Klöckner & Co AG

- Q1 2007 Results –
Analysts' and Investors' Conference Call

14 May 2007

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CEO

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klöckner & co
multi metal distribution

Agenda

1. **Highlights Q1 2007, Market and Strategy**

   Dr. Thomas Ludwig, CEO

2. **Financials Q1 2007 and Outlook**

   Gisbert Rühl, CFO

Appendix

Highlights Q1 2007 until Today

- Excellent results, supported by strong market environment
- Business optimisation program “STAR” fully on track
- Six successful acquisitions; pipeline of new targets
- Increase free float from 84.5% to 100%
- Successful placement of €600 million Multi-Currency Revolving Credit Facility

Ongoing profitable growth

Financial Highlights Q1 2007

(€m)	Q1 2007	Q1 2006	Δ%
Volume (Ttons)	1,629	1,601	+1.8
Sales	1,550	1,323	+17.1
EBITDA	92	79	+16.1
EBIT	78	65	+21.4

Comments

- Strong growth driven by favorable development of construction and machinery/ mechanical engineering industry and acquisitions
- Strong earnings growth driven by price development and STAR program

Industry trends supporting Klöckner's strategy

Globalization and consolidation

- Large costs savings
- Higher and more flexible capacity utilization
- Much better supply discipline and higher pricing power creates better balance between supply and demand

Higher raw-material costs

- Flattened global steel cost curve in favour of developed-market steel producers

Stable global demand growth

- Far quicker destocking
- High capacity utilisation of steel mills

Impact on distribution industry

- **On-going consolidation favouring large scale distributors**
- **Higher prices with much shorter downturns support more stable earnings and cash flows for distributors**

Profitable growth

Profitable growth through value-added distribution and services within multi metals to companies in Europe and North America

Grow more than the market

Continuous business optimization

1. **Acquisitions** driving market consolidation
2. **Organic growth and expansion** into new markets
3. STAR Program:
   - Purchasing
   - Distribution network
   - Inventory management

❶ Acquisitions driving market consolidation

Acquisitions

04/2007: Stahlhandel Zweygart
€11 million sales; 22 employees

04/2007: Max Carl
€15 million sales; 19 employees

04/2007: Edelstahlservice
€17 million sales; 49 employees

04/2007: Primary Steel
€360 million sales; 412 employees

04/2007: Teuling
€14 million sales; 16 employees

01/2007: Tournier
€35 million sales; 41 employees

- **2006:** 4 acquisitions with total sales of €108 million
- **2005:** 2 acquisitions with total sales of €141 million

Next steps

Further acquisitions in core markets at attractive valuations:

- Leverage existing structure with 10 to 12 smaller (local) bolt on acquisitions in 2007
- Medium and large scale acquisitions when appropriate
- Include attractive industries, e.g. oil and gas

Strategy — **Focus on targets in key markets at attractive valuations**

Benefits — **Significant synergy opportunities**

- Streamlining operations, processes and sales force
- Integration of STAR

Economies of scale

- Stronger purchasing power

Primary Steel is a perfect fit

Geographical Scope

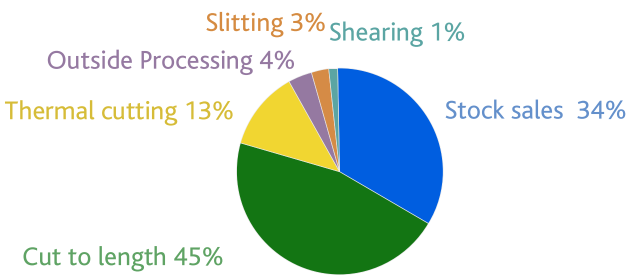
Key Facts

- Sales 2006
  Namasco* : €570 million
  Primary: €360 million
- Primary's Leading market position in plate distribution combined with Namasco's strong position in long products
- Additional attractive growth perspective from Primary's main segments heavy equipment, oil & gas, power generation, transportation and railcar and shipbuilding
- Significant improved geographical coverage provide much stronger platform for further bolt-on acquisitions

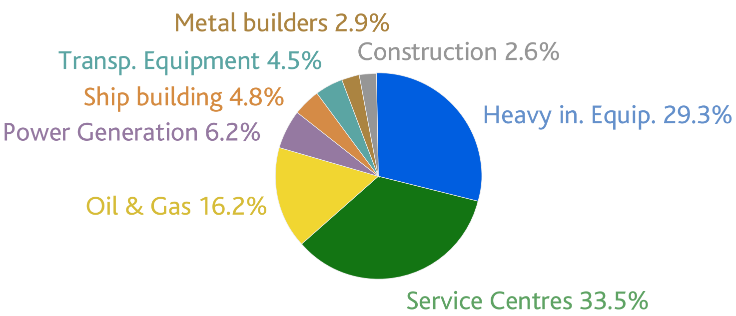
* Sales of Klöckner & Co USA

Primary: High added value, broad industry split and significantly improved position in North America

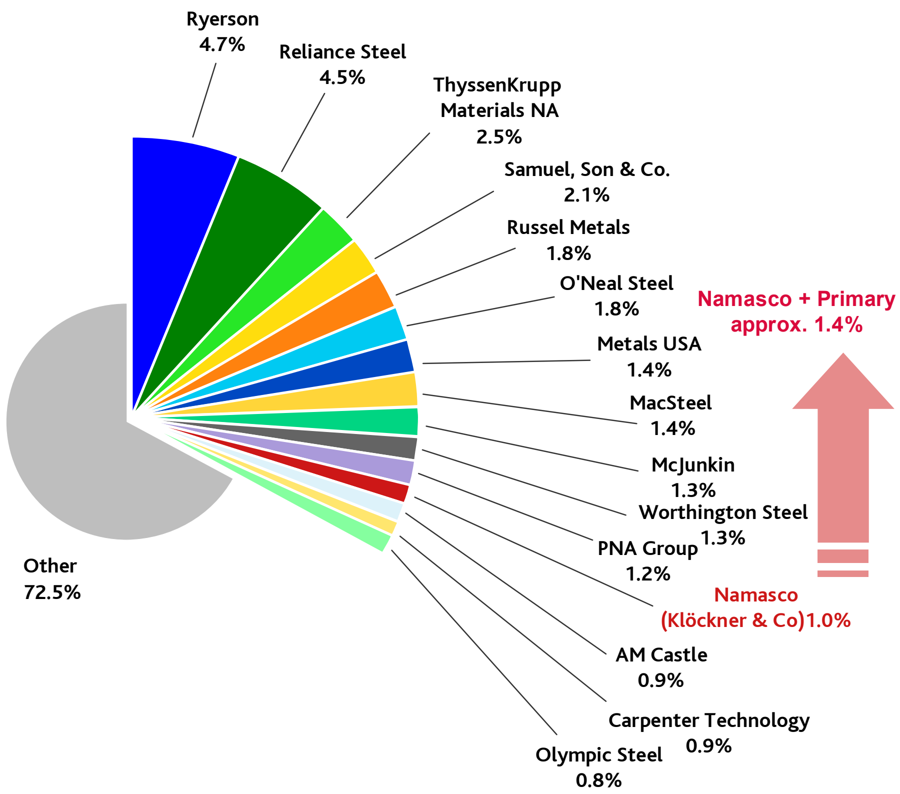
Sales split by type of value added



Segments Served



North America (2006)



Source: Purchasing Magazine (May 2007)

Attractive Q1 acquisitions in Germany

Company	Sales	Comments
Edelstahlservice	€16.7 million	• Specialized distributor of stainless tubular products and accessories with value added services supplies from Hungarian site • Expands KSM's position in specialty stainless products which is key thrust in its diversification strategy • Synergies from integration with recently acquired Dutch Teuling
Max Carl	€15.0 million	• Local general line distributor • Sizeable synergies in purchasing • Improvement local market position
Zweygart	€11.3 million	• Local general line distributor servicing the Stuttgart area • Integration with existing KSM location in Stuttgart will improve market position • Synergies in purchasing and from back office integration

❷ Organic growth and expansion into new markets

Status Quo

- Strong growth in core markets above GDP driven by strong demand of key sectors construction and machinery mechanical engineering
- Improved performance mainly in Germany and France due to organizational changes
- Set up of new warehousing in Poland and Romania nearly finalized
- Extending activities of our Chinese representative office

Next steps

Expansion of strong market positions in core markets:

- "STAR-Program" supporting organic growth
- Selective extension of product range
- Increase value added services through investments in new processing capacity
- Extension of customer base
- Opening of new branches in Poland and Romania in the short term

Strategy: **Leveraging existing distribution network**

Benefits: **Sustainable profitable growth**

❸ STAR: Status quo Q1 2007 and next steps

Purchasing – Status Quo

- Additional Frame contracts with main suppliers
- Extended global sourcing for third party countries
- implementation of new organization in Germany (January 1, 2007) started

Next steps

- Establish European sourcing (STAR Phase II)
- Increase sourcing from world-class suppliers with structural cost advantages

Distribution – Status Quo

- Improved performance as a result of restructured distribution network (warehouses):
  - 2006: Close-down in Northern Germany
  - 2006: Reduction of number in the Lyon area in France
  - Q1 2007: Improved structure in the Iowa-region in US
  - Q1 2007: Restructuring of service center business in Switzerland
- Start of roll-out of the optimization-tool “Prodacapo” (activity based costing) in Spain

Next steps

- Continuous improvement of distribution network throughout the Group with support of the optimization-tool “Prodacapo”
  - Ongoing roll-out throughout the European countries
- Finalize implementation of SAP throughout the European organization (France, Switzerland) and interface SAP with Prodacapo
- Implement unified article code

❸ STAR: Phase I finalized in 2008, further potential in Phase II

Phase I (2005 - 2008)

Overall targets:
- Central purchasing on country level, especially in Germany
- Improvement of distribution network
- Improvement of inventory management

Upside potential

2006: ~ €20 million ✓
2007: ~ €40 million
2008: ~ €20 million
~ €80 million

Phase II (2008 onwards)

Overall targets:
- European Sourcing
- Ongoing improvement of distribution network

Target Setting 2007 / Achievements in Q1 2007

Targets 2007

1. Acquisitions: 10 – 12
2. Organic growth: Min. 2.5% = €140 million
3. STAR program: Additional €40 million EBITDA
4. Expansion: New branches in Eastern Europe:
   - Romania
   - Poland
   - Czech Republic
   - Baltic States

Achievements Q1 2007

1. In 5 months completion of 6 Acquisitions:
   1. Edelstahlservice in May
   2. Max Carl in May
   3. Zweygart in May
   4. Teuling in April
   5. Primary in April
   6. Tournier in January
2. Growth: About 14% before acquisitions
3. STAR program: on track
4. Expansion Eastern Europe:
   - Opening of new warehouses in the short term

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Summary Income Statement Q1 2007

(€m)	Q1 2007	Q1 2006	Δ %
Sales	1,550	1,323	+17.1
Gross profit	307	285	+ 7.6
% margin	*19.8*	*21.6*	-
EBITDA	92	79	+ 16.1
% margin	*5.9*	*6.0*	-
EBITDA adjusted	91	74	+ 23.0
% margin adjusted	*5.8*	*5.6*	-
EBIT	78	65	+ 21.4
Financial result	-10	-14	-
Income before taxes	68	50	-
Income taxes	-22	-13	-
Minority interests	6	6	-
Net income	40	31	-
Earnings per Share in €	0.86	-	-

Comments

- Strong sales increase mainly driven by further steel price increases and acquisitions
- Significant increase of EBITDA driven by favourable steel price level and STAR program
- Rise in adjusted EBITDA (w/o one-offs) even higher because of strong operational performance

Segment Performance Q1 2007

(€m)	Sales Q1 2007	Sales Q1 2006	Δ %	EBITDA Q1 2007	EBITDA Q1 2006	Δ %
Europe	1,339	1,099	+21.7	85	77	+10.2
North America	211	224	-5.5	14	19	- 25.9
HQ / Consol.	-	-	-	-7	-17	-
Total	1,550	1,323	+17.1	92	79	+16.1

Comments

- Sales for Q1 2007 in Europe including about €5 million from Aesga (E), about €2 million from Gauss (CH), about €8 million from Targe (F) and €11 million from Tournier (F)
- Sales for Q1 2007 in North America including about €13 million from Action Steel

Balance Sheet Q1 2007

(€m)	March 31 2007	December 31 2006
Long-term assets	566	579
Inventories	1,002	841
Trade receivables	1,136	933
Cash & Cash equivalents	72	130
Other assets	65	69
Total assets	**2,841**	**2,552**
Equity	841	799
Total long-term liabilities	756	744
- thereof financial liabilities	435	416
Total short-term liabilities	1,244	1,009
- thereof trade payables	838	639
Other liabilities	-	-
Total equity and liabilities	**2,841**	**2,552**
Net Working Capital	**1,299**	**1,135**
Net financial debt	**477**	**365**

Comments

Financial debt as of March 31, 2007:
- Nominal value of HYB: €170 million
- ABS: €175 million
- Bilateral credit facilities: €173 million
- Increased net financial debt mainly due to higher NWC

Equity:
- Increase driven by strong results
- Equity ratio of about 30% almost stable (as of December 31, 2006: 31%)

Net Working Capital:
- Increase in line with the additional sales

Rating:
- Moody’s increased rating to “Ba2” with stable outlook

Statement of Cash Flow

(€m)	Q1 2007	Q1 2006
Operating result before balance sheet changes	92	75
Changes in net working capital	-164	-33
Others	-16	-2
Cash Flow from operating activities	**-88**	**40**
Inflow from disposals of fixed assets/others	1	27
Outflow from investments in fixed assets	-18	-9
Cash flow from investing activities	**-17**	**18**
Changes in financial liabilities	51	-12
Net interest payments	-3	-3
Dividends	-	-
Cash flow from financing activities	**48**	**-15**
Total Cash Flow	**-58**	**44**

Comments

- Strong business development reflected in positive cash flow deriving from operational activities and increased NWC requirements
- Investing cash flow in Q1 2007 mainly impacted by cash outflow due to the acquisition of Tournier

Financial Targets

	Target	Actual Q1 2007
Underlying sales growth	> 10% p.a	17.1%
Underlying EBITDA margin	> 6%	5.8%
Leverage (Net financial debt/EBITDA LTM)	< 3.0x	1.1x
Gearing (Net financial debt/Equity)	< 150%	57%

Challenging financial targets throughout the cycle

New holding facility increases scope for further acquisitions

(€m)	Current Debt Structure	Change in Debt Structure	New Debt Structure*
ABS Europe	380	+40	420
ABS USA	60	-	60
Total	**440**	**+40**	**480**
Syndicated Loan	-	+600	600
Bilateral Credit Agreements	480	-100	380
Total Senior Bank Facilities	**480**	**+500**	**980**
High Yield Bond	170	-170	-
Total Facilities	**1,090**	**+370**	**1,460**

* Post High Yield Bond redemption

Outlook / Guidance 2007

Basic Assumptions for 2007

- Positive prospects for the steel industry
- Economic growth in relevant markets of about 1.8% -5% in 2007
- Stable and increasing demand especially in the construction and machinery industries
- Price development stable or better
  - Price rise in H1

Guidance

- At least 15% top line growth mainly driven by acquisitions
- EBITDA approximately on reported 2006 level
- Dividend continuity: 30% payout ratio after deduction of extraordinary income

Again strong results in 2007

Financial Calendar 2007 and Contact Details

Financial Calendar 2007	
June 20:	General Shareholders' Meeting
August 15:	Q2 Interim Report
September 19:	Analysts' and Investors' Meeting
November 14:	Q3 Interim Report

Contact Details Investor Relations

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- IPO on 28 June 2006 followed by free float increase

Quarterly Results and FY Results 2006/2005

(€m)	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	FY 2006	FY 2005*
Sales	**1,550**	**1,398**	**1,394**	**1,418**	**1,323**	**5,532**	**4,964**
Gross profit	**307**	**294**	**313**	**316**	**285**	**1,208**	**987**
% margin	***19.8***	***21.0***	***22.5***	***22.3***	***21.6***	***21.8***	***19.9***
EBITDA	**92**	**70**	**143**	**104**	**79**	**395**	**197**
% margin	***5.9***	***5.0***	***10.3***	***7.3***	***6.0***	***7.1***	***4.0***
EBIT	**78**	**55**	**128**	**89**	**65**	**337**	**135**
Financial result	-10	-12	-24	-14	-14	-64	-54
Income before taxes	**68**	**43**	**105**	**75**	**50**	**273**	**81**
Income taxes	-22	16	-20	-22	-13	-39	-29
Minority interests	6	5	8	9	6	28	17
Net income	**40**	**54**	**76**	**45**	**31**	**206**	**35**
Earnings per Share in €	**0.86**	**1.15**	**1.64**	**0.97**	**-**	**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).

IPO on 28 June 2006 followed by free float increase

Current shareholder structure

April 2007 sell-down

- LGB/Management -
- Free float 100%

January 2007 sell-down

- LGB/Management 15.5%
- Free float 84.5%

October 2006 sell-down

- LGB/Management 45.0%
- Free float 55.0%

Post-IPO

- LGB/Management 65.0%
- Free float 35.0%

- Mainly large European Institutional Investors
- Increasing share of US Investors
- Growing share of Retail Investors

IPO Highlights

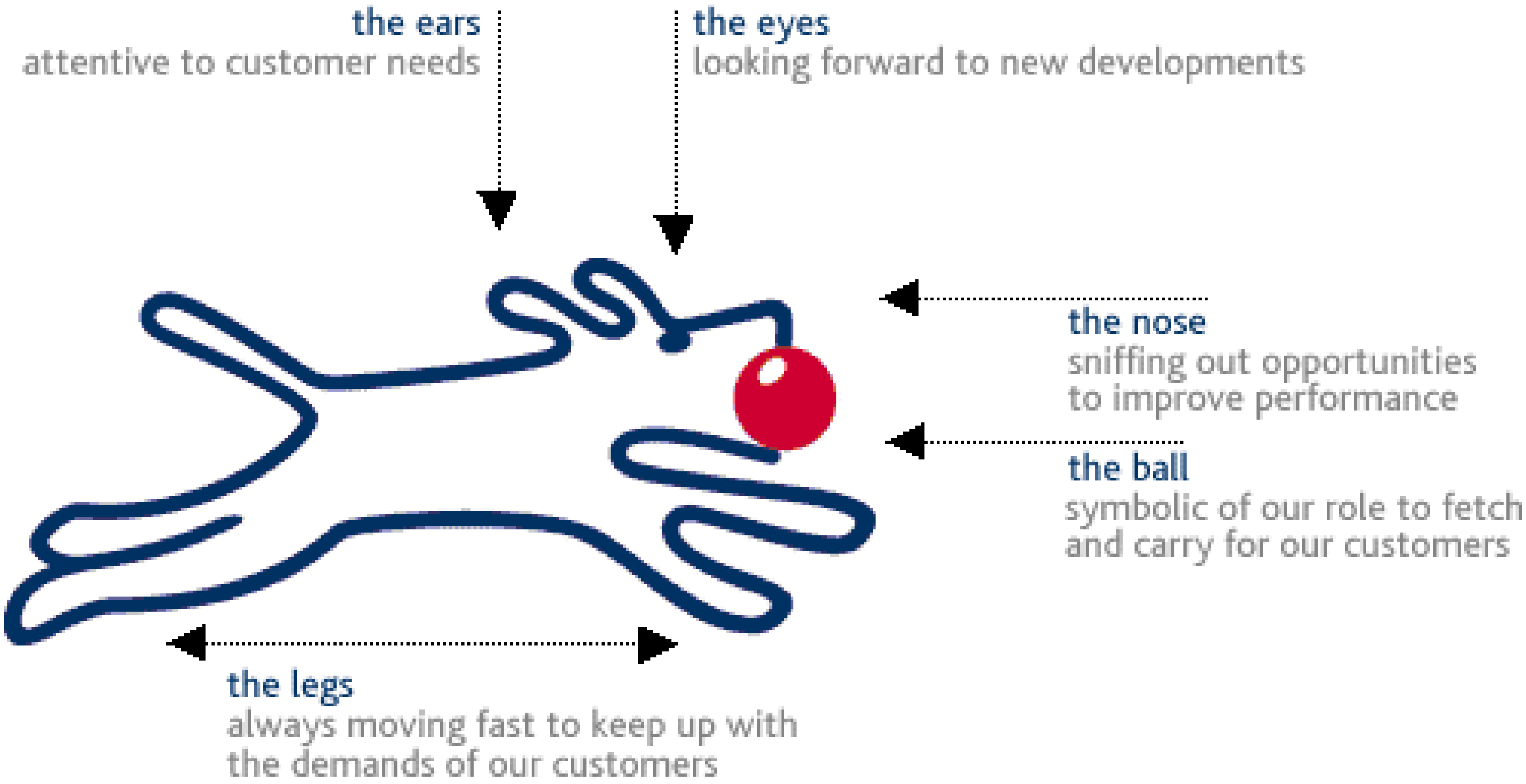
Issue price: €16 per share

Offer Size: €264 million; of which Klöckner received €104 million gross proceeds from the capital increase

Placement: 16.5 million shares (in total 46.5 million shares); thereof:

- 6.5 million new shares from a capital increase
- 10 million from the selling shareholder Lindsay Goldberg & Bessemer (via Multi Metal Investment S.à.r.l.)

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 our customers

Disclaimer

This presentation contains forward-looking statements. These statements use words like "believes, "assumes," "expects" or similar formulations. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of our company and those either expressed or implied by these statements. These factors include, among other things:

- 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

and other factors identified in this presentation.

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