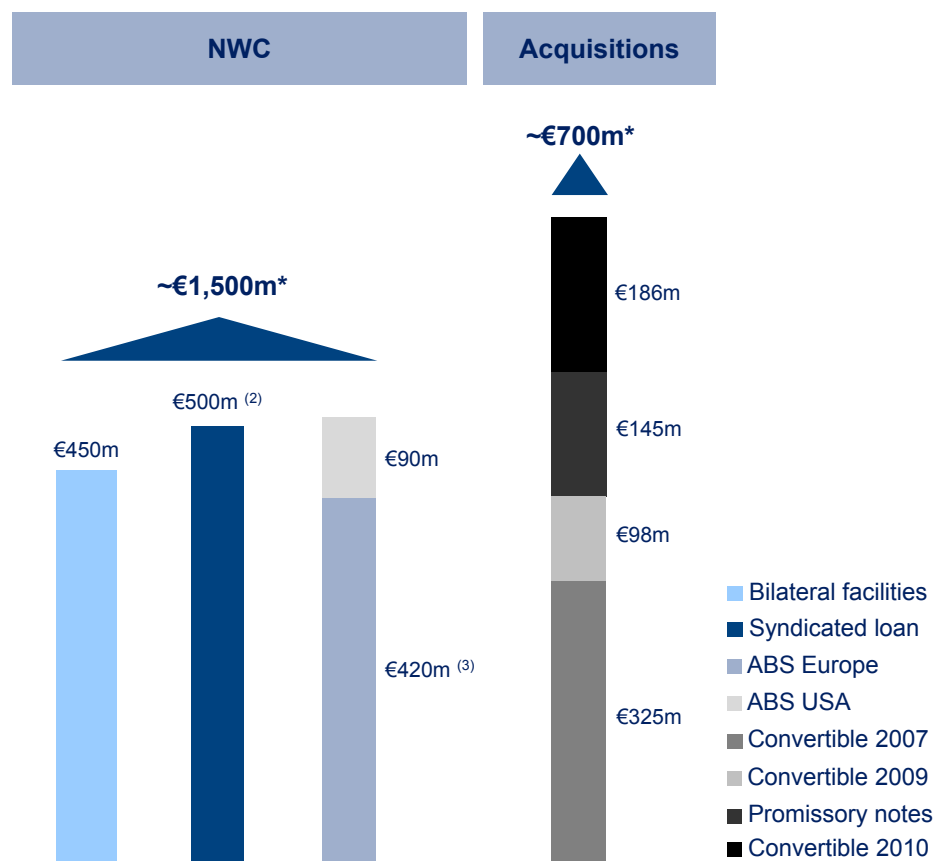
- Need of private independent distributors to fund the enormous growth provides attractive acquisition possibilities
- ▶ Market entry through acquisitions
 - Promising contacts to independent distributors established

China

- China has an extremely fragmented and less developed distribution segment with currently low margins
- ▶ Market entry greenfield as an intermediate step also to better understand the local market and its dynamics
 - Basic concept is to service local subsidiaries of international companies in Eastern China who have difficulties to source in China
 - Target is to be online with a first medium sized warehouse in Q3 2011 requiring a limited investment
 - Key differentiation factors vs. local distributors will be quality, just-in-time delivery, value added services, reliability, credit terms



Credit facilities



* Including proceeds of rights issue in September 2009

- €2.2bn financing facilities available
- Measures taken in 2010:
 - Placement of a Convertible Bond in Dec. 2010, 7 years maturity and 2.5% coupon
 - Renewal of €420m European ABS program for another 2 years
 - Placement of €145m Promissory notes
 - Prolongation and extension of syndicated loan by €200m to €500m
 - Harmonization of financing facilities' contractual framework
- First refinancing need in June 2012 for 2007 Convertible



- From “distribute into growing market” to “push to gain customers and market share”
 - From allocation of growing volumes to competing for lower volumes
 - From mainly rising prices to a more unsecure price environment
 - From demand greater than supply to oversupply

Approaches :

Customer focus

Stronger segmentation, re-focusing sales force, pricing system according to process costs/customer potential and loyalty, performance dialogues on all levels about core KPIs

Product portfolio

Expanding the share mainly in the area of higher margin products focusing on Sheets, Plates, Hollow Sections, Tubes, Alu and Stainless

Value added services

Stronger focus on value added services for industrial customer segments



Purchasing

- Development of corporate product strategies linked to country strategies
- Further optimization of leverage possibilities
- Improvement of qualification of purchasing managers

Inventory management

- Integrated stock-/sales-forecast system
- Extended access of warehouses to European inventory network

Distribution network

- Development of central stocks for special products on cross country level
- Definition and roll out of best practice operating processes and systems
- Management by uniform operational key performance indicators
- Improved and more standardized management of operational fixed assets

General

- Further optimization in processes and efficiency through standards



International
HR Work

Establishment of Group-wide, coordinated human resources work of the international HR Community with clear 'ground rules' and results

Management
Review

Development and implementation of an annual management review

- as a target/actual comparison and basis for decision making, e.g. in development
- development of a Klöckner competency model
- internal succession planning (with the targeted promotion of high potential women)

Compensation
and Bonus
System

Analysis of the management compensation structure as a base for a long-term implementation of a consistent and market-based compensation structure

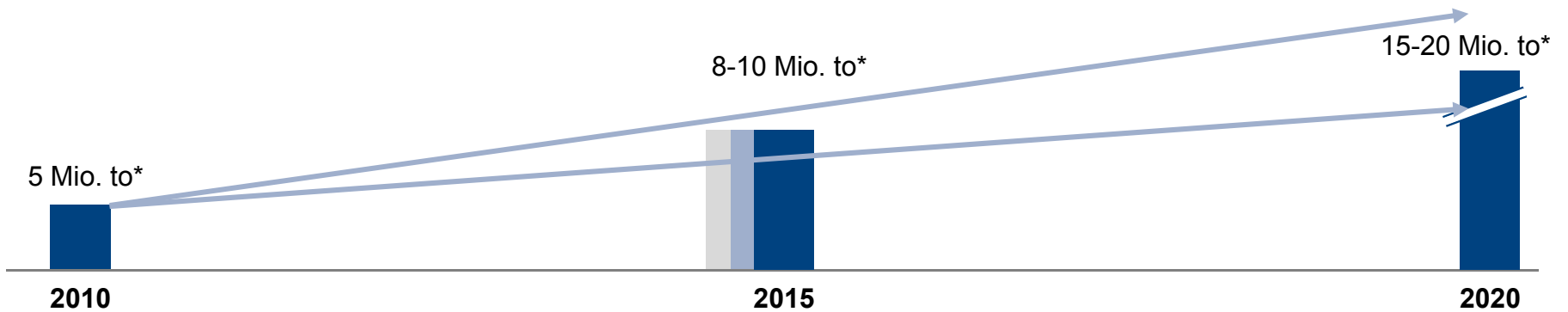
Employer
Branding

- First adaptation of the career pages on Klöckner's web-site with the objective of presenting Klöckner as an attractive employer (particularly for female applicants)
- Ongoing Improvement and development of an employer brand strategy



03

Ambitious targets for global growth



- Preparing organization for high growth
- Internationalize management
- Expanding footprint to emerging markets
- Implement industry leading processes

- Gaining growth momentum
- Expand business around new anchor points especially in emerging markets

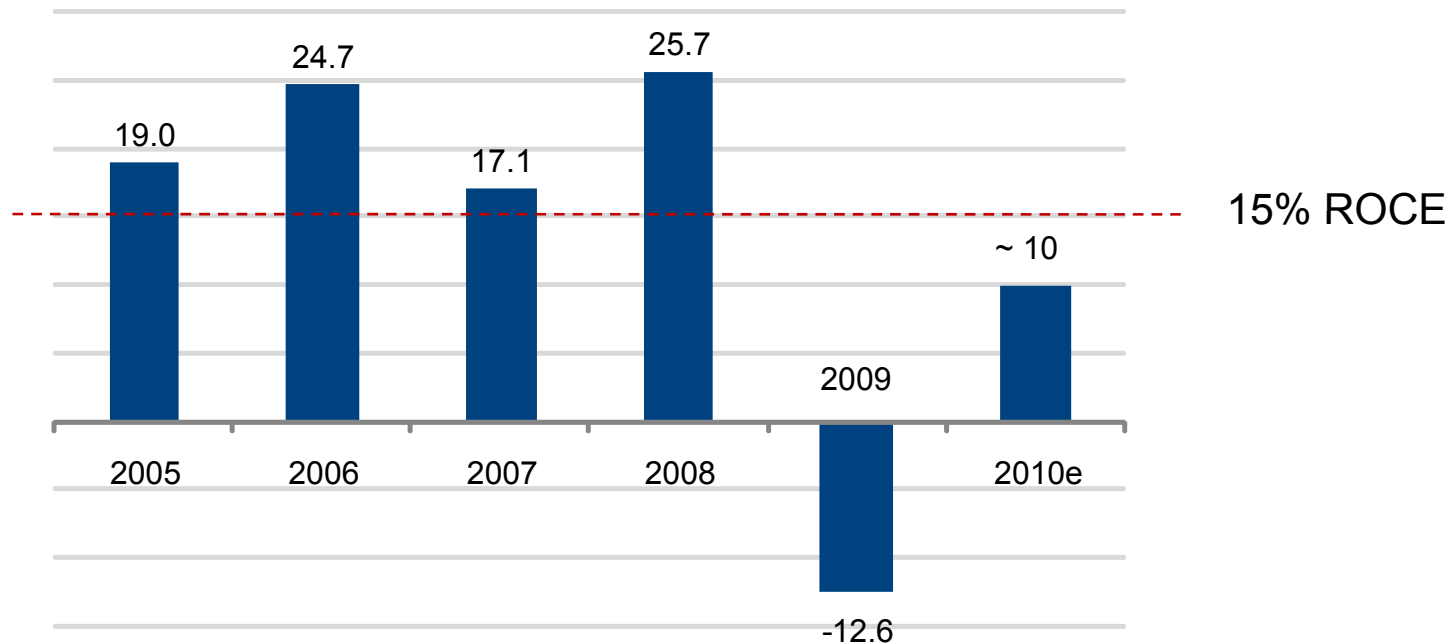
- Sustain growth momentum
- Manage size and global footprint

* Sales volumes

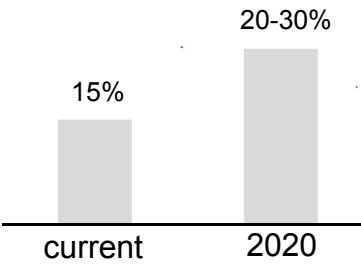
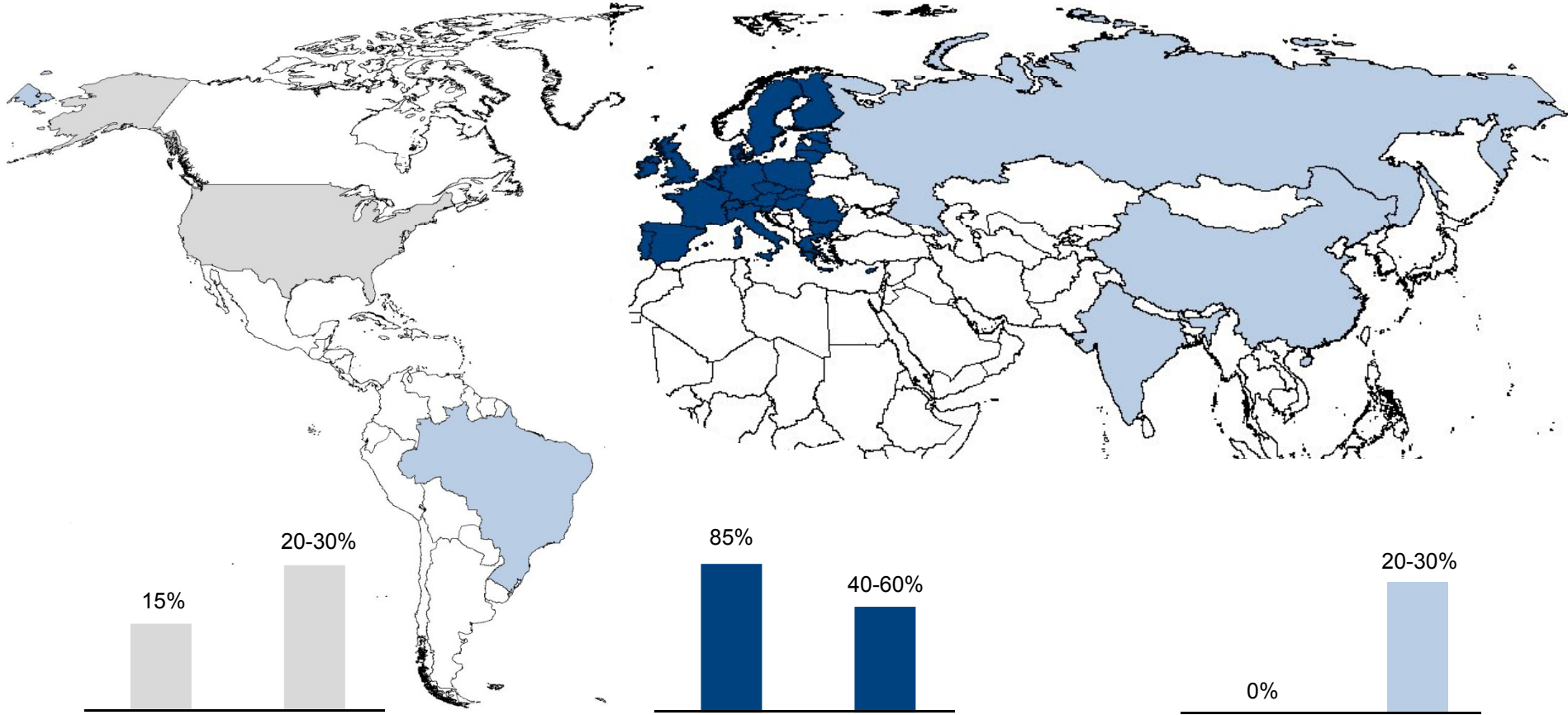


- At least 6% EBITDA margin-potential in metal distribution
- Strict capital return requirements of at least 15% ROCE

Gearing target < 75%
Equity ratio > 30%

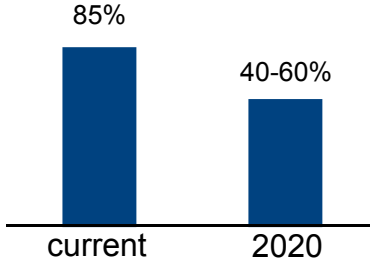


03 Current geographic sales split and target 2020



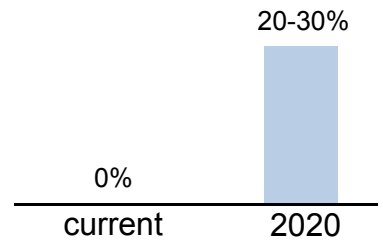
North America

CAGR 2010-20: ~15%



Europe

CAGR 2010-20: ~8%



Emerging Markets

CAGR 2010-20: na



Globalization

▶ Being the first global multi metal distributor

Growth

▶ Being the fastest growing multi metal distributor

Business
optimization

▶ Having leading edge processes and systems

Management
& employees

▶ Having best in class management and employees



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Financial calendar 2010/2011

March 8, 2011	Annual Statement 2010
May 11, 2011	Q1 interim report 2011
May 20, 2011	Annual General Meeting 2011
August 10, 2011	Q2 interim report 2011
November 9, 2011	Q3 interim report 2011

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04 Quarterly results and FY results 2005-2010

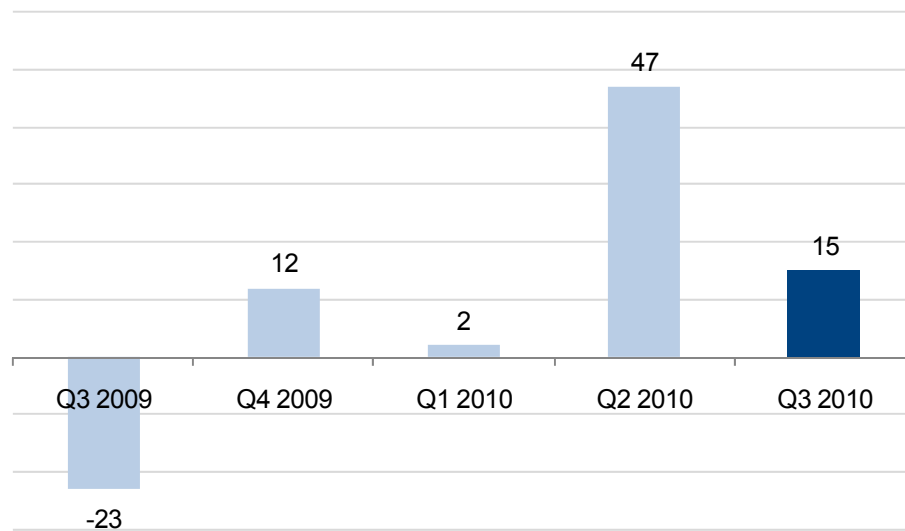
(€m)	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005*
Volume (Ttons)	1,368	1,448	1,180	966	1,033	1,053	1,068	4,119	5,974	6,478	6,127	5,868
Sales	1,401	1,416	1,049	873	934	959	1,095	3,860	6,750	6,274	5,532	4,964
Gross profit	294	331	236	198	208	161	78	645	1,366	1,221	1,208	987
% margin	21.0	23.4	22.5	22.6	22.3	16.8	7.1	16.7	20.2	19.5	21.8	19.9
EBITDA	61	100	29	83	11	-31	-132	-68	601	371	395	197
% margin	4.3	7.1	2.8	9.5	1.2	-3.2	-12.0	-1.8	8.9	5.9	7.1	4.0
EBIT	39	78	11	26	-7	-48	-149	-178	533	307	337	135
Financial result	-16	-17	-15	-16	-14	-15	-16	-62	-70	-97	-64	-54
Income before taxes	22	61	-4	9	-21	-63	-165	-240	463	210	273	81
Income taxes	-7	-14	6	3	-2	16	38	54	-79	-54	-39	-29
Net income	15	47	2	12	-23	-47	-127	-186	384	156	235	52
Minority interests	1	1	1	3	0	1	-2	3	-14	23	28	16
Net income KlöCo	14	46	1	9	-23	-48	-126	-188	398	133	206	36
EPS basic (€)	0.21	0.69	0.02	0.56	-0.42	-1.04	-2.70	-3.61	8.56	2.87	4.44	-
EPS diluted (€)	0.21	0.69	0.02	0.56	-0.42	-0.85	-2.43	-3.61	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).

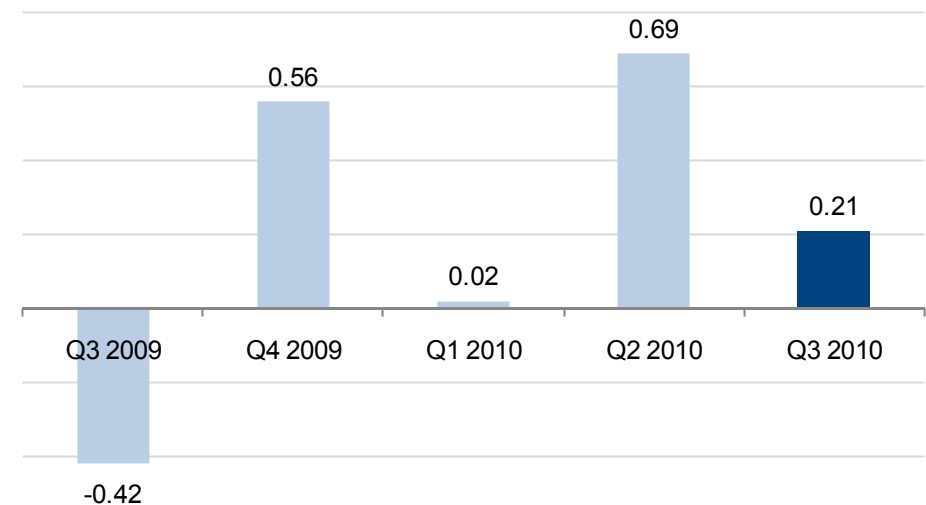


04 Net income and earnings per share

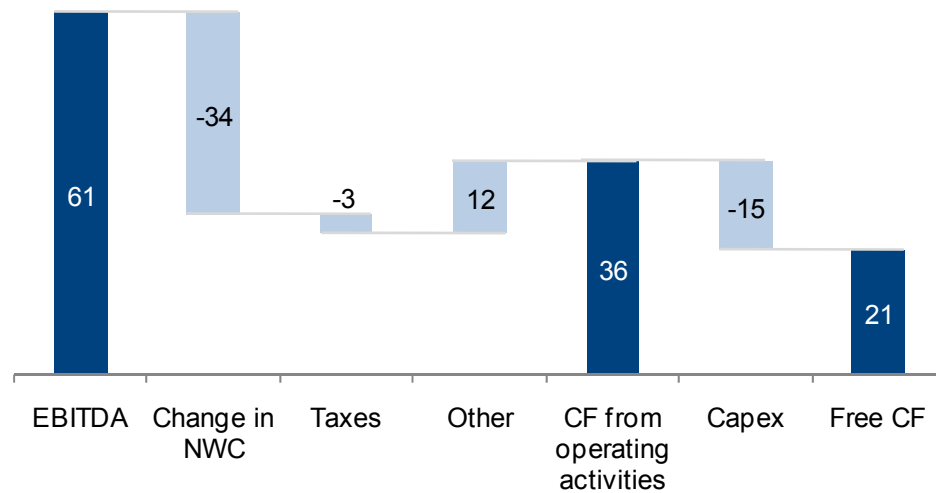
Net income (€m)



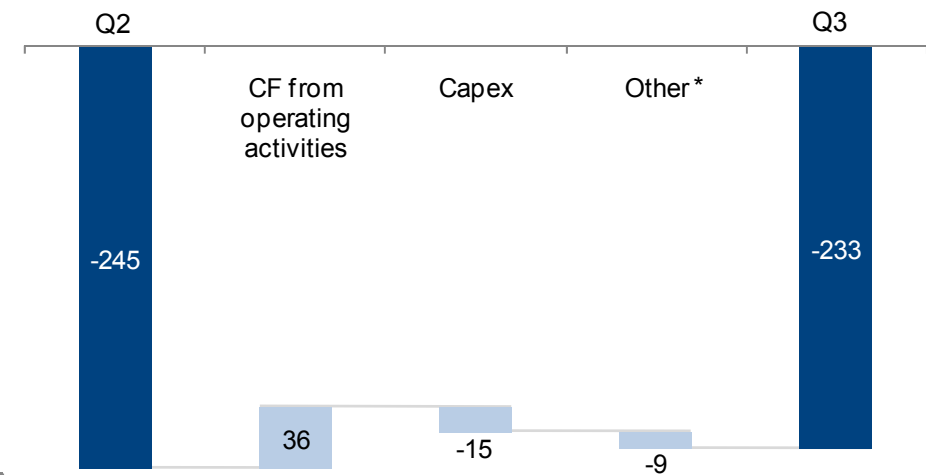
EPS basic (€)



Cash flow generation in Q3



Development of net financial debt in Q3



* exchange rate effects, cash interest



04 Balance sheet as of September 30, 2010

(€m)	Sep. 30, 2010	Dec. 31, 2009
Non-current assets	836	712
Inventories	842	571
Trade receivables	821	464
Cash & Cash equivalents	732	827
Other assets	84	139
Total assets	3,315	2,713
Equity	1,215	1,123
Total non-current liabilities	1,224	927
thereof financial liabilities	884	619
Total current liabilities	876	663
thereof trade payables	573	398
Total equity and liabilities	3,315	2,713
Net working capital	1,090	637
Net financial debt	233	-150

Comments

Shareholders' equity:

- Decreased from 41% to 37% mainly due to BSS
- Would be at 47% if cash were used for debt reduction

Financial debt:

- Gearing at 19%
- Net debt position due to purchase price payment for BSS, Bläsi AG and Angeles Welding and NWC build-up

NWC:

- Swing mainly driven by BSS consolidation and pickup in business



04 Statement of cash flow 9M

(€m)	9M 2010	9M 2009
Operating CF	188	-161
Changes in net working capital	-300	703
Others	31	-1
Cash flow from operating activities	-81	541
Inflow from disposals of fixed assets/others	2	7
Outflow for acquisitions	-134	-1
Outflow for investments in fixed assets/others	-16	-12
Cash flow from investing activities	-148	-6
Equity component of convertible bond	0	26
Issuance of shares	0	195
Changes in financial liabilities	227	-161
Net interest payments	-38	-25
Repayments of shareholder loan BSS	-58	0
Cash flow from financing activities	131	35
Total cash flow	-98	570

Comments

- NWC changes due to built up of inventories and receivables
- Investing CF impacted by acquisitions of BSS, Bläsi and Angeles



04 Segment performance Q3 2010

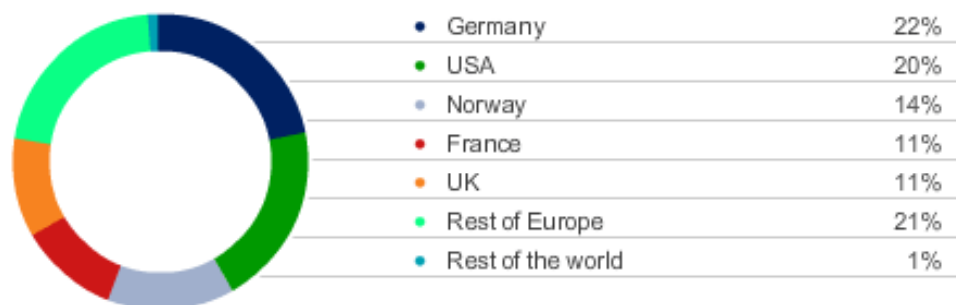
(€m)	Europe	North America	HQ/ Consol.	Total
Volume (Ttons)				
Q3 2010	1,084	284		1,368
Q3 2009	784	249	-	1,033
Δ %	38.5	13.9		32.5
Sales				
Q3 2010	1,169	232		1,401
Q3 2009	775	159	-	934
Δ %	50.7	46.7		50.0
EBITDA				
Q3 2010	60	5	-4	61
<i>% margin</i>	<i>5.2</i>	<i>2.1</i>		<i>4.3</i>
Q3 2009	4	10	-3	11
<i>% margin</i>	<i>0.5</i>	<i>6.4</i>	-	<i>-1.2</i>
Δ % EBITDA	1,454.7	-52.1		438.7

Comments

- Excl. BSS volume increase in Europe was 9.6% and total volume increase was 10.6%
- Without BSS total sales were 32.9% Q3 vs. Q3



Geographical breakdown of identified institutional investors



as of September 2010

Comments

- Identified institutional investors account for 53%
- German investors dominate
- Top 10 shareholdings represent around 26%
- Retail shareholders represent 28%
- 100% free float



