Klöckner & Co Aktiengesellschaft

First Annual General Meeting
On 20 June 2007

Speech to the Annual General Meeting

Dr. Thomas Ludwig
CEO of Klöckner & Co Aktiengesellschaft

The spoken word prevails

Good morning ladies and gentlemen,

I welcome you, our shareholders, very warmly to the first Annual General Meeting of Klöckner & Co Aktiengesellschaft.

I am happy to be able to present you, the owners of our company, in the first financial year as listed company, the best results in the 100 years of the company's history.

I also welcome the representatives of the press, who particularly last year, reported on our company in an extensive, factual and fair manner. I also welcome representatives of shareholder associations and banks who, particularly with their analyses, contributed to the company becoming known in the capital market.

Let me say a few brief words about my presentation. To begin with, I will comment on the key events of the 2006 financial year, also including the key figures. I will then make a few comments on the market and on our strategy. Subsequently, I will give an outlook on the current financial year. As in the context of the agenda we are presenting you for the first time certain resolutions for authorization concerning the financial resources of our company, I will speak on these briefly to the close of my presentation.

Ladies and gentlemen, let me start with the key events, the highlights, of the last financial year.

Undoubtedly, the key highlight was the IPO on 28 June last year. Despite what then was an extremely unfavourable capital market environment, we successfully went public at a time that many IPOs were being called off.

We reached or exceeded all of the targets presented in the context of the IPO. Klöckner & Co and the Klöckner & Co share developed in an extraordinarily positive fashion:

- In terms of performance, our IPO was the most successful of 2006. This is likely to please particularly those of you who were there from the very beginning. As early as September 2006, due to its good performance, the share was taken up into the SDAX Index of Deutsche Börse. The unscheduled inclusion in the MDAX Index then followed on 29 January 2007.
- We took advantage of the favourable overall economic environment and further advanced the growth of the company, on an organic basis and via acquisitions. Despite the extensive preparation for our IPO, we managed to acquire four companies in Europe and the USA last year.
- We doubled our operating result, the EBITDA, thus achieving the best result in the history of our company. Here a significant contribution was provided by the STAR value-enhancing program which was initiated in 2005.
- In addition, as we had planned, we disposed of non-core activities and real estate. This also included the sale of our Dutch subsidiary, which also manufactured awnings.

This extraordinary success would not have been possible without the commitment of our entire Klöckner & Co team. At this point, I would expressly like to thank all Klöckner & Co staff.

Now to the key data for the 2006 financial year. For the comprehensive figures and the further details, please refer to the financial reports which were sent to you on request and which are available for inspection here. I would like to comment briefly on the comparative figures for 2005. In its current structure, the Klöckner & Co Group only originated on 16 March 2005 as a result of the change of ownership. The 2005 financial statements thus cover only the period from 16 March to 31 December 2005. To achieve a higher level of comparability, so-called pro forma group financial statements were prepared, reflecting the whole of 2005. In what follows, I will use these pro-forma figures for comparisons.

Ladies and gentlemen, you see the record year of 2006 with the considerable increase of all key figures. This was achieved on the basis of a good general economic environment in all important markets in which we operate. In particular, activity in the construction industry as well as the machinery and manufacturing sectors developed in a very positive fashion during the last financial year. At this point, reference is made to the trend in Germany, which however was largely driven by the export business.

The reason for this positive trend is the high infrastructure investments in the so-called BRIC states i.e. Brazil, Russia, India and China, and follow-up investments in the commodity and basis materials industries worldwide. To this extent we are reaping the fruits of globalization. As a result of this development, global production of crude steel reached the record figure of 1.24 billion tonnes in 2006. At the same time, we recorded increasing prices for almost all products, especially in the first half of 2006.

We took advantage of this positive market environment to push up the volume from 5.87 million tonnes by 4.4 percent to 6.13 million tonnes. At the same time, we improved sales at the Klöckner & Co Group by 11.4 percent to EUR 5.53 billion.

We improved all earnings figures at a level strongly higher than the sales trend.

Year-on-year we more than doubled the operating result of the Group – the EBITDA – to EUR 395 million. EBIT increased by almost 150 percent to EUR 337 million and Group net income at EUR 235 million more than quadrupled against 2005.

At the same time, we considerably reduced net cash debt, by 49.3 percent to EUR 365 million.

These figures speak for themselves – we used 2006 for profitable growth.

The very good development is also evident in assessing the two operating segments of Europe and North America. Supported by the positive market environment, we see excellent results in both segments.

Including the companies acquired in 2005 and 2006, we generated sales in Europe of EUR 4.67 billion and in North America of EUR 862 million. An EBITDA of EUR 366 million was posted in Europe and EUR 79 million in North America. Due to the special situation described above in respect to the 2005 financial year, there are no comparative figures for the segments to the previous year.

For our shareholders, the investment in the Klöckner & Co share has been worthwhile. Measured by the performance of the Klöckner & Co share price, it was the most successful IPO of 2006. To the end of 2006, your share increased by 105 percent against the issue price. At the end of last week, the share price was EUR 53.85. The value of the share, measured against the issue price of EUR 16, has more than tripled within just a year. What is also unusually positive is that fact that all the analysts analysing and valuing the share rate Klöckner & Co as a Buy.

After our former majority shareholder, the financial investor Lindsay Goldberg & Bessemer, sold its last holdings on 18 April this year, the free float is now 100 percent. Due to the strong performance of the share price, the market capitalization has since increased to approximately EUR 2.5 billion. In the Deutsche Börse ranking for May 2007, we are thus ranked No. 20 in the MDAX from 50 companies. The majority of our shareholders come from Germany, Great Britain and the USA. Moreover, our shareholders are very diversified on an international basis.

Today, we are proposing you a dividend of €0.80 per share. This is the payout ratio of 30 percent promised at the IPO - after deducting non-recurring income e.g. from the disposal of non-core activities and subtracting extraordinary deferred tax effects which increase income. On the basis of the current stock price, the Klöckner & Co AG dividend yield is thus approximately 1.5 percent. We consider a dividend at this level appropriate, even if we are somewhat under the average of all MDAX companies in percentage terms due to the strong upturn in the price of the share. The performance of the Klöckner & Co share not only particularly reflects the earnings trend, but also a considerable part of the expected growth. In turn this can only be secured, if, in addition to loans, there is sufficient equity to finance organic growth and is also available for acquisitions. The development of the results and the Klöckner & Co share has impressively shown that the equity was invested in a value-creating manner. The level of the dividend corresponds not only to further growth and value-appreciation potential for the future, but allows you as shareholders to participate in the company’s success in the form of an appropriate dividend.

At this point, we would like to indicate the tax advantage connected with this year's dividend. Some 75 percent of the dividend for the 2006 financial year comes from the so-called fiscal contribution account. For this part, the withholding tax is not retained, resulting directly in a higher payment than would otherwise be the case to you, the shareholder of approximately 12 euro cent per share.

Ladies and gentlemen, I now come to the topics of market and strategy.

Our roughly 250 locations are spread over 15 countries. With these locations, we are now servicing around 200,000 customers worldwide across a large number of industries.

As a result of the acquisition of Primary Steel in the USA, the weighting between Europe and North America has shifted somewhat in favour of North America, where we now generate some 22 percent of sales after 17 percent in 2006. The countries with the strongest sales are in Europe, with Germany and France, but the USA is now ranked at number three. There are further larger Klöckner & Co country companies in Switzerland, Spain, Great Britain, the Netherlands and Canada. We are thus represented in the important markets in Europe and North America. In terms of total sales, our activities in Eastern Europe do not yet have any great significance, but we see attractive growth possibilities here for the future.

A glance at sales by industry shows that we are very well positioned here. The construction industry and the machinery and manufacturing sectors which make up 60 percent of our volume continue to post above-average growth rates. This applies also to Germany, where after years of decline and stagnation, the construction industry again posted a pleasing growth again for the first time. Driven by exports, the machinery and manufacturing sectors have developed in an excellent fashion. As a result, last year there was a strong demand upturn for steel products overall.

Sales by product shows our positioning as a multi metal distributor. In addition to carbon-based steels, which make up approximately 2/3 of our sales, we distribute tubes, stainless steel, special and quality steel, aluminum and a range of other products.

The diversification across different continents, countries, industries and products secures not only attractive business opportunities, but also a risk balance. A key element of our strategy is growth via acquisitions. A look at the competitive landscape in Europe and North America clearly shows the opportunities resulting for Klöckner & Co.

In most markets in which we operate, we already have a good market position which can be developed. In terms of sales, we are the largest mill-independent steel and metal distributor in Europe and North America combined. However, both markets are still very fragmented, so that even the market shares of the market leaders are still very low in relation to the overall market. On the basis of acquisitions of small and medium-sized companies, we will systematically expand our market position.

With the recent acquisition of Primary Steel and Premier Steel as well as Action Steel in 2006, we extended our market share in North America to approximately 1.4 percent and have thus moved into the Top Ten on this important market. With the acquisitions made in Germany, France, Spain, Switzerland, Great Britain and the Netherlands during 2006 and 2007, we further developed in Europe, further strengthening our position as the largest independent steel and metal distributor.

Ladies and gentlemen, let me comment briefly on the key market trends.

Steel manufacturers are confronted with increasing globalization and consolidation. In our opinion, higher levels of consolidation among steel manufacturers, such as recently Arcelor/Mittal or Tata/Corus, also results in an increasing consolidation among the distribution companies.

The economies of scale resulting from consolidation on the producer side and the considerably more flexible options for production alignment result in a considerably better balance between supply and demand than was the case in the past. In connection with growth, particularly that generated from Asia, we see for our products overall a more stable development of volume at a high and more stable price level.

We believe this confirms the growth strategy presented at the IPO. Our long-term strategy is based primarily on three pillars:

1. On growth through acquisitions
2. on organic growth and
3. on the STAR Program.

In what follows, I will briefly describe the key elements for our future success.

Acquisitions are our biggest growth driver. In 2005, we bought two companies. In 2006, despite the preparations for the IPO, it was as many as four. By buying Targe in February 2006, we further strengthened our market position in the flat steel area in France. Expansion on the Spanish market was advanced by the acquisition of Aesga, a distribution group for special steels. In October 2006, by acquiring the distribution company Action Steel, we considerably bolstered our activities in the US Mid West. Also in October, in Switzerland we acquired Gauss, with which we considerably improved our market position in the Zurich region.

In the current year, we considerably intensified our acquisition activities and have already acquired eight companies in our two core markets of Europe and North America. In the process, we considerably improved our competitive position in North America, particularly as a result of acquiring Primary Steel. With Primary Steel, we are now one of the largest distribution companies for heavy plate in the USA and have thus further extended our product structure in an attractive segment. What is more, we have accessed new regions, thus considerably expanding the possibility of buying up smaller companies to extend the range offered. We now have a considerably broader platform for furthering our presence in North America. In this respect, the acquisition of Premier Steel was a good fit, as it enabled us to boost our presence in the south of the USA.

By buying the stake of a minority shareholder in Switzerland, we were able to integrate our Swiss company, the most successful of the group for years on the basis of all the key ratios, more closely into the Group.

With the acquisition of Tournier, we improved our position for flat steel in France, a market in which we had been underrepresented in the past. The purchase of Teuling in the Netherlands extends our product range in the high-quality area.

In Germany we bought three small companies, thus widening our market position on the basis of acquisitions for the first time in many years. With Edelstahlservice, after the acquisition of Teuling in the Netherlands, we also supplemented our product spectrum in the area of high-grade steel in Germany, while with Zweigart and Max Carl the primary focus was improving our regional presence.

The purchase of Westok, a specialist for construction girders, was concluded last week. Here we improved our position in the important construction market in Great Britain. You see that almost all countries of our organization now are participating in the growth by acquisitions.

The list of potential acquisition targets allows us to look confidently into the future.

In addition to growth via acquisitions, we also want to further increase our organic growth. As a result of our broad-based positioning by products and regions, we are able to take advantage of growth opportunities the market offers on a targeted basis. In the last financial year and also this year, as a result of the growth rates in the construction industry as well as the machinery and manufacturing sectors, particularly in Germany, we posted a considerably higher sales volume. At the same time, we are pushing organic growth on the basis of targeted measures in the context of the STAR efficiency-enhancing program. A key focus of the program is a comprehensive analysis of the product, customer and price structures at our locations. The resulting alignments target not only an improvement of the performance processes, but also optimization and expansion of the product range and customer structure. Furthermore, on the basis of targeted investments, we will increase the share of higher value-added services.

We will further advance our growth in East Europe which has previously been driven by developing new branches, also supported by targeted acquisitions.

Our office in Beijing opened in 2006 is initially responsible for obtaining Chinese steel. We are currently examining how we can expand our activities here in the future.

The STAR value-enhancing program was introduced across the Group in June 2005. The objective was and is to leverage the profitability of our activities on the basis on ongoing business optimization. The program is established on a Group basis, so that for the first time, we at Klöckner & Co are in a position to transfer success potential across country borders on a systematic basis. In essence, STAR relates to optimising what are for us the key areas of purchasing and distribution network, i.e. the locations of our warehouse operations. In addition, in the reorganization currently being implemented in Germany, in the purchasing area we will complete the first decisive step in the current year - the centralization at country level in all countries. We expect additional potential as a result of greater coordination and management at European and North American level. We will also advance global sourcing, i.e. procurement outside EU and North America.

Regarding the distribution network, last year we implemented a series of optimizations at our store sites by closing or combining locations. In order to establish the optimization of our distribution network as an ongoing process, we established a specialised internal team at Klöckner & Co. We are very pleased with the success achieved so far. Implementation of the measures is on schedule. On a permanent basis, we are examining the STAR targets and measures, enhancing them and also, if necessary, making corrections.

Ladies and gentlemen,
Before I provide you with an outlook on the current year, I would like to summarise briefly the key events of 2006.

- We acquired four companies with combined sales of EUR 108 million.
- Almost half of our 2006 sales growth resulted from organic growth.
- We generated additional earnings of EUR 20 million as a result of the STAR optimization program.
- By selling non-core activities and real estate, we generated inflows totalling EUR 100 million.

Thus we achieved all of the targets stated in the run-up to the IPO.

This takes me to the no less ambitious objectives for 2007:

- In 2007, we will implement at least ten to twelve acquisitions. Of this number, we have already acquired eight companies.
- Over and above this, we will achieve significant organic growth.
- This year, STAR will achieve for us additional earnings of EUR 40 million and
- We will boost activities in Eastern Europe.

With a look at the figures of the first quarter of this year, let me show you why we are optimistic of reaching these targets.

In the first three months, we continued on from the success of last year, increasing volume by roughly 1.8 percent against the good result of the equivalent period of the previous year.

Underpinned by the stable development of volumes, acquisitions and favoured by the high price level, we increased sales by 17.1 percent to over EUR 1.5 billion for the first quarter of 2007. In the same period, we generated an EBITDA of EUR 92 million and moved up EBIT by 21.4 percent to approximately EUR 78 million. Year-on-year we improved earnings after tax by 24.8 percent to roughly EUR 47 million.

What does the general environment look like in this year?

The general conditions relevant for us are good. For the steel industry, experts are forecasting a generally positive environment. Depending on the source and country, forecasts for economic growth in our markets vary from just under two percent to five percent. In particular, in most markets there is ongoing good business in the construction industry and in the machinery and manufacturing sectors.

In addition, for most products, prices have moved higher in the first half of 2007.

Ladies and gentlemen,

On the basis of the good general conditions and the company acquisitions which have already been made, we increased our forecast for the current financial year in the context of reporting for the first quarter of 2007.

For the whole year of 2007, we now expect a year-on-year sales upturn of at least 15 percent. The EBITDA should be at the level of the previous year, even without non-recurring income, i.e. approximately EUR 395 million.

With a steadily dividend payout ratio of 30 percent of Group profits after non-recurring income, we want that you, dear shareholders, participate in the success of your company.

Now to the further resolutions to the Annual General Meeting which I would like to comment on to you briefly. Due to their required time limitation, these are resolutions which need to be presented to the Annual General Meeting of a listed company at regular intervals. However, as this is our first Annual General Meeting, I would like to present these authorizations separately.

Under Item 8 of the agenda, the Management Board and Supervisory Board propose the Annual General Meeting to allow the company to acquire own shares. In this way you provide us with the necessary flexibility, to deploy own shares at a later stage, for example, as an additional financing instrument in acquiring companies and being able to react rapidly and in a flexible fashion. As stipulated by law, the authorization is limited to 18 months. Currently, we have no concrete plans for buying back shares. In respect to the rather technical details, may I refer to the report of the Management Board on this point which is available for inspection and the wording of the proposed resolution as spelled out in the Agenda.

The proposed authorization which is agenda item 9 to issue options and/or convertible bonds of up to EUR 350 million is to provide our company with the possibility of reacting quickly and promptly upon favourable conditions on the capital market. We have used a five-year duration in calculating the conversion/option price. The resulting option or conversion rights may cover a maximum of 4.65 million shares. This corresponds to a tenth of the current number of shares. The detailed conditions of such a bond are to be determined in a specific case. In respect to the details, may I refer you to the report of the Management Board on this item of the agenda which is available for inspection and the wording of the proposed resolution as spelled out in the Agenda.

Agenda item 10 relates to the creation of contingent capital. This authorization is set to grant holders of options and/ or convertible bonds the shares due to them from the respective bond, instead of repayment. The necessary shares could then come from the so-called contingent capital. For this reason, we are proposing the Annual General Meeting to authorise the company to increase the share capital of the company on a "contingent" basis. The actual implementation of such a contingent capital increase is only possible, if and to the extent the relevant requirement exists. This increase would be possible to a maximum nominal amount of EUR 11.625 million by the issuance of up to 4.65 million new registered non-par value shares. The conversion/option price is 135 percent of the relevant reference price.

And so I come to the end of my comments. For our company, 2006 was an extraordinarily successful year. We set milestones for the future of our company and initiated successful growth. We want to and will continue down this path of success in the current year.

Also on behalf of my Management Board colleague, I would like to thank all of your for your confidence and support. We would be happy if you would accompany us further on our growth path.

I would like to thank you for your attention.

Contacts

Investor Relations

Claudia Nickolaus

Tel.: +49 203 307-2050

Fax: +49 203 307-5025

E-mail: claudia.nickolaus@kloeckner.de

Corporate Communications

Peter Ringsleben, Claudia Uhlendorf

Peter Ringsleben

Phone: +49-203-307-2800

Fax: +49-203-307-5060

E-mail: peter.ringsleben@kloeckner.de

Claudia Uhlendorf

Phone: +49-203-307-2289

Fax: +49-203-307-5103

E-mail: claudia.uhlendorf@kloeckner.de