

Klöckner & Co SE

A Leading Multi Metal Distributor



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Westcoast-Roadshow Credit Suisse
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01 Company overview

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Producers



Distributor / Service Center

Products:



Services:

**Klöckner & Co SE**

- Largest manufacturer-independent steel and metal distributor in Europe and North America combined
- Distribution network with around 250 locations
- Key figures for 2010

Sales:	€5.2 billion
EBITDA:	€238 million
Sales volumes:	5.3 million tons

Customers



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

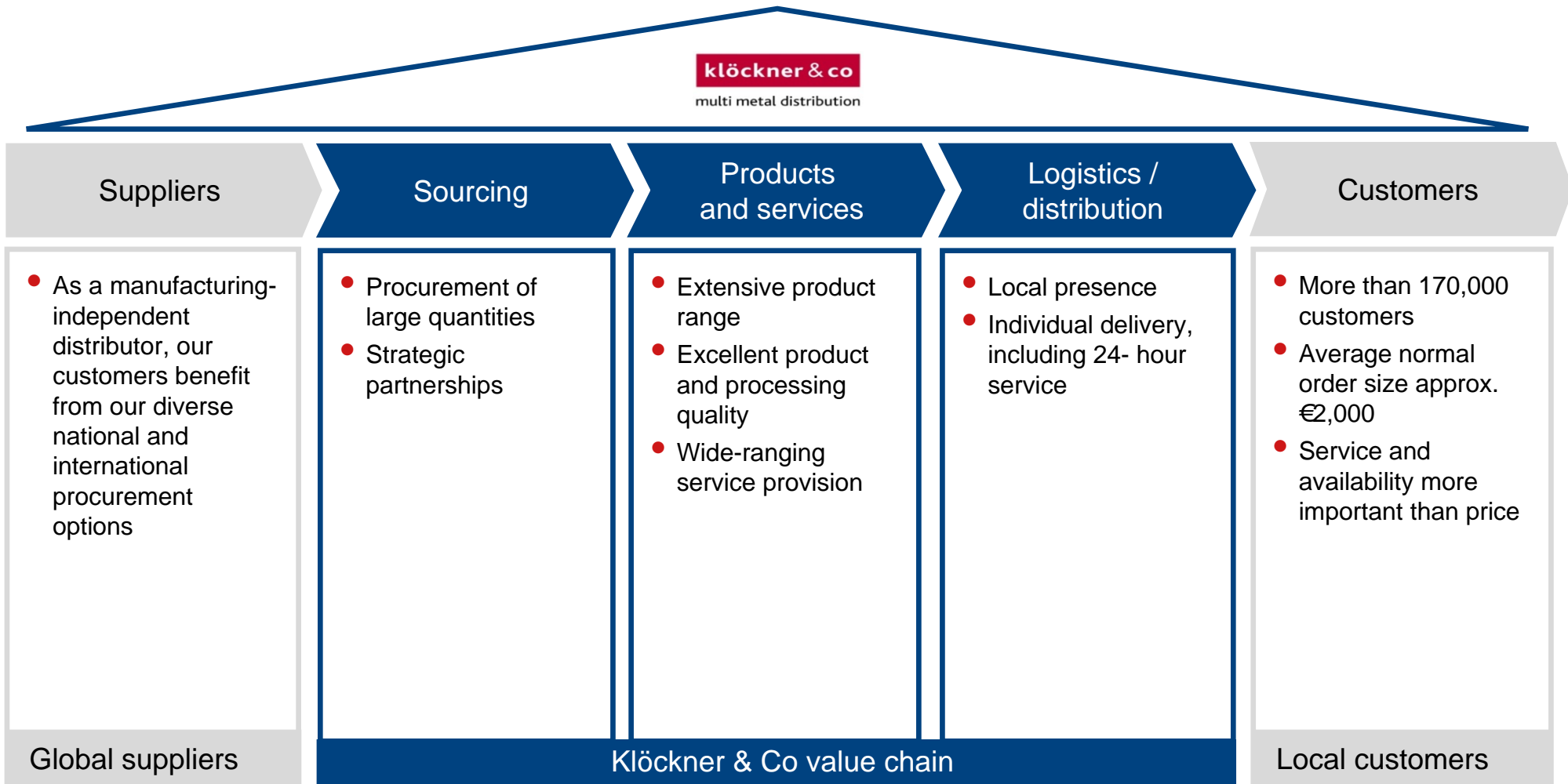


- Mechanical engineering and machinery



- Automotive
- White Goods
- Miscellaneous





Sales by industry



- Exposure to construction industry declined by 3.8% as intended
- Automotive rose by 4.2% due to BSS
- Diversification in customer industries will go on

Sales by product



Sales by markets



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- All results significantly improved, strong contribution from acquisitions
- Klöckner & Co 2020 strategy presented, progress on track
 - 4 acquisitions in 2010:
 - Becker Stahl-Service successfully expands Groups exposure to flat steel
 - Bläsi acquisition in Switzerland successfully integrated
 - Angeles Welding: Asset deal to acquire warehouse and operations in Los Angeles
 - Lake Steel: Acquisition of the market leader in Texas panhandle region
 - MoU signed for Macsteel USA: from #10 to #3 in one step
- Strong financing position for further growth in place
- Resume dividend payment of 30 Eurocents per share*

* Proposal to AGM



Guidance for FY 2010

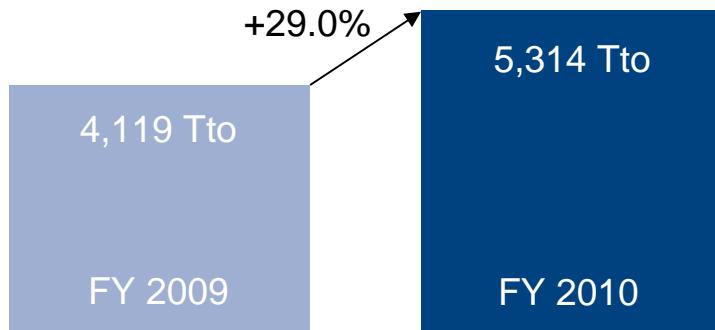
delivered

Sales growth > 25%	34.7%
EBITDA > €200m	€238m
Net working capital < 20% of sales	19% in Q1 to Q4
Gearing < 75%	11%
Equity ratio > 30%	37%
Dividend payout	€0.30 p. share*
Restart of acquisition strategy	4 acquisitions

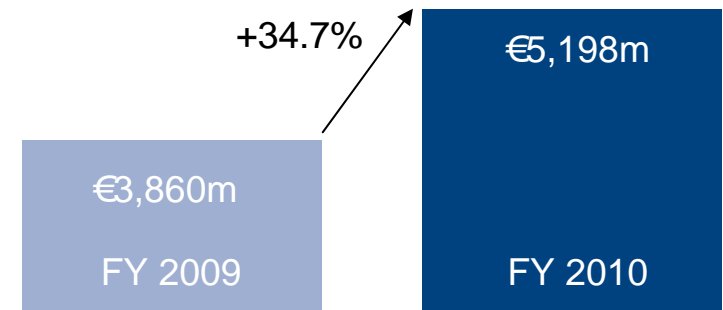
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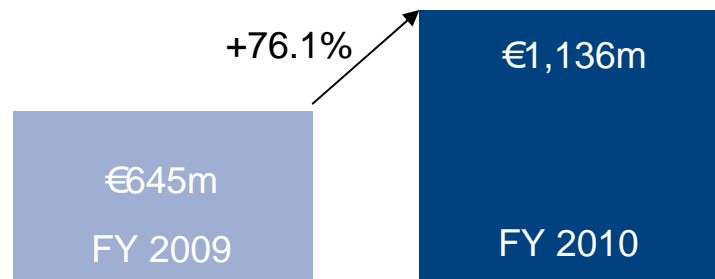
Sales volumes



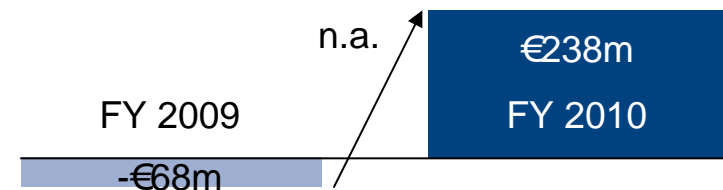
Sales



Gross profit

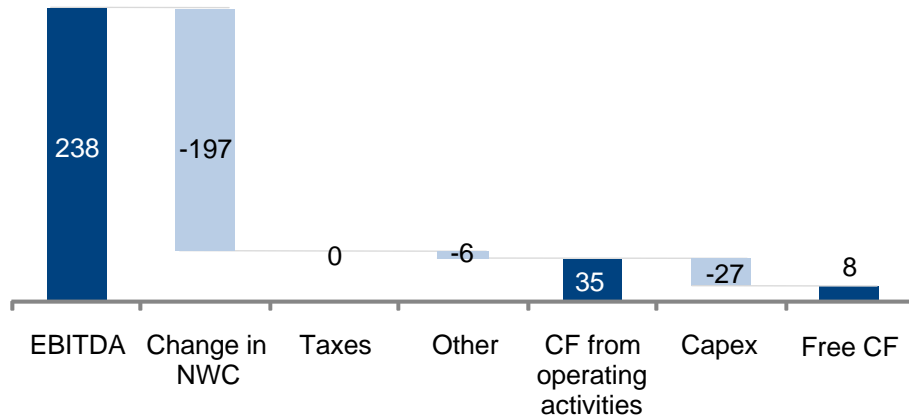


EBITDA

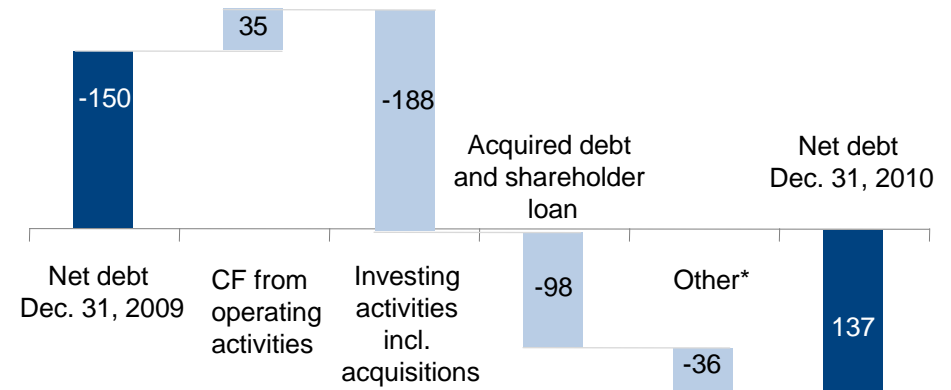


02 Cash flow being used to invest in NWC and acquisitions

Cash flow generation in 2010 (€m)



Development of net financial debt in 2010 (€m)



* exchange rate effects, cash interest



(€m)	FY 2010	FY 2009
Sales	5,198	3,860
Gross profit	1,136	645
Personnel costs	-487	-441
Other operating expenses	-447	-400
EBITDA	238	-68
Depreciation & Amortization	-86	-110
EBIT	152	-178
Interests	-68	-62
EBT	84	-240
Taxes	-4	54
Net income	80	-186
Minorities	2	3
Net income attributable to KCO shareholders	78	-188

Comments

Sales:

- +34.7%, LFL 20.4%

Personnel costs:

- LFL + ~6% driven by 35% higher bonus payments.
Average number of employees down by 5.3% LFL

Other operating expenses:

- LFL + ~4%

D&A:

- Impairments of €41.8m in 2009, €16.2m PPA effects in 2010

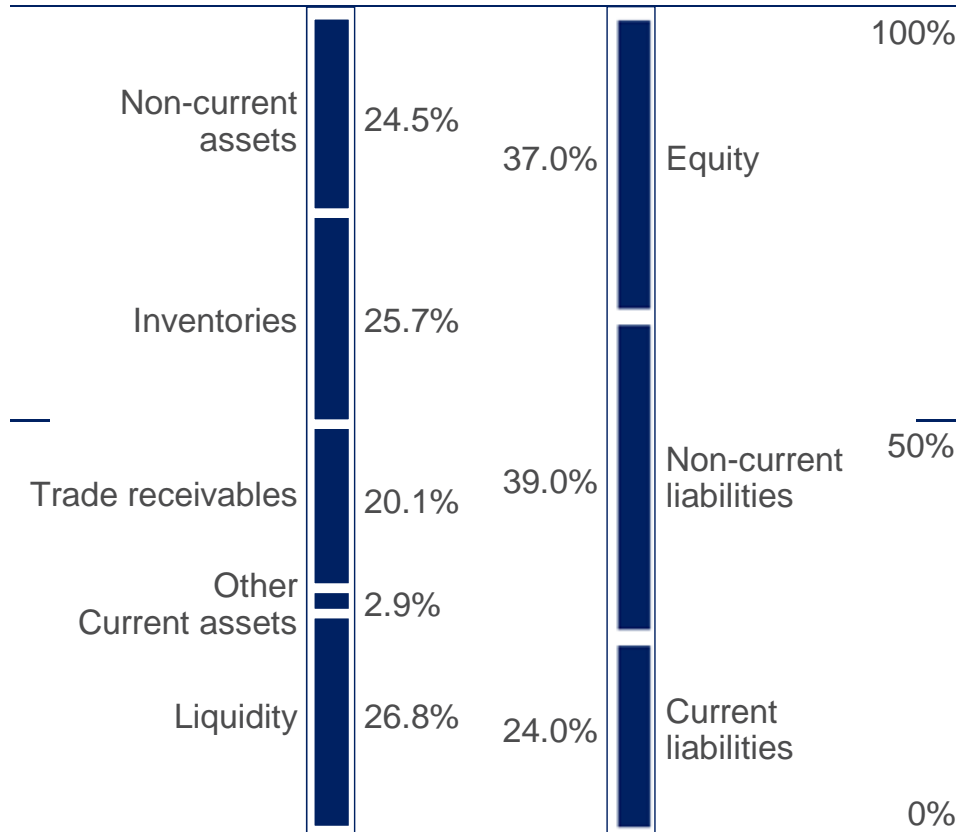
Tax rate:

- Cash tax savings and higher deferred taxes in connection with the BSS acquisition reduced taxes significantly



FY 2010

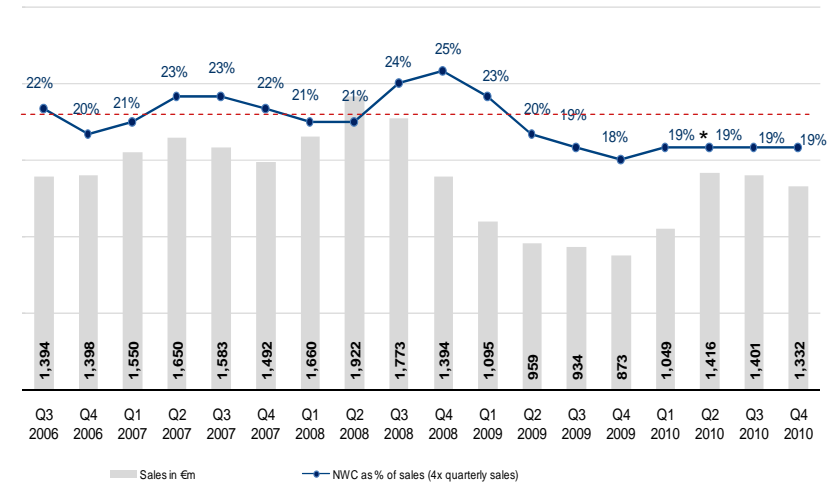
Balance sheet total 2010: €3,491 million



Comments

- Equity ratio of 37%
- Net debt of €137m
- Gearing at 11%
- Net debt to total capital 9.7%
- NWC decreased by €73m to €1,017m qoq

NWC as percentage of sales



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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



External growth strategy

- Continued growth outside the construction industry to better balance customer portfolio
- 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 especially in the US
- Expansion of SSC business
- Entry in emerging markets

Organic growth strategy

- From “distribute into growing market” to “push to gain customers and market share”
- Improve sales performance through sales excellence program
- Expanding the share mainly in the area of higher margin products
- Stronger focus on value added services for industrial customer segments
- Filling white spots in existing countries

Business optimization

- Realizing further scale benefits in purchasing and product management
- Further optimization of inventory management
- Closer integration of country operations
- Implementation of industry leading systems and processes

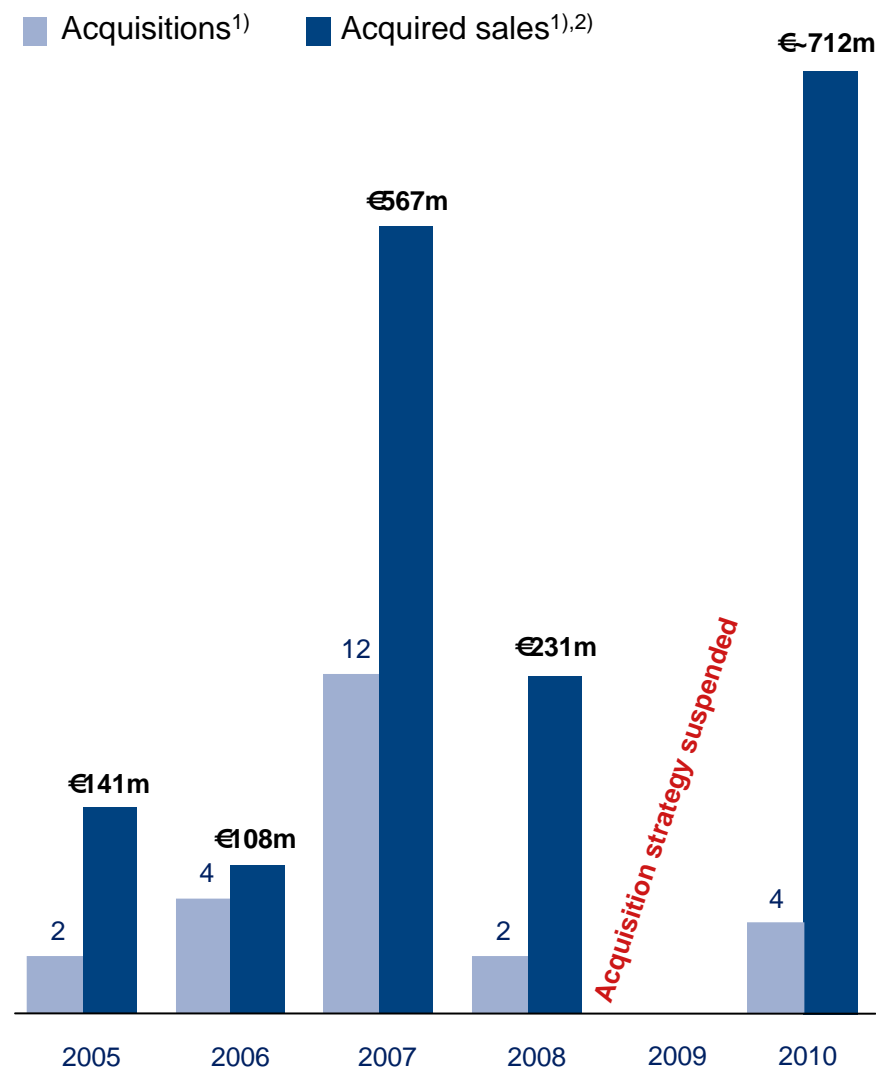
Personnel & Management development

- Establish talent and performance management group-wide
- Implement structured compensation and benefits system
- Improve employer branding



Country	Acquired ¹⁾	Company	Sales (FY) ²⁾
USA	Dec 2010	Lake Steel	€~50m
USA	Sep 2010	Angeles Welding	€~30m
GER	Mar 2010	Becker Stahl-Service	€~600m
CH	Jan 2010	Bläsi	€32m
2010			4 acquisitions
US	Mar 2008	Temtco	€226m
UK	Jan 2008	Multitubes	€5m
2008			2 acquisitions
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			12 acquisitions
2006			4 acquisitions

¹⁾ Date of announcement ²⁾ Sales in the year prior to acquisitions



03 Strong financial position for further growth

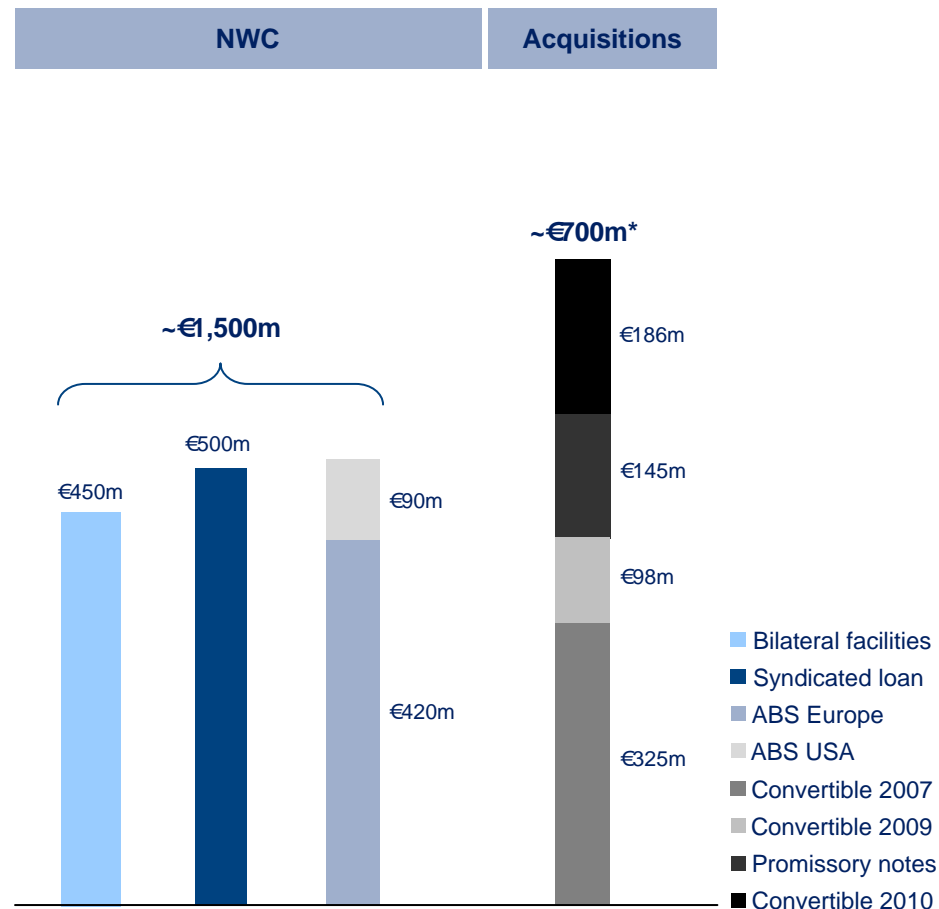
€m Facility	Committed	Drawn amount	
		FY 2009	FY 2010*
Bilateral Facilities	443	53	66
ABS	510	21	88
Syndicated Loan	500	225	226
Promissory Note	145		147
Total Senior Debt	1,598	299	527
Convertible 2007 ¹⁾	325	292	306
Convertible 2009 ¹⁾	98	77	81
Convertible 2010 ¹⁾	186		151
Finance leases	7	9	7
Total Debt	2,214	677	1,072
Cash		827	935
Net Debt		-150	137

- Promissory Notes and Convertible Bond 2010 issued to support expansion strategy Klöckner & Co 2020
- Maturity profile improved and financial headroom increased

1) Drawn amount excludes equity component

* Including interest

Credit facilities



* Including proceeds of rights issue in September 2009 after acquisitions completed in 2010

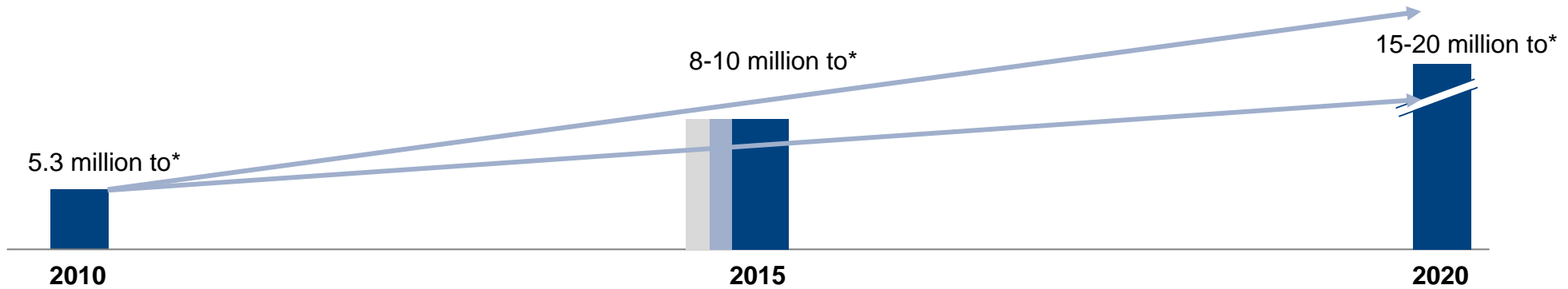


03 Ambitious targets for global growth

Get Ready

Accelerate

Sustain Momentum



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

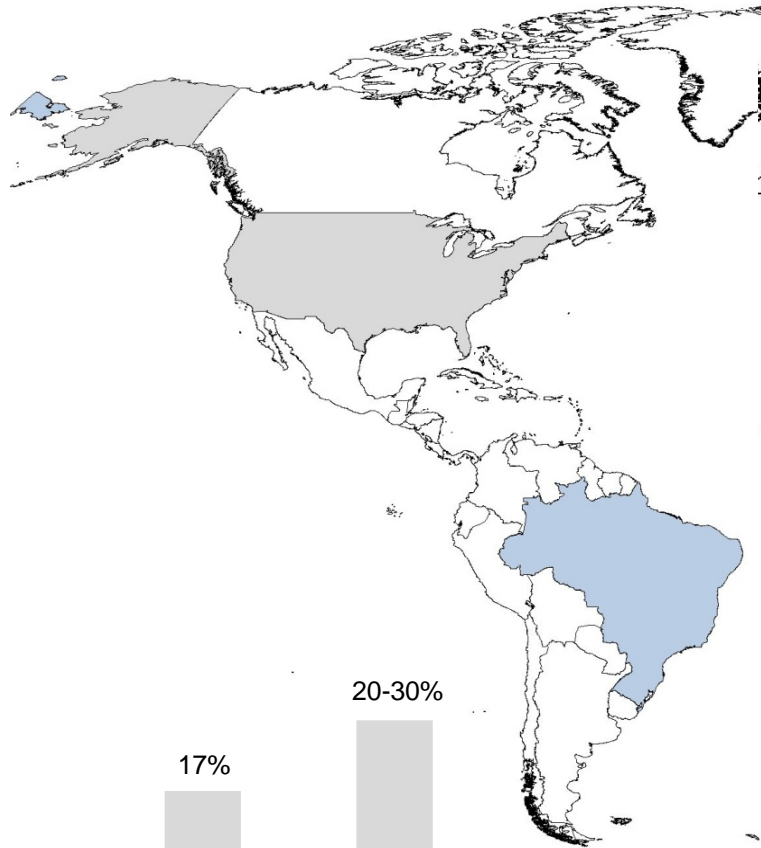
- Gaining growth momentum
- Expand business around new anchor points especially in emerging markets

- Sustain growth momentum
- Manage size and global footprint

*Sales volumes

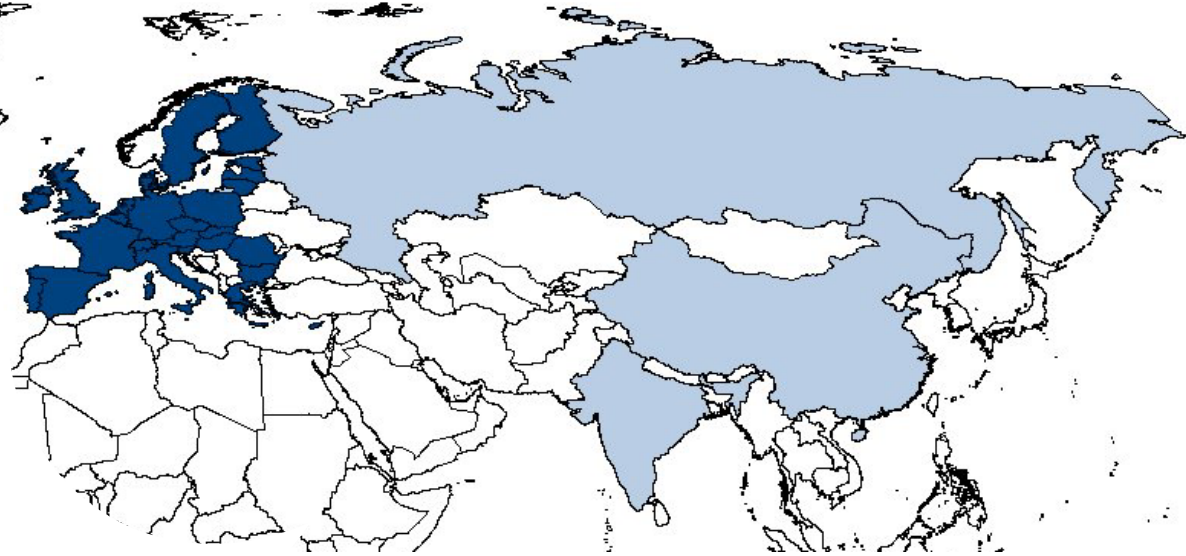


03 Current geographic sales split and target 2020



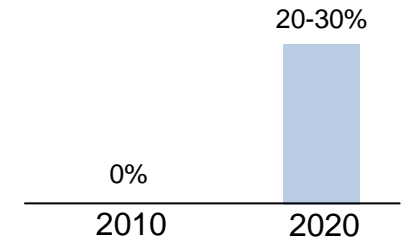
North America

CAGR 2010-20: ~15%



Europe

CAGR 2010-20: ~8%



Emerging Markets

CAGR 2010-20: na



External growth

- MoU signed for Macsteel Service Centers in the US
- Brazil and China progressing

Organic growth

- “Sales excellence” program initiated
- SSC in Spain upgraded with BSS know how: first automotive orders

Business optimization

- 10 best practice rules of how to organize a warehouse broadly implemented in Europe and transferred to the US

Management & Personnel Development

- Group wide roll-out of HR reviews from Management Level 1-3 below board level started



Key facts

- Memorandum of Understanding signed, due diligence progressing
- USD 1.3bn sales in 2010
- 1,200 employees

Strategic rationale

- Complementary geographical/ customer coverage and products
- Perfect execution of strategy to expand SSC business with industrial customers to a leading position
- Additional synergies in purchasing and administration
- Become #3 in multi metal distribution in one step

Exposure map: 30+30 locations



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- First quarter 2011
 - Underlying demand is constantly improving
 - Prices recovered in late 2010 and increasing into Q2
 - EBITDA expected to be significantly higher than in Q4/2010
- Full year 2011 guidance
 - >10% volume and sales growth on organic basis also through market share gains
 - Sales increasing overproportionate to sales volumes due to higher expected average prices in 2011
 - Current business environment supports target of 6% EBITDA-margin, but H2 not yet foreseeable
- Midterm target
 - Klöckner & Co 2020: Doubling sales volumes by 2015 to be reached earlier given a good seed base for acquisitions



Strategic orientation

- ▶ Clear strategic orientation acts as “guide rail” for all business activities

Flexible and pro-active organization

- ▶ Enables Klöckner & Co to react quickly in the face of changing environments, moving from a restructuring period to growth and vice versa
- ▶ Is the prerequisite for seizing opportunities that open up in a volatile environment, even in the face of great uncertainties

Robust balance sheet and financing

- ▶ Provides the basis for growth and financial cushion required to deal with unexpected shocks



- Transformation since IPO: centralized purchasing, streamlined processes and logistics allowing for lower NWC and higher efficiency
- With Macsteel among Top 3 distributors in each markets being served
- Highly flexible business model with low fixed costs and limited capex requirement
- Consolidation play in multi metal distribution with 22 acquisitions within 5 years
- Expanding footprint in the more stable service center business with BSS and Macsteel
- Scale effects in procurement and logistics provide high synergies with further potentials
- Only player with a pan-continental setup to balance out developed countries with growth potentials in developing markets
- Clearly defined aggressive growth targets based on conservative financing and strong balance sheet: growing double digit p.a. through value enhancing acquisitions



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Financial calendar 2011

May 11	Q1 interim report 2011
May 20	Annual General Meeting 2011
August 10	Q2 interim report 2011
November 9	Q3 interim report 2011

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(€m)	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005*
Volumes (Tto)	1,318	1,368	1,448	1,180	966	1,033	1,053	1,068	5,314	4,119	5,974	6,478	6,127	5,868
Sales	1,332	1,401	1,416	1,049	873	934	959	1,095	5,198	3,860	6,750	6,274	5,532	4,964
Gross profit	275	294	331	236	198	208	161	78	1,136	645	1,366	1,221	1,208	987
% margin	20.6	21.0	23.4	22.5	22.6	22.3	16.8	7.1	21.9	16.7	20.2	19.5	21.8	19.9
EBITDA	48	61	100	29	83	11	-31	-132	238	-68	601	371	395	197
% margin	3.6	4.3	7.1	2.8	9.5	1.2	-3.2	-12.0	4.6	-1.8	8.9	5.9	7.1	4.0
EBIT	24	39	78	11	26	-7	-48	-149	152	-178	533	307	337	135
Financial result	-19	-16	-17	-15	-16	-14	-15	-16	-67	-62	-70	-97	-64	-54
Income before taxes	5	22	61	-4	9	-21	-63	-165	84	-240	463	210	273	81
Income taxes	12	-7	-14	6	3	-2	16	38	-4	54	-79	-54	-39	-29
Net income	17	15	47	2	12	-23	-47	-127	80	-186	384	156	235	52
Minority interests	1	0	1	1	3	0	1	-2	2	3	-14	23	28	16
Net income KlöCo	16	14	46	1	9	-23	-48	-126	78	-188	398	133	206	36
EPS basic (€)	0.25	0.21	0.69	0.02	0.56	-0.42	-1.04	-2.70	1.17	-3.61	8.56	2.87	4.44	-
EPS diluted (€)	0.25	0.21	0.69	0.02	0.56	-0.42	-0.85	-2.43	1.17	-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).



05 Balance sheet as of December 31, 2010

(€m)	Dec. 31, 2010	Dec. 31, 2009
Non-current assets	856	712
Inventories	899	571
Trade receivables	703	464
Cash & Cash equivalents	935	827
Other assets	98	139
Total assets	3,491	2,713
Equity	1,290	1,123
Total non-current liabilities	1,361	927
thereof financial liabilities	1,020	619
Total current liabilities	840	663
thereof trade payables	585	398
Total equity and liabilities	3,491	2,713
Net working capital	1,017	637
Net financial debt	137	-150

Comments

Shareholders' equity:

- Decreased from 41% to 37% mainly due to BSS
- Would be at 50% if cash were used for debt reduction

Financial debt:

- Gearing at 11%
- Net debt position due to purchase price payment for BSS, Bläsi, Angeles Welding and Lake Steel and NWC build-up

NWC:

- Swing mainly driven by BSS consolidation and pickup in business



(€m)	FY 2010	FY 2009
Operating CF	235	-158
Changes in net working capital	-197	769
Others	-3	-46
Cash flow from operating activities	35	565
Inflow from disposals of fixed assets/others	3	15
Outflow for acquisitions	-164	-1
Outflow for investments in fixed assets/others	-27	-22
Cash flow from investing activities	-188	-8
Convertible bond (incl. equity component)	183	96
Issuance of shares	0	193
Changes in financial liabilities	173	-284
Net interest payments	-43	-28
Repayments of shareholder loan BSS and other	-61	-1
Cash flow from financing activities	252	-24
Total cash flow	99	533

Comments

- NWC changes due to built up of inventories and receivables
- Investing CF impacted by acquisitions of BSS, Bläsi, Angeles and Lake Steel
- Financing CF mainly driven by the issuance of a Convertible Bond and Promissory Notes



(€m)	Europe	North America	HQ/ Consol.	Total
Volumes (Tto)				
FY 2010	4,184	1,130	-	5,314
FY 2009	3,156	963	-	4,119
Δ %	32.6	17.4	-	29.0
Sales				
FY 2010	4,311	887	-	5,198
FY 2009	3,186	674	-	3,860
Δ %	35.3	31.5	-	34.7
EBITDA				
FY 2010	223	33	-18	238
<i>% margin</i>	5.2	3.7	-	4.6
FY 2009	57	-44	-81	-68
<i>% margin</i>	1.8	-6.5	-	-1.8
Δ % EBITDA	293.4	n.a.	-	n.a.

Comments

- Excl. BSS volumes increase in Europe was 7.9% and total volume increase was 10.1%
- Without BSS total sales were 21.3% yoy



Geographical breakdown of identified institutional investors



as of December 2010

Comments

- Identified institutional investors account for 57%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 28%
- Retail shareholders represent 28%



