



**Klöckner & Co SE**

**A Leading Multi Metal Distributor**

**Commerzbank Capital Goods & Steel Conference  
August 26, 2009 in Frankfurt**

**Gisbert Rühl  
CFO**



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# Agenda

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**1. Overview Q2/H1 2009 and market**

**2. Crisis management and growth opportunities**

**3. Results Q2 2009 and Outlook**

**Appendix**



# 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

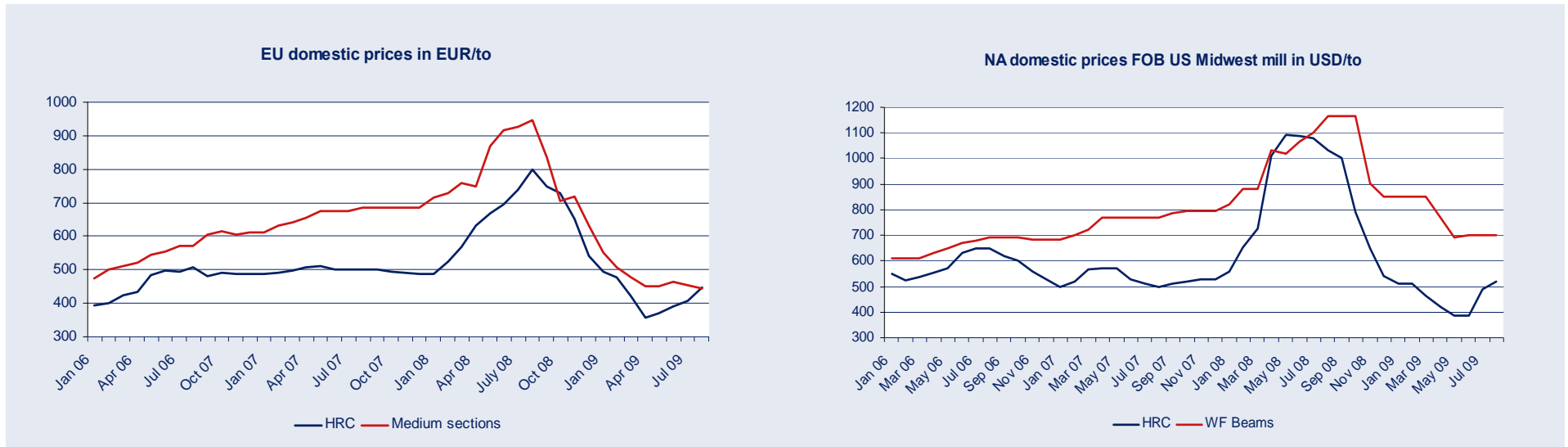
(€m)	Q2 2009	Q1 2009	Δ%
<b>Volume (Ttons)</b>	<b>1,053</b>	1,068	-1.3
<b>Sales</b>	<b>959</b>	1,095	-12.5
<b>EBITDA</b>	<b>-31</b>	-132	n.a.
<b>EBIT</b>	<b>-48</b>	-149	n.a.

Comments
<ul style="list-style-type: none"> <li>• Adj. for working days and Easter season Q2 on same level as Q1</li> <li>• Sales price in Q2 driven below Q1, but better gross margin due to less windfalls and write-ups for inventory</li> </ul>



# Market conditions are improving

- IP in Europe and in the US started to stabilize
- 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



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**1. Overview Q2/H1 2009 and market**

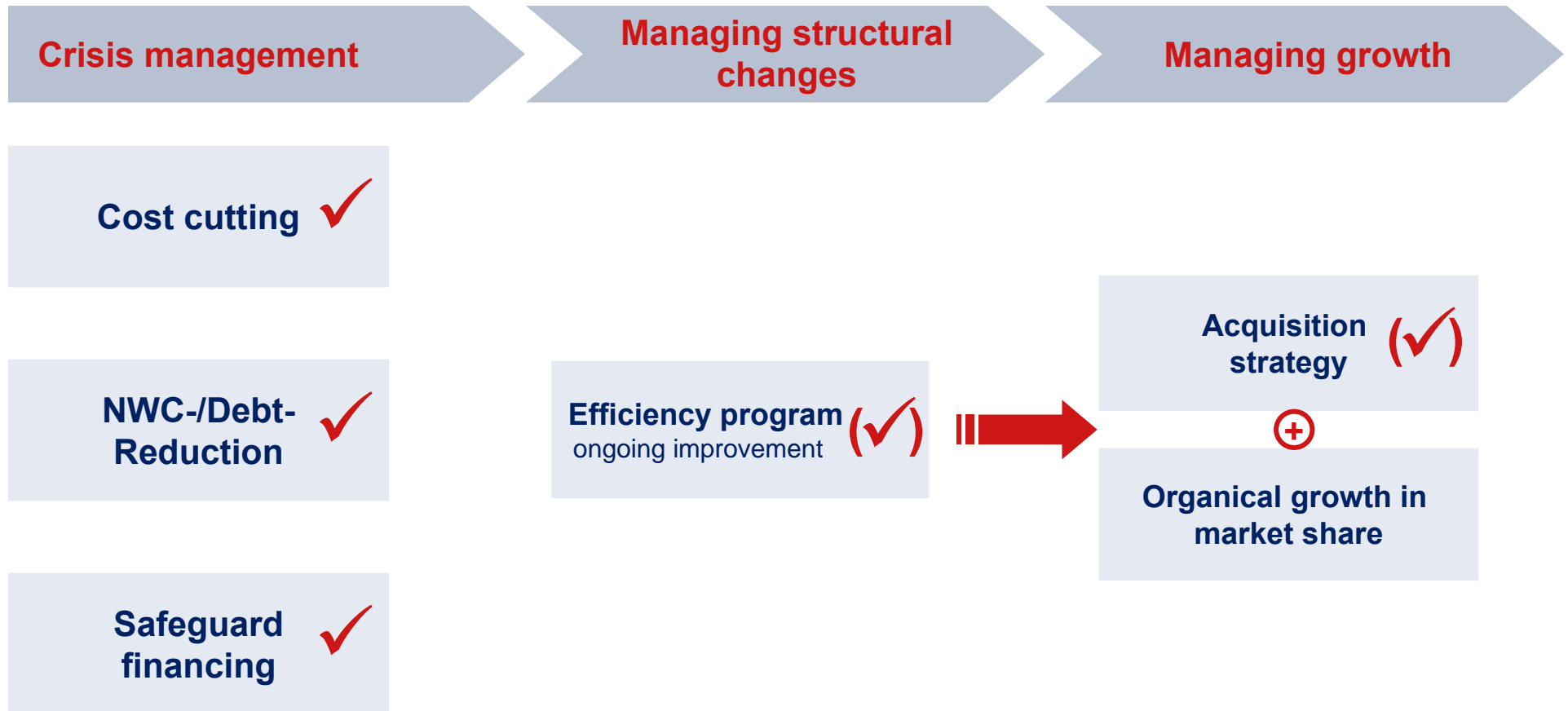
**2. Crisis management and growth opportunities**

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# From crisis to growth



# Cost cutting: Cost oriented programs implemented

## Wave 1

- 1,500 headcount reduction or 15% of total workforce targeted: 1,300 out of 1,500 achieved
- Safeguard liquidity / Net working capital management: from €1,7bn (Q3/08) to €778m (Q2/09)
- Safeguard financing: Syn. loan and European ABS now without performance covenants
- Capex cut < €25m, so far €9.9m as of Q2
- Acquisitions suspended

## Wave 2

Net savings 2009 of €100m targeted,  
thereof €35-40m fixed costs\*

October 08

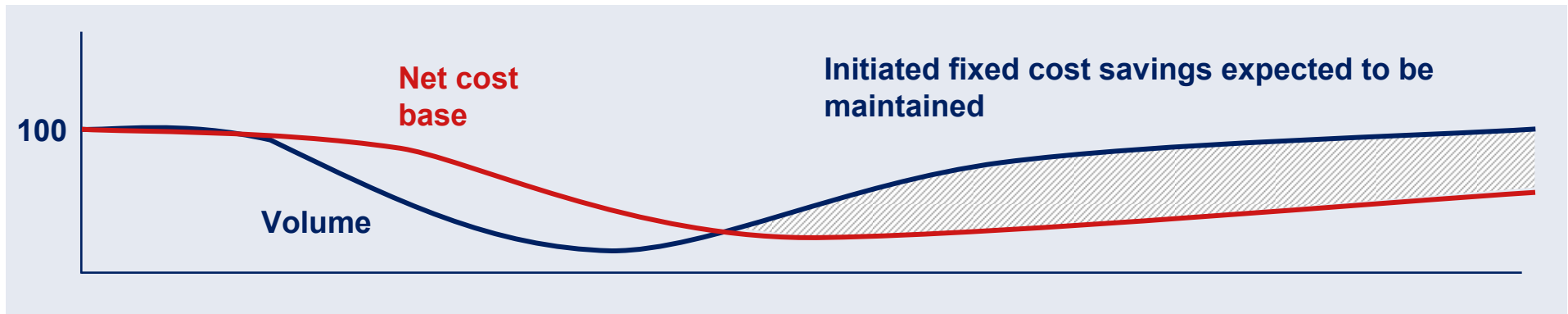
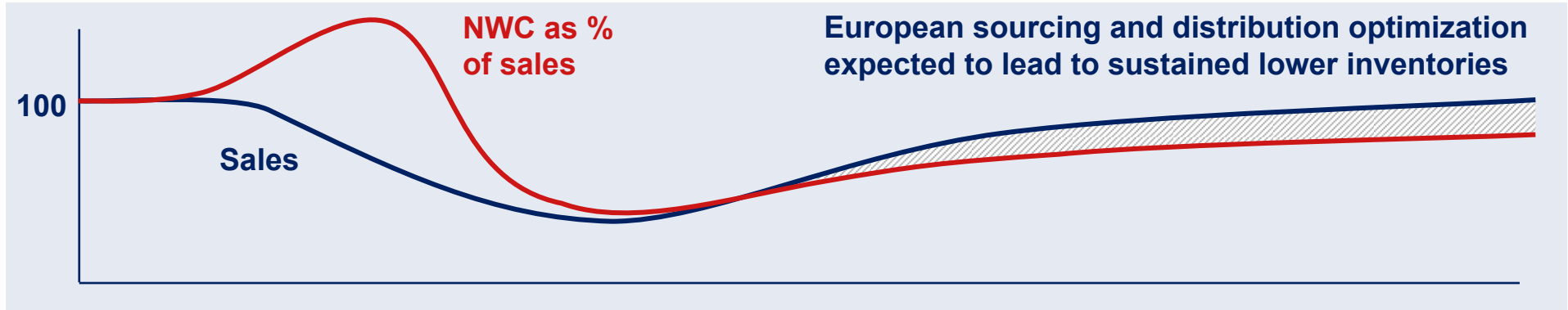
March 09

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

\* Company estimates



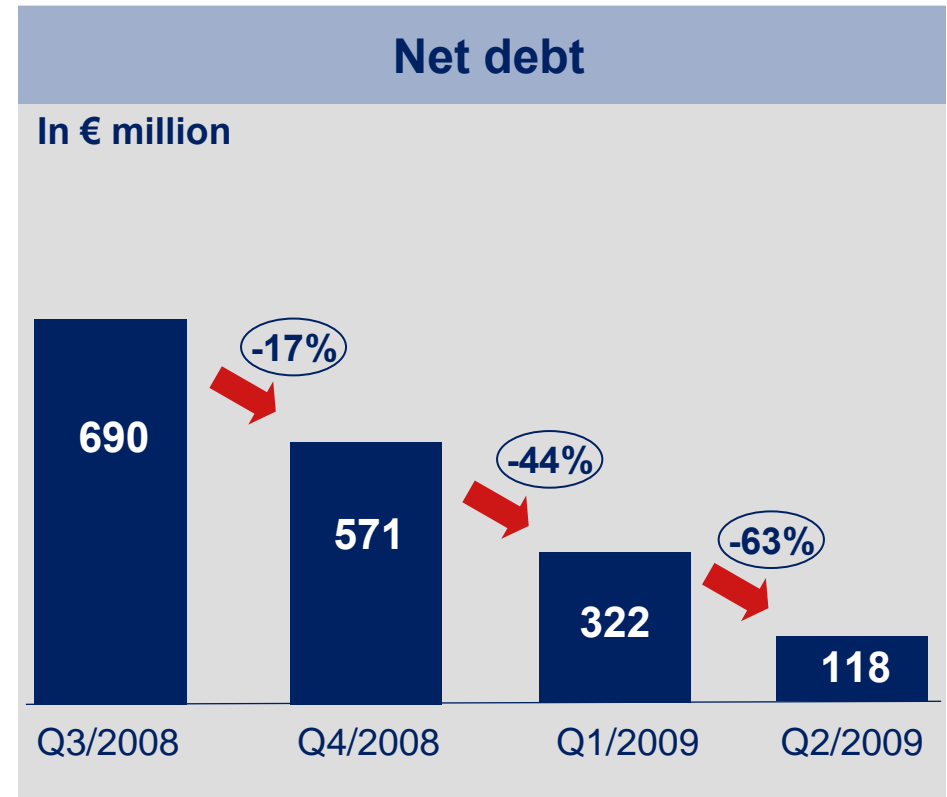
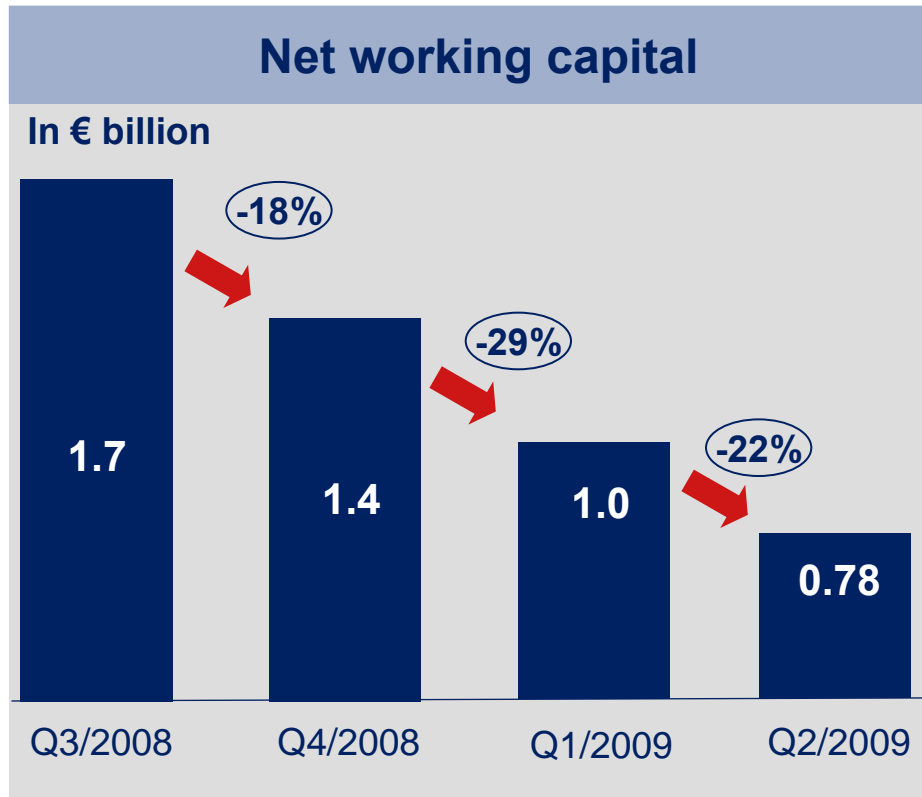
# Cost cutting: Structural improvements will be maintained



**Sustainable improvements increase competitiveness in next upturn**



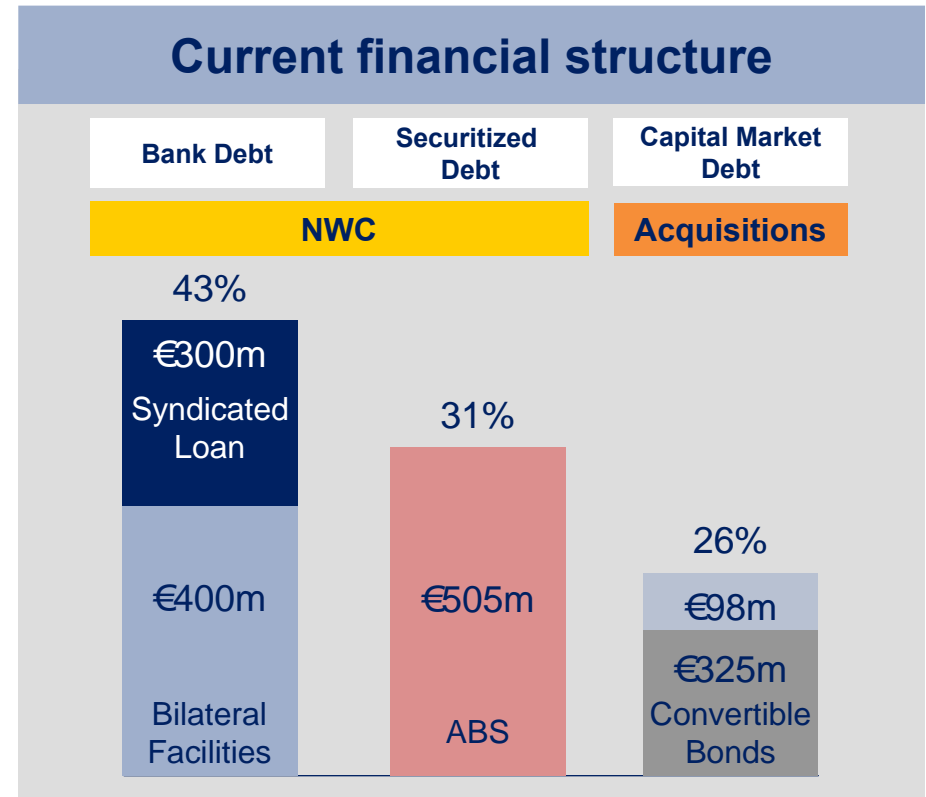
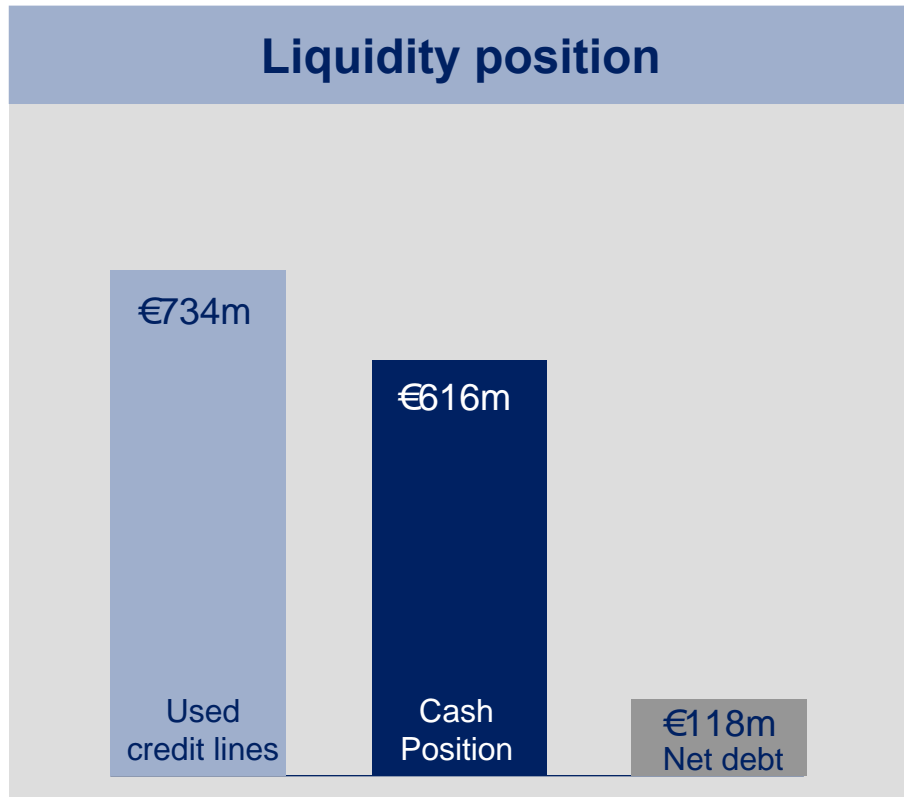
# NWC- and debt-reduction: **Targets overachieved**



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



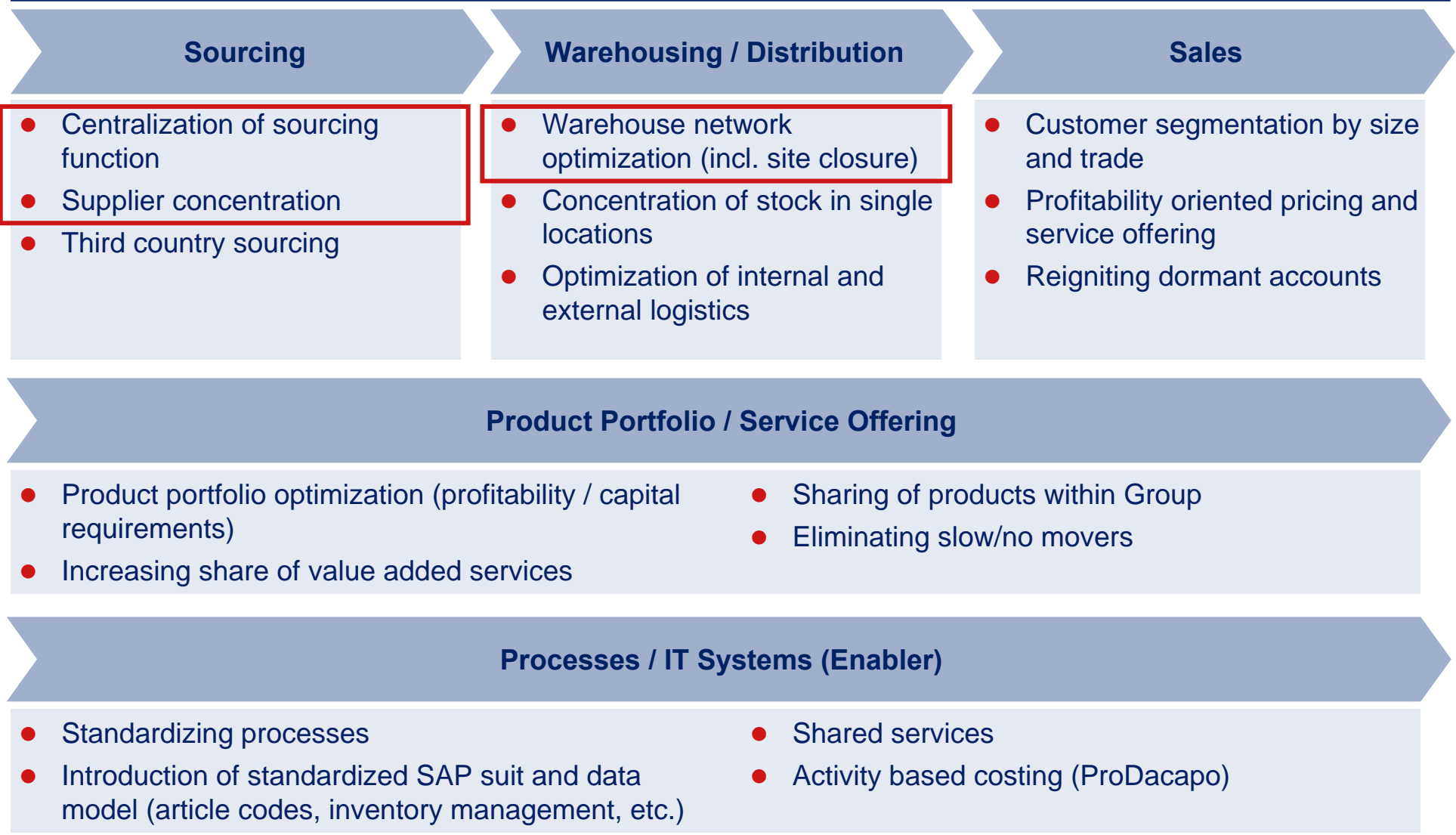
# Safeguard financing: Changes in financial structure succeeded



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

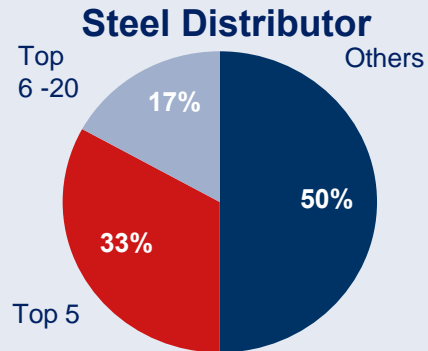


# Efficiency program: Ongoing improvement

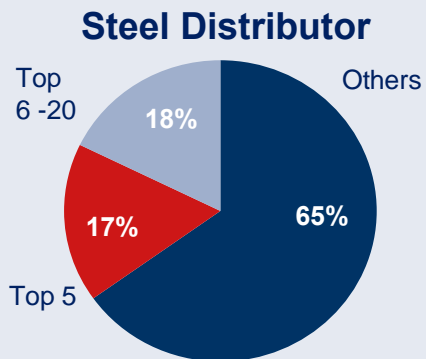
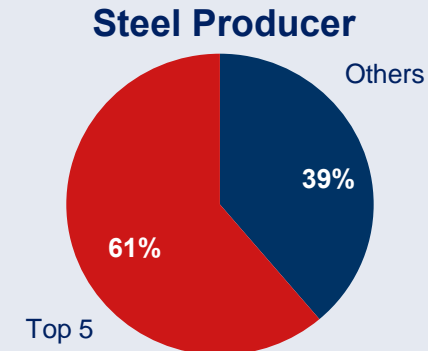


# Acquisition strategy: Sector still highly fragmented

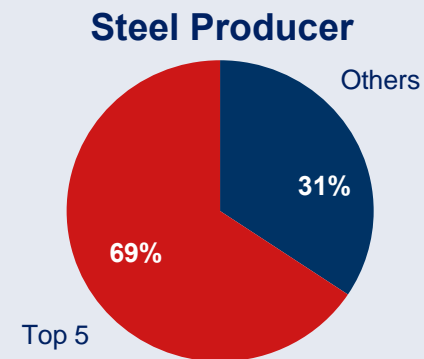
## Distributors versus steel producers



**Western  
Europe**



**NAFTA**



**Consolidation in production well ahead of distribution**

Source: Company data, Eurometal, Morgan Stanley Research



# Acquisition strategy: Klöckner & Co's acquisitions criteria

## M&A strategy

- Achieve profitable growth
- Leverage existing distribution network
- 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










## Target selection criteria

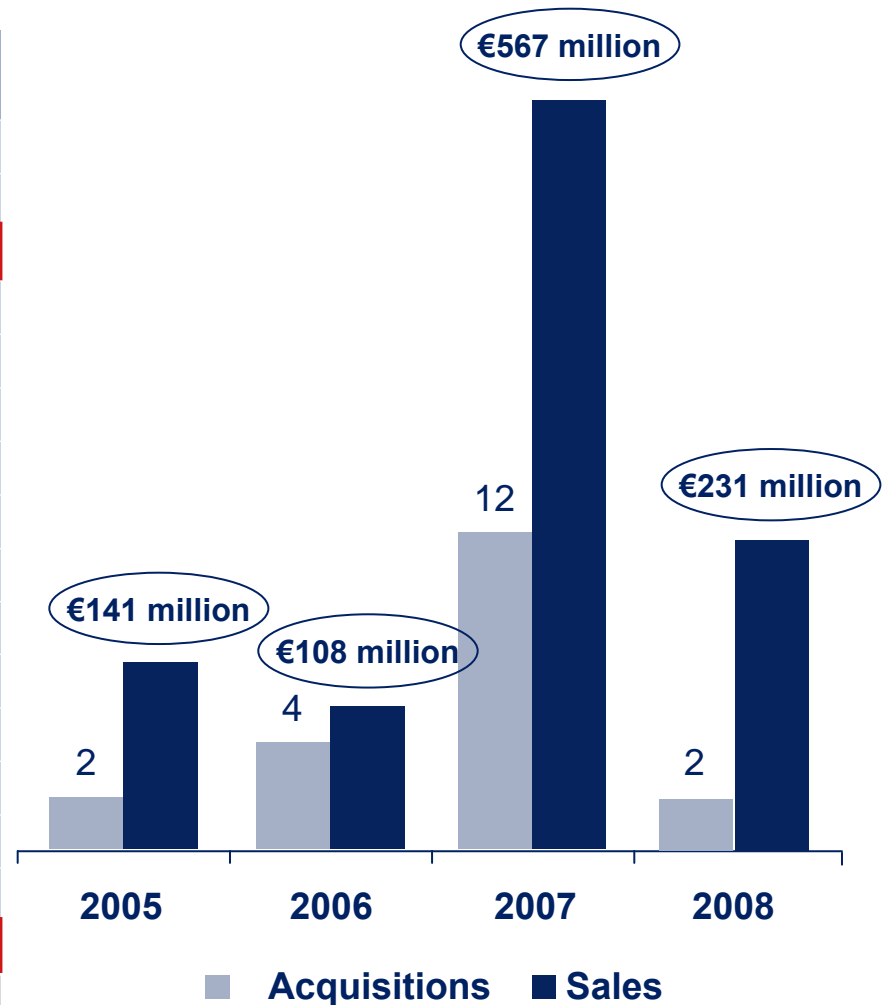
- Fit to M&A strategy
- Profitability above group average
- Strong synergy potential in purchasing, admin and warehousing
- Low transaction and integration risk
- EV/EBITDA multiple between 4x and 6x EBITDA pre synergies
- EPS-accretive from year one

**Track record of 18 successful acquisitions since IPO show ability to integrate companies and use synergies**



# Acquisition strategy: Track record since the IPO

Country	Acquired	Company	Sales (FY)
	Mar 2008	Temtco	€226 million
	Jan 2008	Multitubes	€5 million
	2008	2 acquisitions	€231 million
	Sep 2007	Lehner & Tonossi	€9 million
	Sep 2007	Interpipe	€14 million
	Sep 2007	ScanSteel	€7 million
	Aug 2007	Metalsnab	€36 million
	Jun 2007	Westok	€26 million
	May 2007	Premier Steel	€23 million
	Apr 2007	Zweygart	€11 million
	Apr 2007	Max Carl	€15 million
	Apr 2007	Edelstahlservice	€17 million
	Apr 2007	Primary Steel	€360 million
	Apr 2007	Teuling	€14 million
	Jan 2007	Tournier	€35 million
	2007	12 acquisitions	€567 million
	2006	4 acquisitions	€108 million



# Organical growth: Driving market share

## Wave 3

- **Market / customer segmentation**
  - Focus on under-penetrated regions / customer segments
  - Leverage existing product/service offering and competitive strength
  - Increase share of wallet with current accounts
  - Improve / adjust sales force management and incentivation
- **Product portfolio management**
  - Improve product mix by expanding higher margin business
  - Drive value added services
- **Pricing strategy**
  - Adjust pricing to segment / product approach

Summer 09

**Pro-active market initiatives to leverage improved competitive position**



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# 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

- Operating CF negatively impacted by volume drop, offset by change in NWC
- Investing CF mainly balanced because of postponement of acquisitions and investment cut



# 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!**



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# Appendix

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Klöckner & Co at a glance

Distributor in the sweet spot

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

Dr. Thilo Theilen, Head of IR

Phone: +49 203 307 2050

Fax: +49 203 307 5025

E-mail: [thilo.theilen@kloeckner.de](mailto:thilo.theilen@kloeckner.de)

Internet: [www.kloeckner.de](http://www.kloeckner.de)

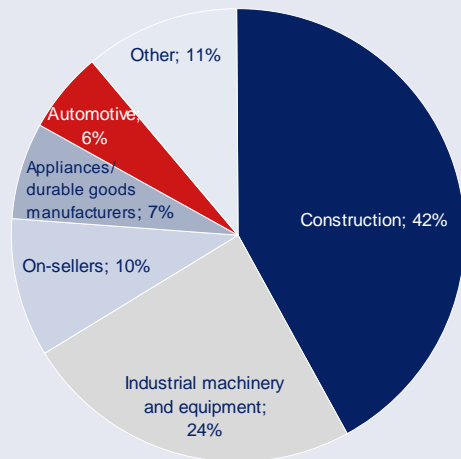


# Klöckner & Co at a glance

## Klöckner & Co

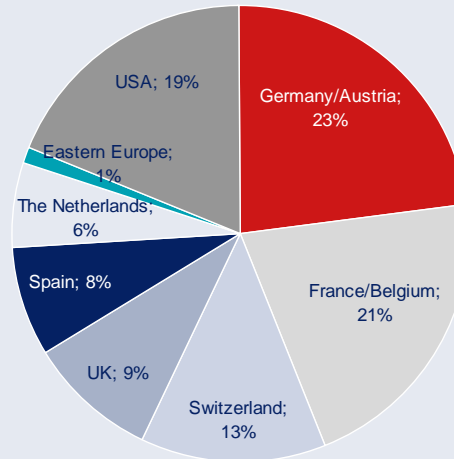
- Leading producer-independent steel and metal distributor in the European and North American markets combined
- Network with around 250 distribution locations in Europe and North America

### Sales split by industry



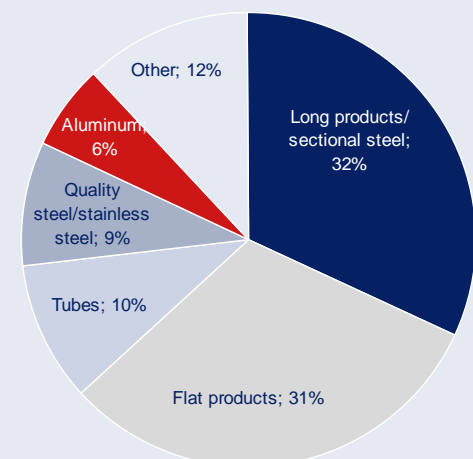
As of December 2008

### Sales split by markets



As of December 2008

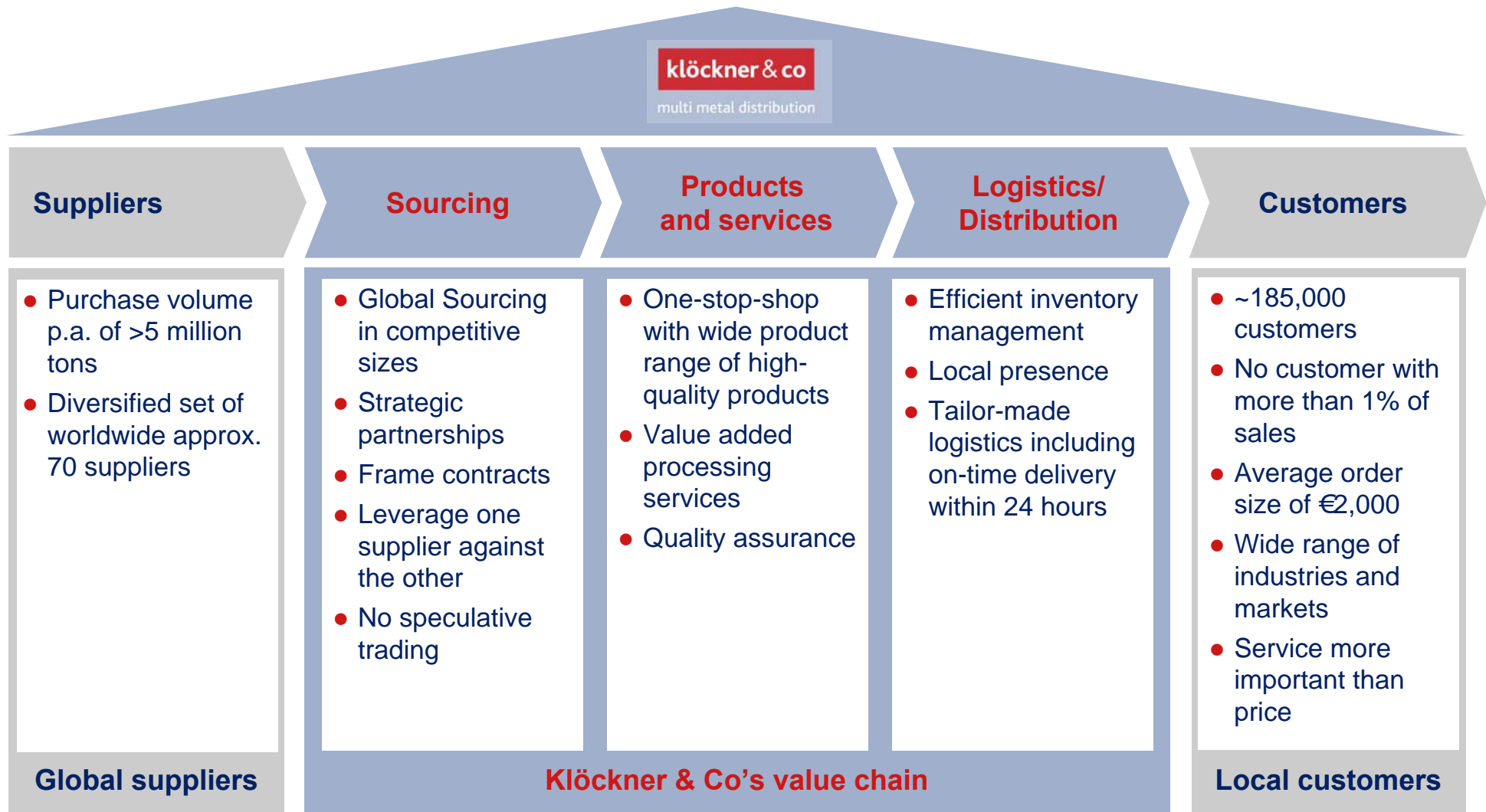
### Sales split by product



As of December 2008



# Distributor in the sweet spot



# Quarterly results and FY results 2005-2009

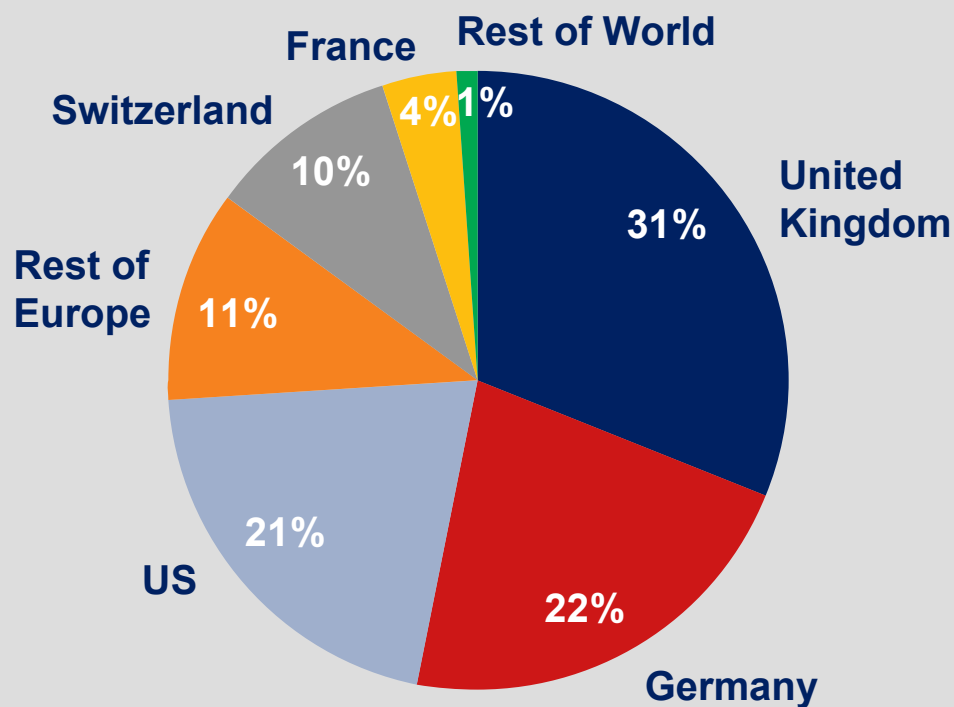
(€m)	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	FY 2008	FY 2007	FY 2006	FY 2005*
<b>Volume (Ttons)</b>	<b>1,053</b>	<b>1,068</b>	<b>1,151</b>	<b>1,348</b>	<b>1,755</b>	<b>1,720</b>	<b>5,974</b>	<b>6,478</b>	<b>6,127</b>	<b>5,868</b>
<b>Sales</b>	<b>959</b>	<b>1,095</b>	<b>1,394</b>	<b>1,773</b>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

\* 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

