

Klöckner & Co SE

– Q2/H1 2008 Results – Analysts' and Investors' Conference Call

August 13, 2008

Dr. Thomas Ludwig
CEO

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CFO



Agenda

1. Highlights H1 2008, market and strategy

Dr. Thomas Ludwig, CEO

2. Financials Q2/H1 2008 and outlook

Gisbert Rühl, CFO

Appendix



Highlights H1 2008 and until today

- Quarter and half year record results, supported by extraordinary price increases
- Further expansion through the acquisition of Temtco in the US and also Multitubes in the UK
- Acquisition of remaining outside shareholdings in the Swiss company Debrunner Koenig Holding AG and as a consequence full integration into the Group
- Contract signed in July to sell Koenig Verbindungstechnik (CH) with high book gain
- Sale of the automotive-related Canadian Namasco Ltd. concluded in July
- Business optimization program “STAR” fully on track
- Transformation of Klöckner & Co AG into a European company (SE – Societas Europaea) completed

Record results and ongoing profitable growth



Financial highlights Q2/H1 2008

(€m)	Q2 2008	Q2 2007	Δ%	H1 2008	H1 2007	Δ%
Volume (Ttons)	1,755	1,663	5.5	3,475	3,292	5.5
Sales	1,922	1,650	16.5	3,582	3,199	12.0
EBITDA	212	103	107.0	321	195	65.0
EBIT	197	87	126.3	290	166	75.3



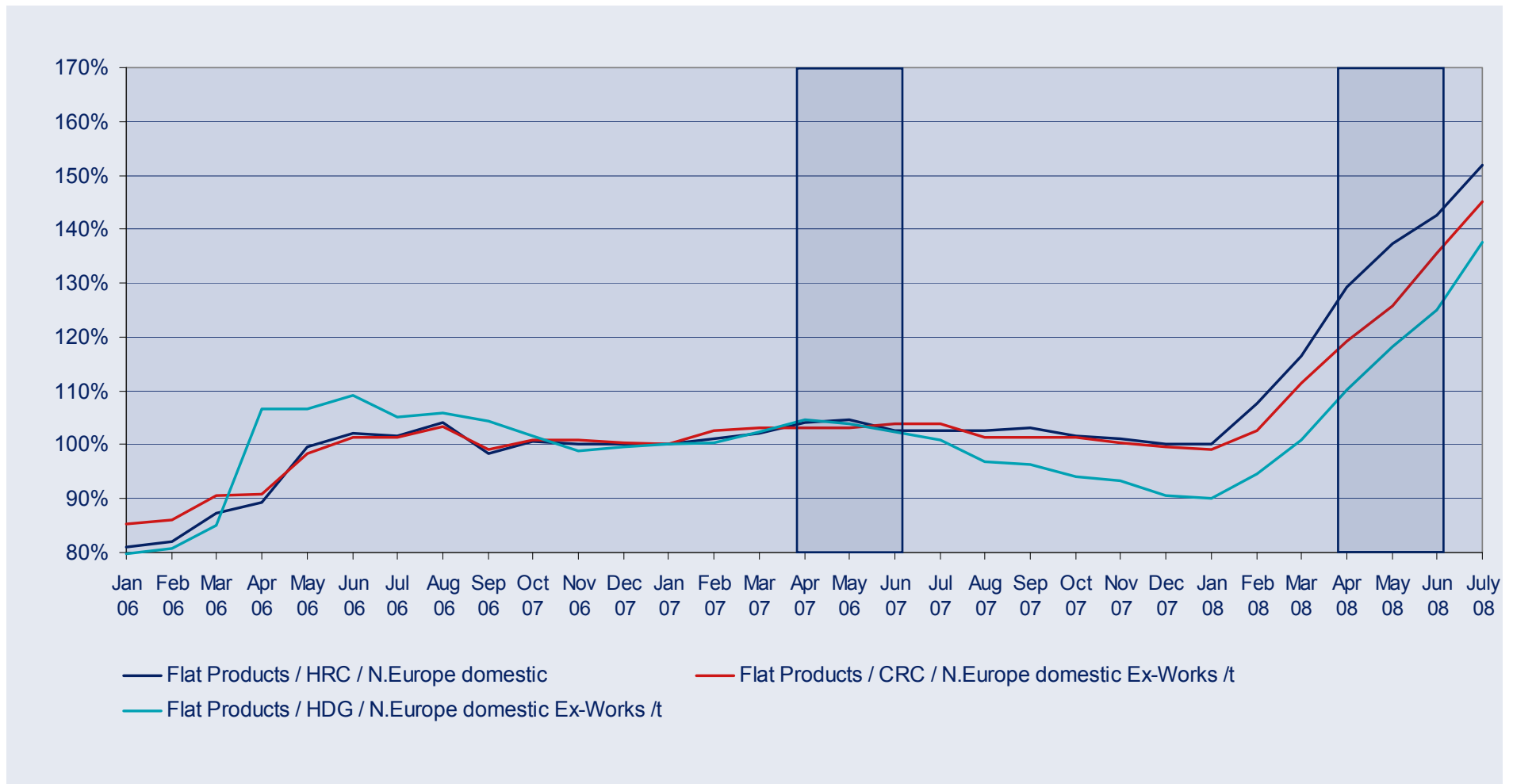
Steel market development in H1 and expectations for H2 2008

- Very strong steel market environment in H1, especially in Q2: price and demand-wise
- Meanwhile demand is affected by slowdown of the economy:
 - Further slowdown in the EU mainly in Spain and UK, US economy will stay weak
 - World Steel demand will further grow but on a slightly reduced rate
- No negative influence on overall steel price and stock levels due to low import levels
- Further strong price increases for flat products in Q3; in Q4 prices will stay on an all time high for the majority of steel products

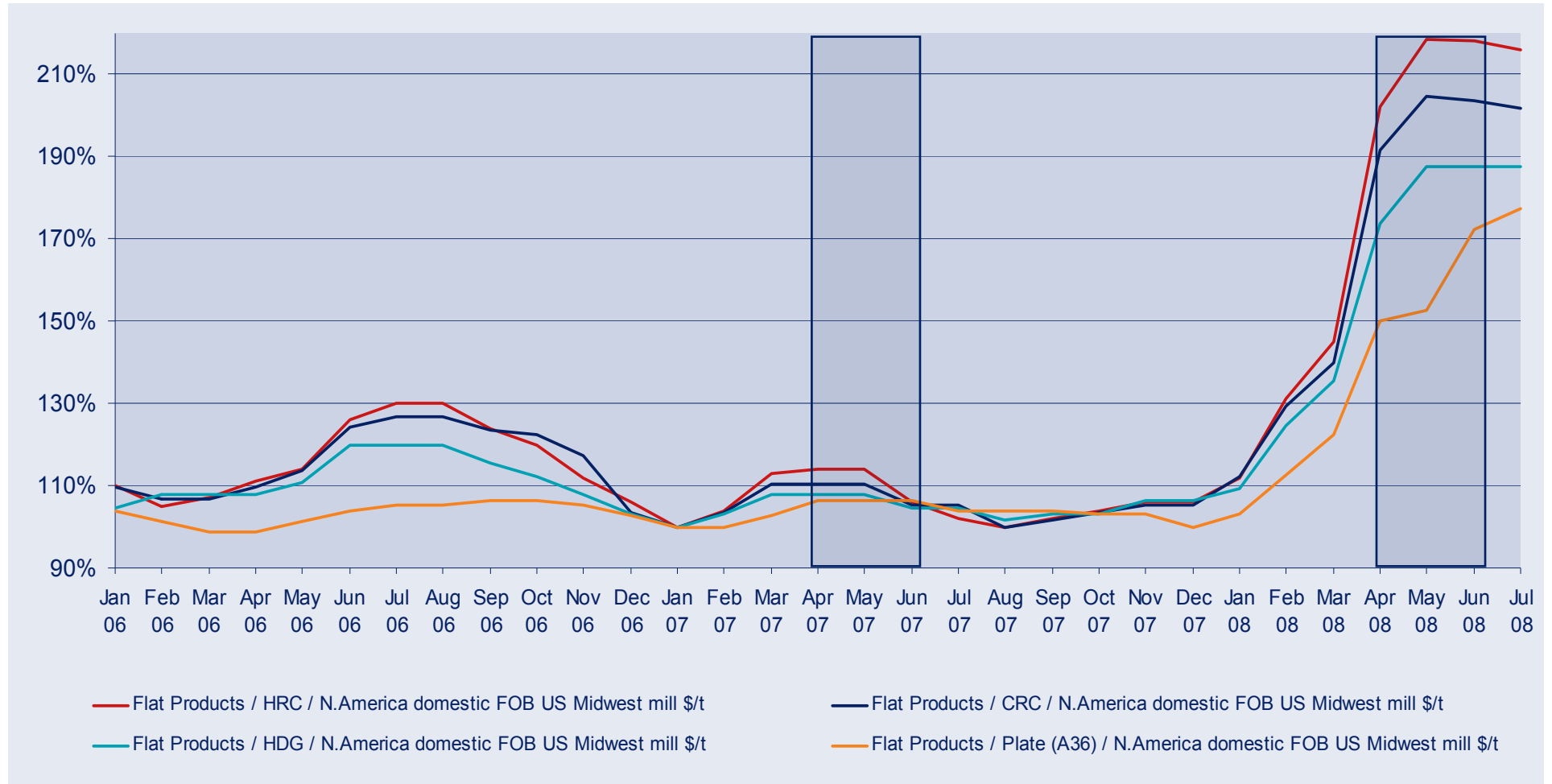
For H2 overall steel market environment is positive for Klöckner



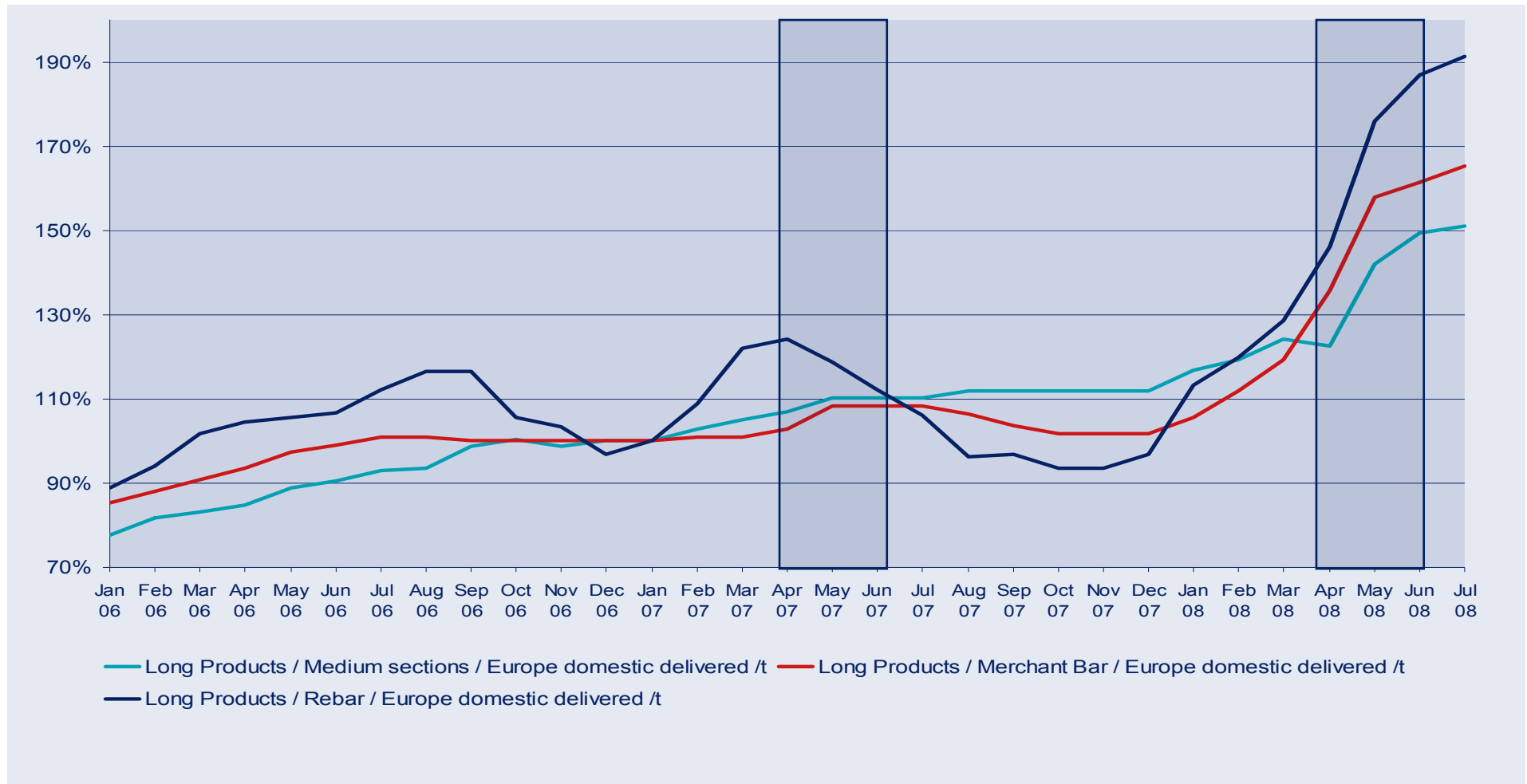
Flat prices Northern Europe (SBB, Jan 2007 = 100)



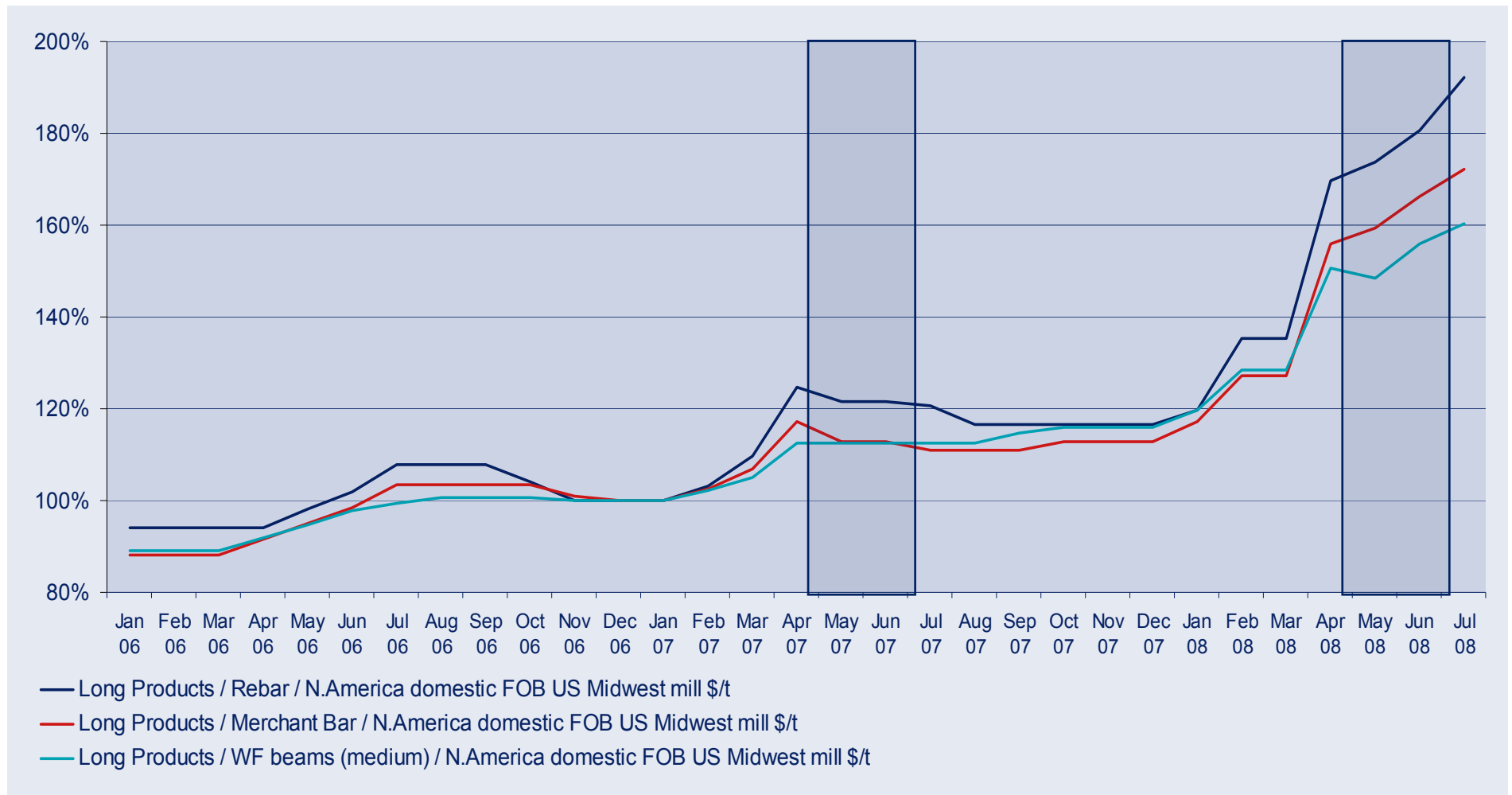
Flat products prices North America (SBB, Jan 2007 = 100)








Long products prices Europe (SBB, Jan 2007 = 100)

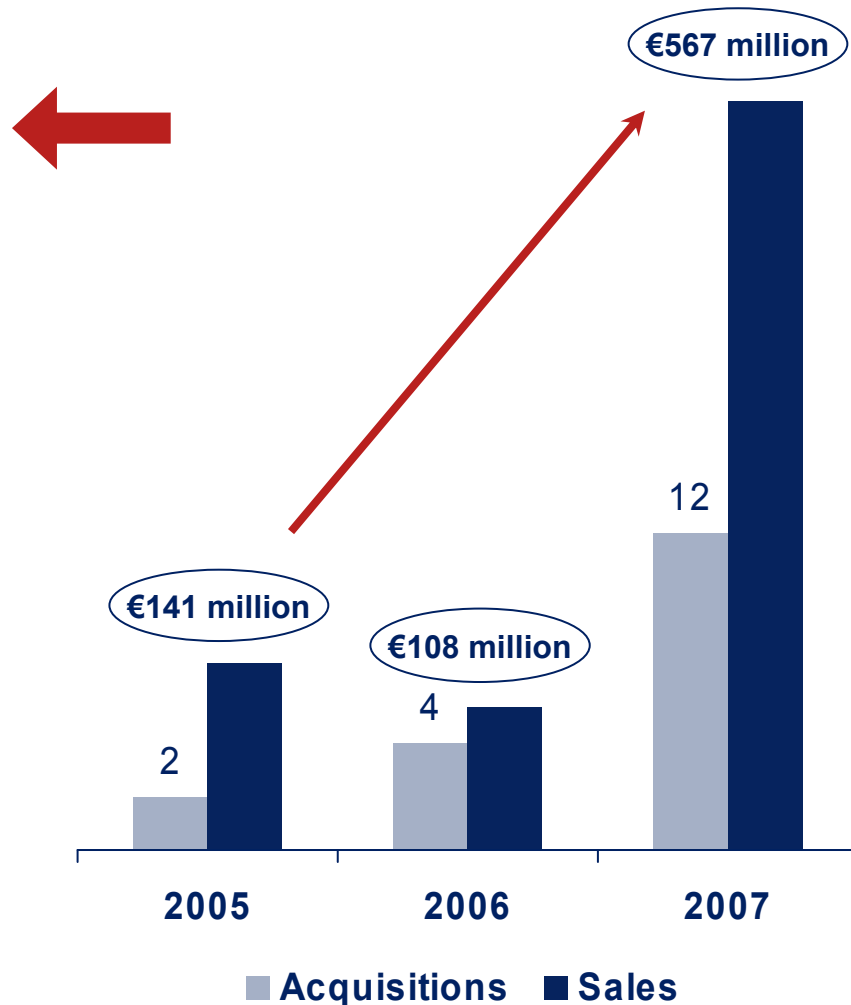


Long products prices North America (SBB, Jan 2007 = 100)



Continued expansion through acquisitions

Country	Acquired	Company	Sales (FY)
	Mar 2008	Temtco	€226 million
	Jan 2008	Multitubes	€5 million
	2008 Ytd	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



Acquisition of Temtco, a leading plate distributor

North America/USA – 03/08: Temtco



Comments

- High quality product portfolio: High strength quenched & tempered steel, wear-resistant steels and security steels
- Sales 2007: \$310 million (€226 million) with 180 employees
- More than 60% of sales are processed products
- Excellent customer base in application sectors such as energy, machinery and mechanical engineering, mining and transport

40% of the 2007-level of acquisition-related sales already achieved



Organic growth and expansion into new markets

Further expansion in Eastern Europe and into new markets

- Shareholding in Metalsnab in Bulgaria planned to be increased
- Additional acquisitions in Central Eastern Europe
- Opening of second branch in the Czech Republic
- Ongoing research about market entry in emerging markets

Expansion of strong market position in core markets

- Concentrate product range and expand higher margin products
- Introduction of European Product Management



STAR: Status Quo H1 2008

Purchasing

- Extension of European sourcing
- Introduction of an European product management

Distribution network

- Extension of the process management approach
- Ongoing SAP roll-out across European countries
- Improving performance of distribution network

STAR program fully on track



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	✓
<u>2008:</u>	<u>~ €20 million</u>	
	~ €80 million	

Phase II (2008 onwards)

Overall targets:

- European sourcing
- Ongoing improvement of distribution network

Upside potential

2008	~ €10 million
2009:	~ €30 million
2010:	<u>~ €20 million</u>
	~ €60 million



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Summary income statement Q2/H1 2008

(€m)	Q2 2008	Q2 2007	Δ%	H1 2008	H1 2007	Δ%
Volume (Ttons)	1,755	1,663	5.5	3,475	3,292	5.5
Sales	1,922	1,650	16.5	3,582	3,199	12.0
Gross profit	462	328	41.0	803	635	26.4
<i>% margin</i>	<i>24.0</i>	<i>19.8</i>	<i>21.2</i>	<i>22.4</i>	<i>19.8</i>	<i>13.1</i>
EBITDA	212	103	107.0	321	195	65.0
<i>% margin</i>	<i>11.0</i>	<i>6.2</i>	<i>77.4</i>	<i>9.0</i>	<i>6.1</i>	<i>47.5</i>
EBIT	197	87	126.3	290	166	75.3
Financial result	-17	-52	-67.9	-34	-63	-46.1
Income before taxes	180	35	419.1	256	103	149.4
Income taxes	-55	-12	372.6	-79	-33	137.3
Minority interests	3	4	-18.4	5	10	-53.2
Net income	122	19	538.2	173	59	191.6
EPS € (basic)	2.63	0.41	541.5	3.72	1.28	190.6
EPS € (diluted)	2.48	0.41	504.9	3.54	1.28	176.6



Underlying EBITDA H1 2008

(€m)	H1 2008	H1 2007	Δ
EBITDA as reported	321.2	194.6	126.6
• One-offs	-2.7	-6.4	3.7
Operating EBITDA	318.5	188.2	130.3
• Windfall effects	-82.1	-	-
• Exchange rate effects	15.0	4.5	10.5
• Special expense effects	-5.0	7.2	-12.2
Underlying EBITDA	246.4	199.9	46.5
• Acquisitions (LTM*)	-40.4	-10.3	-30.1
Underlying EBITDA excluding Acquisitions	205.9	189.6	16.3

* LTM: Last twelve months

Underlying EBITDA again improved



Segment performance H1 2008

(€m)	Europe	North America	HQ/ Consol.	Total
Volume (Ttons)				
H1 2008	2,434	1,041	-	3,475
H1 2007	2,422	870	-	3,292
Δ %	0.4	19.7	-	5.5
Sales				
H1 2008	2,882	700	-	3,582
H1 2007	2,713	486	-	3,199
Δ %	6.2	44.1	-	12.0
EBITDA				
H1 2008	234	93	-6	321
<i>% margin</i>	8.1	13.3	-	9.0
H1 2007	178	33	-16	195
<i>% margin</i>	6.6	6.7	-	6.1
Δ % EBITDA	31.3	185.5	-	65.0

Comments
<ul style="list-style-type: none"> ● Includes acquisition-related sales of M€63 for H1 2008* in Europe and sales of M€226 for H1 2008* in North America
<p>* Sales of acquired companies for the first twelve months of their consolidation</p>



Balance sheet H1 2008

(€m)	June 30, 2008	December 31, 2007	Comments
Long-term assets	786	735	Financial debt: <ul style="list-style-type: none"> • Syndicated loan: €404 million • ABS: €322 million • Bilateral credits: €195 million • Convertible: €275 million Net Working Capital: <ul style="list-style-type: none"> • Sales-, acquisition- and price-driven
Inventories	1,199	956	
Trade receivables	1,236	930	
Cash & cash equivalents	124	154	
Other assets	267	191	
Total assets	3,612	2,966	
Equity	856	845	
Total long-term liabilities	1,376	1,152	
- thereof financial liabilities	1,043	813	
Total short-term liabilities	1,380	969	
- thereof trade payables	858	610	
Total equity and liabilities	3,612	2,966	
Net working capital*	1,652	1,323	
Net financial debt*	1,072	746	

* Including Canada and KVT



Statement of cash flow

(€m)	H1 2008	H1 2007	Comments
Operating CF	317	188	<ul style="list-style-type: none"> ● Operating CF more than fully covered the investments in net working capital
Changes in net working capital	-274	-303	
Others	-40	-25	
Cash flow from operating activities	3	-140	<ul style="list-style-type: none"> ● Investing CF mainly impacted by increased stake in Swiss Holding and acquisition of Temtco
Inflow from disposals of fixed assets/others	8	15	
Outflow from investments in fixed assets*	-282	-366	<ul style="list-style-type: none"> ● CF from financing activities driven by acquisitions
Cash flow from investing activities	-274	-351	
Changes in financial liabilities	296	531	
Net interest payments	-16	-51	<ul style="list-style-type: none"> ● CF from financing activities driven by acquisitions
Dividends	-38	-45	
Cash flow from financing activities	242	435	
Total cash flow	-29	-56	<p>*and acquisition of subsidiaries</p>



General financial targets/limits and guidance

	General target/limit	Actual H1 2008
Top line sales growth	> 10% p.a.	12.0% ✓
Underlying EBITDA margin*	> 6%	6.9% ✓
Leverage (Net financial debt/EBITDA LTM)	< 3.0x	2.2x ✓
Gearing (Net financial debt/Equity)	< 150%	125.2% ✓

* According to new definition

Challenging financial targets throughout the cycle



Outlook 2008

For the full year 2008, we expect the following key figures:

- **Sales** of more than €7 billion
- **EBITDA before one-offs** of more than €500 million
- **Reported EBITDA** including divestments of more than €770 million
- **Net income** of more than €500 million

The raised outlook is based on record half year results and still overall favorable market environment for the steel distribution industry going forward despite a weaker global economic development and is supported by the following effects:

- Additional EBITDA from STAR program
- Positive contribution of additional EBITDA from acquisitions made in 2007 and in 2008
- Further stock gains in the course of H2 2008

Outlook raised again – 2008 results far above 2007



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Quarterly results and FY results 2008/2007/2006/2005

(€m)	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	FY 2007	FY 2006	FY 2005*
Volume (Ttons)	1,755	1,720	1,585	1,601	1,663	1,629	1,453	1,467	1,605	1,601	6,478	6,127	5,868
Sales	1,922	1,660	1,492	1,583	1,650	1,550	1,398	1,394	1,418	1,323	6,274	5,532	4,964
Gross profit	462	340	300	286	328	307	294	313	316	285	1,221	1,208	987
<i>% margin</i>	<i>24.0</i>	<i>20.5</i>	<i>20.1</i>	<i>18.0</i>	<i>19.8</i>	<i>19.8</i>	<i>21.0</i>	<i>22.5</i>	<i>22.3</i>	<i>21.5</i>	<i>19.5</i>	<i>21.8</i>	<i>19.9</i>
EBITDA	212	109	83	93	103	92	70	143	104	79	371	395	197
<i>% margin</i>	<i>11.0</i>	<i>6.6</i>	<i>5.6</i>	<i>5.9</i>	<i>6.2</i>	<i>5.9</i>	<i>4.9</i>	<i>10.3</i>	<i>7.3</i>	<i>6.0</i>	<i>5.9</i>	<i>7.1</i>	<i>4.0</i>
EBIT	197	93	65	76	87	78	55	128	89	64	307	337	135
Financial result	-17	-17	-17	-17	-52	-10	-12	-24	-14	-14	-97	-64	-54
Income before taxes	180	76	48	59	35	68	43	105	75	50	210	273	81
Income taxes	-55	-24	-6	-14	-12	-22	16	-20	-22	-13	-54	-39	-29
Minority interests	3	2	4	8	4	6	5	8	9	6	23	28	16
Net income	122	51	37	37	19	40	54	76	45	31	133	206	36
EPS basic (€)	2.63	1.09	0.80	0.79	0.41	0.86	1.16	1.64	0.97	-	2.87	4.44	-
EPS diluted (in €)	2.48	1.06	0.80	0.78	0.41	0.86	1.16	1.64	0.97	-	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).



Leading position in plate segment

- The acquisition of Temtco supports significantly the leading position of Primary and Namasco in the plate distribution segment
 - Securing continuing specialty plate supply through Temtco's supplier relations
 - Leveraging Temtco's customer base for sale of Namasco/Primary's commodity plate and vice versa
 - Broad geographic coverage with five locations

Synergies

- Complementary sales coverage combined with an additional product range offers synergy potential
 - Namasco's and Primary's market coverage hugely expanded
 - Enlarged purchasing power helps to counterweight the strong supplier consolidation (top 3 account for more than 80% of market)
 - Additional (typical) synergies in admin, finance, IT, etc.



Financial calendar 2008 and contact details

Financial calendar 2008

October 14/15:	Capital Market Days
November 14:	Q3 Interim Report

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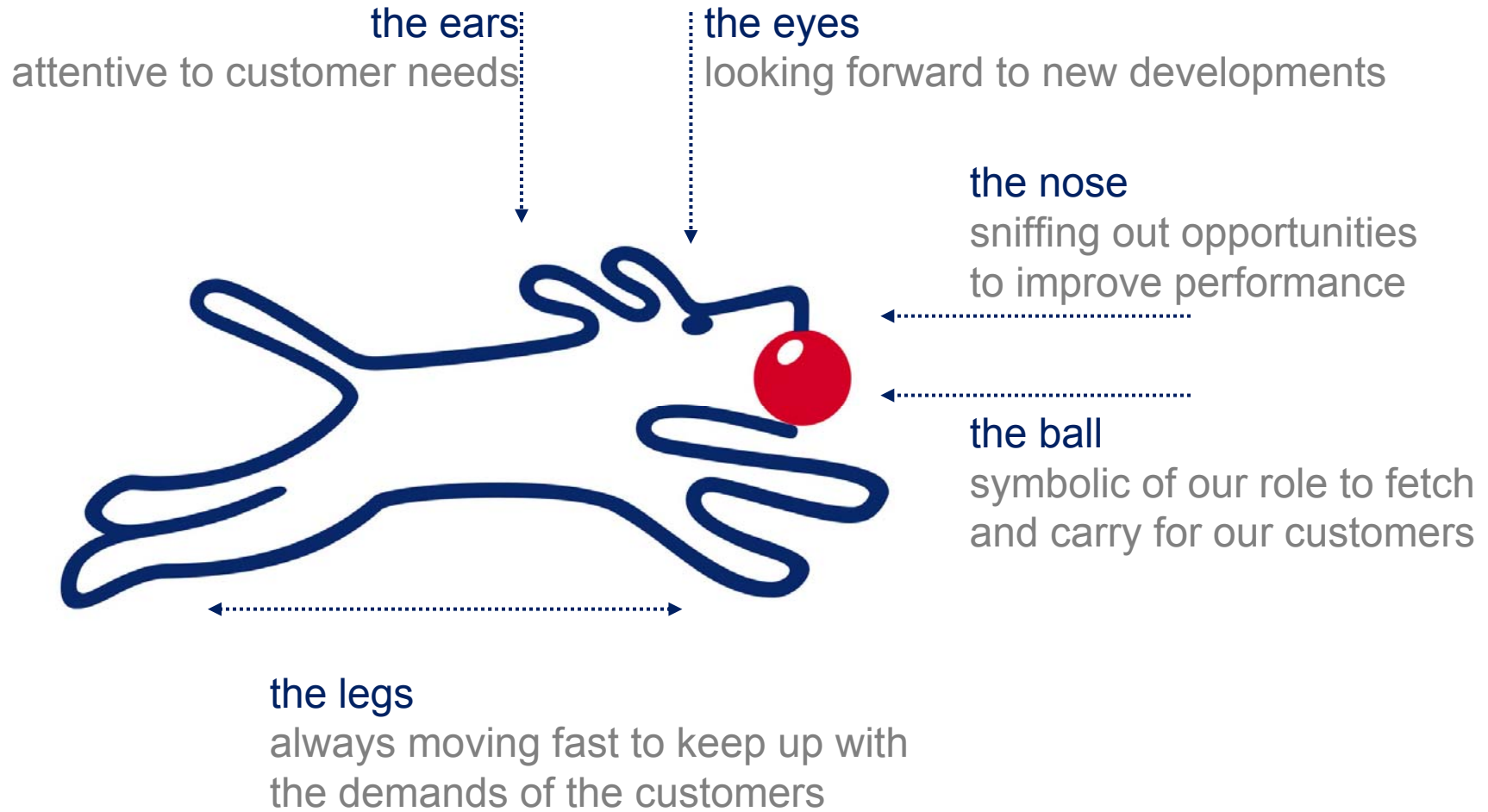
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Our symbol



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- 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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