

klöckner & co

multi metal distribution

Milestones | 1906 – 2006

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The tradition of success

From the time of its registration on June 28, 1906, the Duisburg-based company was one of Germany's leading steel and metal traders. At that time its founder, the merchant Peter Klöckner, already possessed an impressive iron, coal and steel empire, from which Klöckner-Werke AG and Klöckner Humboldt Deutz AG were later to emerge. Klöckner & Co formed the core of this group, although even from the beginning it also operated as an independent steel and metal trader.

Klöckner & Co's strength has always been its closeness to the customer. In its year of foundation, 1906, the first branches were already established in Cologne and Düsseldorf. In subsequent years these were followed by others, so that Klöckner & Co soon operated a network of branches throughout Germany. In the 1920s and 1930s the trading company established its first subsidiaries in Europe, North and South America, and set up a separate foreign department. These were the first steps in a process of internationalization which led, after the end of the Second World War, to the development of an international trading network.

After the death of Peter Klöckner in 1940, the company was managed by his heirs, the Henle family. Under their leadership,

and following the legal separation from Klöckner-Werke AG and Klöckner Humboldt Deutz AG, Klöckner & Co developed in the 1950s into a strongly diversified trading company, although its core business remained in steel and metal trading. After the boom years of the "Economic Miracle", when Klöckner & Co rose to become one of the largest trading companies in Europe, in the following years of crisis in the world economy in general and the steel industry in particular, the company remained on its path to growth. Contributors to this were not only its wide range of products and the international scope of its trading activities, but also the flexibility of its steel trading operations. Since the end of the 1960s the company purposefully expanded its stockholding steel distribution, and in the 1970s it set up the first steel service centers. Orientation to the wishes of the customer, and partnership with the suppliers, were its guiding principles.

At the end of the 1980s, Klöckner & Co found itself in an existential crisis due to failed speculation activities. In the course of the rescue action, the traditional company came into the ownership of VIAG AG, although it remained independent. Under new management, Klöckner & Co developed in the 1990s into a modern international distribution specialist, active in fields such as steel, PC products, chemicals, textiles and tent systems.

In those years, Klöckner & Co substantially expanded its international presence in the steel business. Since 1998 the company concentrated once more on its traditional core business of steel and metal trading, and developed into a modern multi metal distributor.

Today, measured in terms of sales, Klöckner & Co is the largest mill-independent steel and multi metal distributor serving the whole European and North American market. Owned by Lindsay Goldberg & Bessemer since the end of 2004, the tradition-rich company launched an IPO (initial public offering) on the stock market, exactly 100 years to the day after its foundation. Lindsay Goldberg & Bessemer retains a majority holding in the company, in order to continue to foster the development of the group in the future. The IPO sets a clear signal: at a time of accelerating consolidation in the steel manufacturing and distribution industries, Klöckner & Co intends to further extend its leading position as an international distribution group and thus continue its 100 year history of success.

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Tourist Inf

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Souvenir

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Dr. Thomas Ludwig | Gisbert Rühl

Board of Management of Klöckner & Co AG

Peter Klöckner founded Klöckner & Co as a trading company in 1906. One hundred years ago he was already a farsighted entrepreneur with an ability to spot good business opportunities. In doing so, he frequently struck out along unaccustomed paths. At a time when the majority of companies in the Ruhrgebiet were concentrating primarily on production, Klöckner & Co already conducted trade with products on a large scale. From the beginning, steel trading was the most important cornerstone of Klöckner & Co.

While the company has also been involved in other sectors, it has always remained consistently faithful to its core business. Thus, Klöckner & Co has developed in the last 100 years from a pure trading company into an international distribution group for steel and metal products with some 240 branches in 14 countries.

The concept of providing services and meeting the wishes of the customer is our top priority. As well as staying close to our customers with our stockholding regional branches, wide-ranging product portfolio and preprocessing services, we offer solutions for all the tasks which our customers set us. Today, as the largest independent distribution company in Europe and North America, we are a key sales partner of the most significant producers worldwide.

For Klöckner & Co today, as in the past, values such as farsightedness, creativity and flexibility determine the future course we have set. With our successful IPO in June 2006 we have laid the basis for a successful future, providing the company with additional scope for further international expansion plans. Thus we are well equipped for the challenges facing us in a global economy that is increasingly growing together.

We would like to invite you to join us in visiting the story of our company's past and building bridges to the future. We hope you will enjoy discovering the varied and exciting history of the first 100 years of Klöckner & Co.



Personal stories

Gustav Adolf Pflocksch

Mr. Pflocksch, what are your earliest memories of Klöckner & Co?

I was born in Neudorf in 1910 and on the way to school I walked past Klöckner & Co's first office building on Otto-Keller-Strasse. It was a three-story edifice and was located on the corner of a nondescript little street, Achterngasse. The building attracted my attention because of its well-kept façade. Its name was Klöckner Eisenhandel, Bergwerks- und Hüttenerzeugnisse (Klöckner Iron Trade, Mining and Metallurgical Products).

You started at Klöckner & Co in 1933 and got to know the company founder.

What was Peter Klöckner like?

We saw the "Kommerzienrat" (Councilor of Commerce) very rarely since he was not actively involved in running the business. He sat in his legendary oriel room. But every week, of course, he had each department submit a report on how business had been. And on the whole he was always satisfied because all departments were in the black. He did everything for his staff. Klöckner even said: "We would like every staff member to go to a health resort once a year to recover from the stress." By the way, the word "stress" did not exist at that time, we spoke of "performance". And the performance had to be optimal. Everyone was committed to this.

Repeated reference is made to the "Klöckner spirit". What went to make up the special attitude or atmosphere?

Well, those who were employed at Klöckner passionately think back to their period of employment since the working atmosphere at Klöckner was outstanding in every department. The bosses were generous, they were very experienced, one could learn from them, they were understanding and the salaries were good at Klöckner.

Although Peter Klöckner was regarded as extremely frugal?

Yes, he was indeed frugal. To mention a typical example: One day a paper clip was lying on the floor on the way to his office. A staff member came by and "Herr Geheimrat" (Mr. Privy Councilor) immediately had him pick up the paper clip. This example made the rounds at Klöckner and bound us to the same frugality, so to speak. However, despite his frugality he paid well. He knew that in return for that his people worked ten or twelve hours a day.

You worked in the foreign steel department. What was your working day like?

There were seven of us in the export department, which was housed in a room full of corners. All seven people sat there at old high desks whose legs had been sawn off shortly before so that they stood at normal desk height. Back then Klöckner & Co already had customer relations with Holland, England, Scandinavia, Eastern Europe, Switzerland, Greece, Portugal, Turkey, Iran, South Africa, South America and China. In Shanghai our own man was extremely successful. We were already on the telephone at 8:00 in the morning, at 8:05 a call came from Hong Kong, for example. We had to be

“Those who were employed at Klöckner passionately think back.”



Gustav Adolf Pflocksch (1910 – 2006) joined the foreign steel department at Klöckner & Co in 1933. Like Peter Klöckner, Pflocksch had received training at iron merchants Spaeter and then worked in Spain. In 1939 he was called up into the army and did not return to Klöckner & Co until after the war and captivity as a prisoner of war in 1947. He took up his old position again, was granted commercial power of attorney and worked for the trading company until his retirement in 1975. Until the end Pflocksch followed the development of “his” company and the steel sector.

there very early and we weren't home until 8:00 in the evening. The business was not divided up according to materials, but according to countries since the DIN book with the steel available was still thin. However, the telephone was not used much for foreign business in the past – there wasn't even a telephone connection to some countries. Instead, one sent coded telegrams. The codes contained hundreds of standard commercial phrases that were expressed in five different letters in each case.

And trips abroad were certainly also part of the job?

Of course! Often we were then merely told: “Your secretary is in the process of taking care of the formalities and also talking to your wife. Make sure you are punctual because you have to take part in a meeting in Johannesburg, South Africa at 8:00 tomorrow morning.” There was no boredom in our office.

At Klöckner & Co great importance was always attached to independence. What did that mean in your department?

The head of the department was the director. We company officers with commercial power of attorney were independent, we were able to conduct business without the approval of our director if the transaction only involved two or three million German marks. Everyone had his own balance sheet. And everyone received a written notification on the last day of the month about how he had worked and what he had earned. After all, he had to finance his management office, which worked like an independent enterprise within Klöckner & Co.



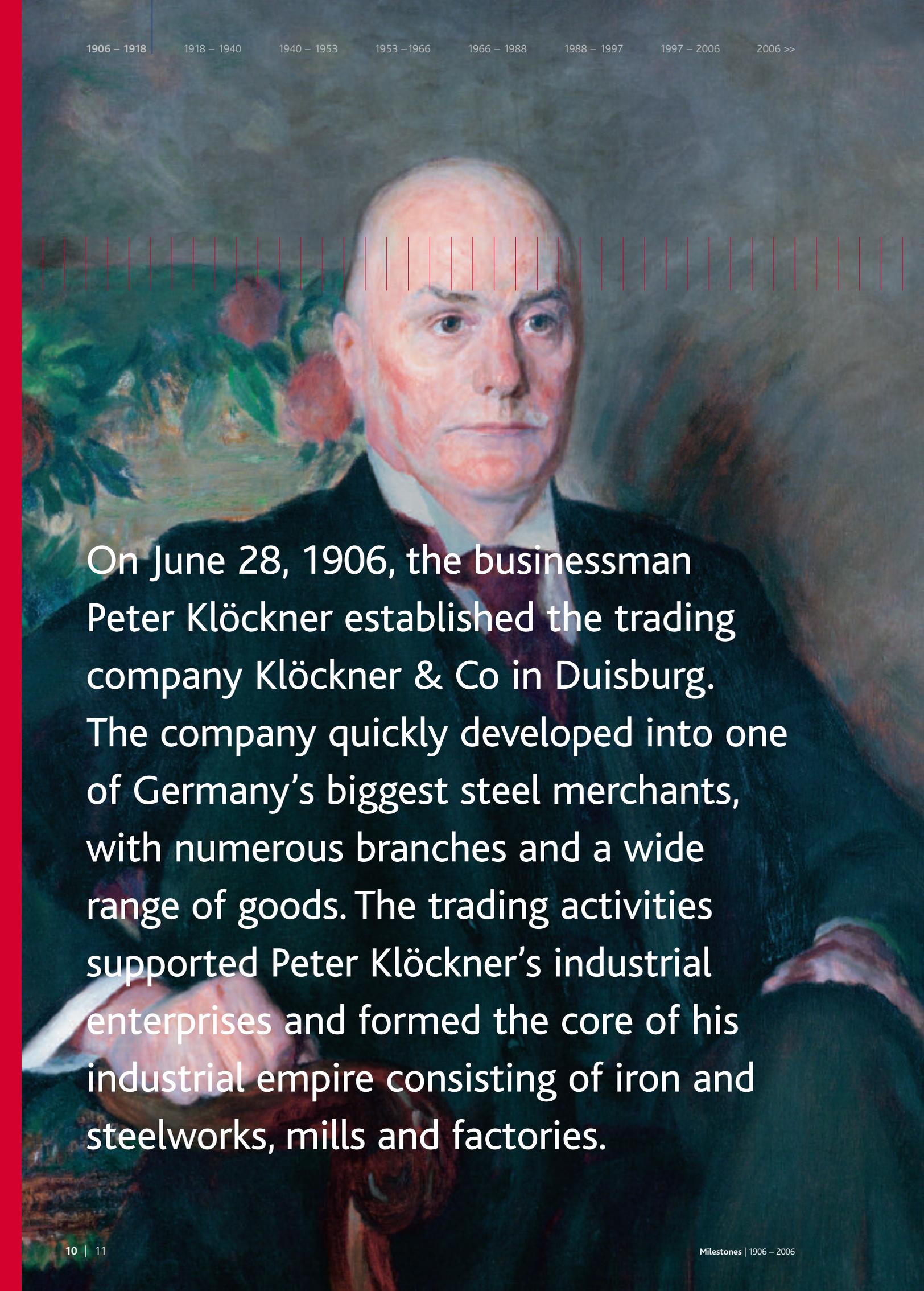
The departments were thus closely knit teams?

Yes. And we also cultivated the spirit of sociability, for us cooperativeness went above all else. There were no personal quarrels, for heaven's sake. The working relationship, the climate were always outstanding. That is why I said right from the beginning: I would do it all again. Also with the same people. They were all highly intelligent colleagues with an understanding attitude.



The foundation | **1906 – 1918** The rise of a steel merchant

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A portrait painting of Peter Klöckner, a middle-aged man with a receding hairline, wearing a dark suit, white shirt, and a dark tie. He is looking directly at the viewer with a serious expression. The background is dark and textured, with some green and red tones on the left side. A red vertical bar is on the far left edge of the page.

On June 28, 1906, the businessman Peter Klöckner established the trading company Klöckner & Co in Duisburg. The company quickly developed into one of Germany's biggest steel merchants, with numerous branches and a wide range of goods. The trading activities supported Peter Klöckner's industrial enterprises and formed the core of his industrial empire consisting of iron and steelworks, mills and factories.

The foundation

The rise of a steel merchant (1906 – 1918)

1906

A late foundation and its history

The rapid rise of Klöckner & Co had a long prior history. When Peter Klöckner founded the company in 1906, he had already been active in the iron and steel industry for 24 years. He had worked as a merchant, had successfully put various businesses back on their feet, and held shares in numerous companies. Peter Klöckner, born in Koblenz in 1863, had lots of experience and extensive contacts, and enjoyed much respect in the industry. Thus it could be said that the history of the foundation of Klöckner & Co began as early as 1882, when Klöckner left school shortly before his final examination in order to take up an apprenticeship with the iron merchant Carl Spaeter in Koblenz.

Spaeter was the ideal teacher: as the largest iron merchant in the German Empire he played a central role in the steel industry. Already in the 1880s he had foreseen the development of large conglomerates which would combine all stages of steel production from ore extraction to processing. Under his tutelage, Peter Klöckner was able to learn much more than just the merchant's

craft. Spaeter also provided him with an insight into steel manufacture. Klöckner's training began in the cellar of the merchant's office, where he had to grind iron ore in heavy mortars. Later he worked at the blast furnaces in a steelworks. Thus he became familiar not only with the material he was selling, but also the technology of its manufacture. With Spaeter, the career of the talented merchant Klöckner progressed rapidly. In 1898 he became Spaeter's partner and managed the newly-established branch in Duisburg.

As an iron and steel merchant, Peter Klöckner was in and out of the mills and factories on the rivers Rhine and Ruhr. Thus he also experienced in close-up the financial problems of certain poorly-managed companies – such as the case of the Haspe iron and steelworks near Hagen, which in 1894 was facing bankruptcy. Its raw iron suppliers had to wait in vain for their money. They entrusted Klöckner with the reorganization of the works, because he knew the industry and had convincing ideas and concepts. Firstly Klöckner converted the company into a joint stock company, then settling the demands of the creditors in the form of shares.



Haspe works | In the 1890s, Peter Klöckner re-stored the struggling Haspe iron and steelworks to profitability and thus laid the basis for his industrial empire.



The office building in Mercatorstrasse | The first offices of Klöckner & Co were situated in Mercatorstrasse in Duisburg. The Gründerzeit buildings included residential houses with front gardens and old trees.

1906

The "Sanitätsrat" as group founder



Peter Klöckner laid the foundation for his "industrial activity" in the mid-1890s when he put the iron and steelworks at Haspe back on its feet. This entrepreneurial feat achieved much attention – not least from the banks which provided him with the necessary credit. Klöckner purchased shares in the works, and in 1899 took over the chairmanship of the supervisory board of Haspe. Shortly afterwards he obtained positions on the supervisory boards of various banks, among them A. Schaaffhausen'scher Bankverein in 1903. This precursor of Deutsche Bank was already at that time the largest German industrial bank.

Their interests coincided. The bank wanted to rescue struggling companies, and Klöckner was expanding his group. Thus, on behalf of the bank he rescued Aumetz-Friede ironworks in Lorraine, which owned large iron ore mines. But the capacity of the associated blast furnaces was too small to meet the needs of the steelworks. Klöckner ensured the acquisition of a neighboring blast furnace, and thus created Lothringer Hütten- und Bergwerksverein (Lorraine Ironworks and Mining Company) at Kneuttingen. Under his management, the new company quickly developed into one of the largest and most

modern steelworks in Europe. Soon, Klöckner – who received the title of "Kommerzienrat" in 1905 – was called, half jokingly and half respectfully, "Sanitätsrat" ("councilor for company rescues").

With Haspe and Kneuttingen, Peter Klöckner had mines, iron-works and factories at his disposal. But this great "vertical" group still lacked downstream processing operations. So Klöckner acquired a share in the machinery manufacturing company Humboldt in Cologne's Kalk district, and joined its supervisory board in 1903. In 1905 he also took up a similar position at Düsseldorfer Eisen- und Drahtindustrie AG and again proved his worth as a rescuer of companies. He turned a run-down factory into a flourishing company. Its products – barbed wire, wire rope and pins – were a good complement to the Haspe iron and steelworks, which manufactured cruder wire products. Gradually the pieces came together to form the image of a corporate group. But it was only with the establishment of the trading company Klöckner & Co in 1906 that Klöckner took the decisive step towards the creation of a group. It was no accident that this company was the first to bear his name.

1918

This solved Haspe's financial problems, but the factory was not yet restored to a viable condition. Klöckner streamlined production and brought the individual processing steps into precise coordination. The secret of his success lay in perfect organization. When the demand for iron and steel rose in the boom years of 1893/94 and 1897/98, the Haspe factory was back on its feet and could sell its products profitably once again. Haspe was followed by further rescue actions for iron and steel companies, forging Klöckner's reputation as a management genius. Although he was still working for Spaeter as a merchant, he controlled numerous companies – either as a partner or a member of the supervisory board (see box).

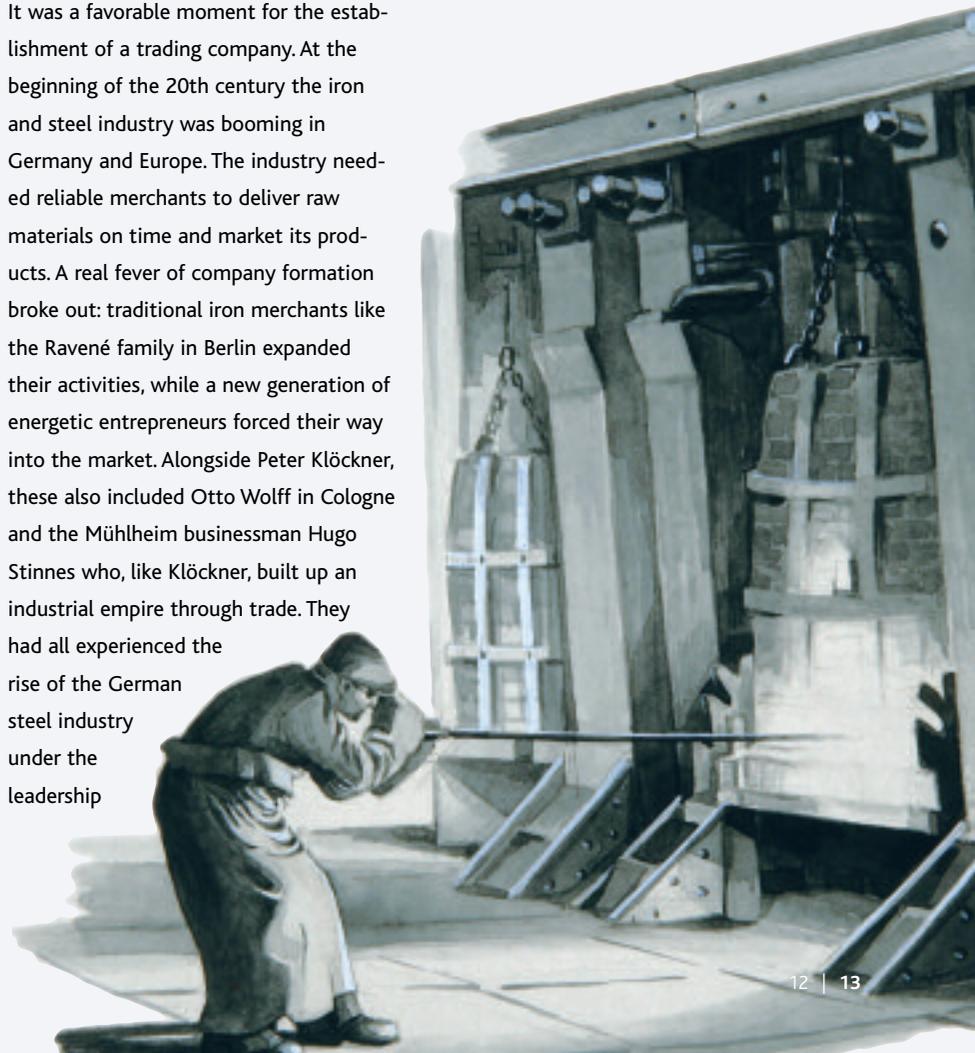
In this, Peter Klöckner pursued a clear strategy. He purposefully acquired iron-works, mines, steelworks and factories. He was convinced that a modern group of steel companies not only required access to coal and iron ore, but should also be involved in the downstream processing of steel. But the core of such a group was trading. He had always known, declared Peter Klöckner on the occasion of his 70th birthday in 1933, "that the best factory cannot manufacture if its

products cannot be sold". The founding of Klöckner & Co in the summer of 1906 was therefore more than simply the final conclusion of a series of company take-overs. Rather, it was the beginning of one of Germany's most important industrial empires.

The hour of the merchants strikes

It was a favorable moment for the establishment of a trading company. At the beginning of the 20th century the iron and steel industry was booming in Germany and Europe. The industry needed reliable merchants to deliver raw materials on time and market its products. A real fever of company formation broke out: traditional iron merchants like the Ravené family in Berlin expanded their activities, while a new generation of energetic entrepreneurs forced their way into the market. Alongside Peter Klöckner, these also included Otto Wolff in Cologne and the Mülheim businessman Hugo Stinnes who, like Klöckner, built up an industrial empire through trade. They had all experienced the rise of the German steel industry under the leadership

Coal extraction | Klöckner & Co operated its own coal and iron ore mines. The mining work started with the creation of a tunnel for the extraction of the coal.



1906

Thomas steelworks | In the Thomas process, steel was manufactured in so-called basic converters and subsequently poured out. Air forced into the converter through channels at the bottom oxidized the steel. Stirring of the molten steel ("puddling") was no longer necessary, but the work with the hot steel remained heavy and exhausting.

of the steel producers Thyssen and Krupp. Now the hour of the merchants had struck.

The first offices of Klöckner & Co were at Mercatorstrasse 98 in Duisburg. Neat front gardens and cast-iron railings surrounded the Gründerzeit house. The surroundings were tranquil, the office rooms modest. But from the start, Klöckner aimed for expansion. Already in the year of establishment, 1906, he purchased the iron merchants Schoenen in Cologne and set up an additional sales office there. In Düsseldorf in 1906 he established Klöckner-Eisenhandelsgesellschaft. Even in those days the aim was to be close to the customer. Both locations supplied materials to the numerous machinery and wagon factories as well as the small screw manufacturers and wire drawers of the Rhineland.

Soon, Klöckner also established a presence in other industrial regions of Germany. In 1907 he set up branches in Berlin and Magdeburg, followed by Hamburg and Dresden in 1909. Then the company also acquired a location in the south-west; with the branch in Mannheim, opened in 1911, Klöckner achieved

a connection to his important production facility at Kneuttingen in Lorraine. Thus, within a few years Klöckner had built up a widespread trading and marketing network. All branches possessed rolled iron stocking yards, in order to ensure that a wide range of products was available from locally-held stocks. Later the yards also offered space for the sorting and preparation of scrap.

The branches had the status of independent companies, with their managing directors working on their own account. The company Klöckner & Co, with its shareholdings and subsidiaries, had grown too big to be led by Peter Klöckner in the style of a classical patriarchy. Although he frequently emphasized that not a single ton of coke could move without his knowledge, he nevertheless guaranteed the freedom of the sales staff in the branches – at least as long as the figures added up. Thus, even in those early years the much-invoked "Klöckner spirit" came into being. Peter Klöckner demanded hard work and discipline from his employees, but he also gave them encouragement. Every new order was treated as an achievement, and its entry into the order book became an occasion for celebration.



Stahlhof | In 1904 the German steel manufacturers founded the Steel Works Association, housed from 1908 in a representative building in Bastionstrasse in Düsseldorf.

1918



Widening horizons and offering more

In its first years, the core business of Klöckner & Co was trading with raw iron. But with the factories behind it, the trading company was able to offer an ever-increasing range of products. For example Lothringer Hütten- und Bergwerksverein (Lorraine Ironworks and Mining Company) at Kneuttingen did not process all the ores it extracted – and the surplus was sold by Klöckner & Co. Klöckner also became increasingly involved in the field of downstream production. Shareholdings in the machinery manufacturing company Humboldt in Cologne and the iron and wire factory in Düsseldorf represented the first steps in this direction.

In 1911 an important company was added: Mannstaedt-Werke at Troisdorf, which manufactured so-called swag iron on numerous rolling lines. It also made nuts and bolts, as well as machinery and plant components. This factory was considered economically sound, but lacked direct access to raw materials. So, in his customary manner, Peter Klöckner joined the rolling mill to a nearby ironworks and blast furnaces, so that it was now able to

"Against unhealthy competition" – cartels and syndicates in the German Empire

The iron and steel trade in the German Empire followed its own rules. Peter Klöckner liked to recount that he "never found it necessary to attend theatre evenings and go to dances or concerts with the gentlemen from our customers". That he was able to conduct his business "without all these secondary activities" tells us something about the position of Klöckner the merchant, but even more about the market at that time. Since the end of the 19th century, trade in coal, iron and steel products was increasingly regulated by associations, cartels and syndicates. Their goal was price stabilization, at the highest possible level.

Thus, in 1904 the steel manufacturers established the German Steel Works Association in an attempt to put an end to "unhealthy competition" in its own ranks. For some years this was successful for finer products such as bar iron, wire rod, sheets or tubes, but not for cruder products like blocks, girders, rails or sleepers. More successful was the German Raw Iron Association, founded in 1910, which achieved price stabilization until the outbreak of the First World War in 1914. Peter Klöckner also knew how to look after his own interests in these associations. Thus, in 1910 he secured the second-largest trading quota in the Raw Iron Association. Just four years after the foundation of his first own company, the "newcomer" had joined the leaders of the German iron industry.

1906

Kneuttingen steelworks railway | Peter Klöckner developed the Kneuttingen factory in Lorraine into one of the most modern steelworks in Europe. Special features included a railway for transporting the raw materials to the blast furnace.



Duisburg Port around 1910 | modern trading requires well developed means of transport – on land and by water. Duisburg's port with its shipyards, warehouses and stocking yards played a central role in the economy of the Rhine and Ruhr.

produce iron and steel for itself. Klöckner also anchored the works at Troisdorf and Düsseldorf into his group: in 1912 they signed a so-called "community of interest contract" with the ironworks in Lorraine, and from then on they obtained their ores from there. Klöckner's enterprises now covered the entire range of industrial manufacturing, from iron ore mines to the production of machinery. The trading company was an important link in this perfectly coordinated chain of production. It procured the raw materials for the different factories and marketed the by-products arising from the manufacturing process, and its branches sold everything which the factories could produce. When in 1913 Peter Klöckner took over the chairmanship of the supervisory board of Lothringer Hütten- und Bergwerksverein, at that time one of the most modern steelworks in Europe, he had achieved his goal: the development of a major steel group with its own trading company.

The range of products from Klöckner & Co was growing ever wider. In 1913 the company also entered the scrap trade, which was emerging as an especially lucrative sector of the iron and steel trade. Scrap was much sought after as a basic material for steel manufacture

by the Siemens-Martin ("open hearth") process, in which raw iron, ore and scrap were smelted together in differing quantities. This method became established around the turn of the century with the rapid rise in demand for sheet metal from Siemens-Martin steel, among other things due to the intensification of Germany's fleet building. To produce the large quantities required, the steel producers needed increasing volumes of scrap. At Klöckner & Co, however, one preferred not to speak of "scrap" – so in 1913 an "old iron department" was established.

Peter Klöckner had recognized the signs of the times, and took advantage of changes in the industry at an early stage. Widening its horizons and always identifying new trading opportunities – this was another of the strengths of Klöckner & Co. Thus, immediately before the outbreak of the First World War, a well-assorted trading company had emerged, selling a full range of basic materials for the iron and steel industry including scrap, as well as a multiplicity of semi-finished and finished products from wire to machinery.

1918



"A heavy blow" – the First World War

Scarcely was the pinnacle of success achieved, when it was followed by a sudden caesura. On August 1, 1914, the German Empire declared war on Russia. Although the iron and steel industry expected good business from armaments production, it was soon complaining about the consequences of the war. "The

mobilization of precisely the best workers, the interruption of transport and the resulting difficulties in raw material supply and product sales have dealt a heavy blow to our industry," declared the Association of the German Iron and Steel Industry in December 1915. Peter Klöckner experienced these problems especially in his works at Kneuttingen in Lorraine. Many Italians and Poles who were among its workforce returned to

Victor coalmine | From 1910 Peter Klöckner extracted coal at Ickern near Essen. From there it was transported to the factories by the quickest means. Even at that time, perfect timing was one of the greatest strengths of Klöckner & Co.

Liebesgaben | At the outbreak of the First World War in 1914, so-called "Liebesgaben" ("gifts of love") were collected throughout Germany. In Duisburg, the citizens brought their donations for the troops to large warehouses, from tobacco and notepaper to socks and foodstuffs.



1918

their own countries after the outbreak of the war, forcing the factory to curtail production drastically.

The steel manufacturers, with their associations, cartels and syndicates, could be easily integrated into the system of wartime organization. Nevertheless, relations with the chiefs of staff were tense. While the military suspected the industrialists of trying to profit financially from the war, entrepreneurs criticized the military bureaucracy and resisted the constraints imposed by wartime economic controls. They feared for their profits, and saw themselves at a disadvantage against other sectors of industry. They also feared that political decisions taken during the war years would not be reversed at times of peace. Above all, the industrialists wanted to avoid concessions to the trade unions at all costs. This view was shared by Peter Klöckner, who was appalled by the growing influence of the trade unions and the impending loss of the works in Lorraine.

The First World War ended on November 11, 1918, with the capitulation of the German Empire. The previous day, Emperor William II had fled into exile in



Holland after the Social Democrats and Communists had declared a republic in Berlin on November 9. For Peter Klöckner the German Empire ended on a tragic and ironic note. As late as November 7, 1918, the Prussian Ministry of Trade appointed him to the post of "Geheimer Kommerzienrat" (Privy Councilor of Commerce). His pride in the title was combined with the trauma of defeat. But the "Geheimrat", as he was called from now on, continued to work towards his lifetime ambitions. Alongside the expansion of the group, his aim was the development of a "worldwide trading company", with a trading network stretching around the globe.

Stocking yard at the Haspe sheet metal rolling mill | Klöckner & Co held stocks of its iron and steel products in large yards adjacent to the works. From there, the trading company could deliver directly to its customers.



Personal stories

Peter Rütten

Mr. Rütten, when did Klöckner & Co create the department for foreign organization?

The department was set up at the beginning of the 1960s. Back then Klöckner & Co started up more and more of its own companies abroad. Before it had primarily worked with foreign representative offices. However, they often also worked for other enterprises. When foreign business was greatly expanded, Klöckner & Co needed exclusive representations. So it established its own foreign companies, some of them in the open countryside, or bought itself out of agency agreements and filled the managing positions with its own people.

What were the tasks of the department for foreign organization?

We looked after the companies and delegation offices abroad. Among other things, we evaluated all their figures and monitored costs – actual controlling was not introduced at Klöckner & Co until later. In some cases we were also responsible for providing the delegation offices with office supplies, furnishings and equipment. That was difficult, especially in the state-run trading countries in the East. You have to keep in mind that there was nothing there. The entire equipment had to be brought there from Germany: from pencils to erasers, from paper clips to office equipment.

Did that also apply to the office in Moscow?

Yes. When we opened the office there in 1976, there was a reception which we had to organize. That was a big occasion because the USSR was the most important market for steel for us. The celebration took place in an exquisite restaurant. Nevertheless, we had everything flown in via the Lufthansa Party Service: from food to the flowers in huge flower vases – everything came from Germany. The vases were all gone after the celebration. That was also typical of the conditions in the Soviet Union.

What was the work in the Soviet Union like?

You cannot imagine it any more today. You always felt under pressure there somehow. Even when checking into the hotel, that was not the world we were familiar with. I still remember well that I was happy every time I was on the way home on board Lufthansa. Our Moscow office was always headed by a member of the Klöckner staff. Our local staff was primarily composed of Russians who we were not able to select ourselves, however. They were assigned to us by the state authorities. These staff members naturally reported to the secret service, that was known. However, there were also attempts to win over members of the German staff as informers. When the pressure got too heavy, we had to transfer the persons concerned to Germany or another country quickly. In the 1990s, after the end of the USSR, criminal pressure on our personnel also became noticeable. This included a visit by two shady guys in the office who openly threatened a member of the staff. We took the matter so seriously that we called this person back to Germany.

“We had people you could send on a camel through the Gobi Desert.”



Peter Rütten (born in 1943) joined Klöckner & Co in 1963 and initially worked there in the foreign currency department. In 1970 he switched to the department for foreign organization – later central foreign department – and was in charge of the work performed by the Klöckner companies and delegation offices all over the world for about 25 years. Trips to South America, Asia and Russia were among the most impressive experiences of his professional life.

Weren't the Russians worried that Klöckner & Co would withdraw?

They didn't really need us. Others also supplied steel. I can tell you how they thought. We were at the Foreign Trade Ministry once and tried to explain to the official there how significant we were as partners. We listed all the projects for him and said how important Germany was for the Soviet Union and so on. Then he looked at us sympathetically, stood up and said: "Do you see this map? This is the Soviet Union. And here, that is Germany." Just to make the proportions clear.

Were there especially popular or unpopular places abroad?

The West European and North American countries were always very popular. In South America, too, life was certainly very pleasant for many. Particularly from the people in Argentina or those who were in Rio for us I never heard a complaint. In China, by contrast, the staff had to be special. We had people who you could send on a camel through the Gobi Desert. In Venezuela we had a company that we ran together with a German who had been living down there for 30 years. Once he flew to a conference abroad in Duisburg in his two-engine plane: via Florida, New York, Canada, Greenland, Iceland and England to Mühlheim. It took him about a week.

What did you appreciate most in your work?

The many contacts to people abroad. After all, we represented their interests in the group. They also came to us when they had worries or problems. We constantly had visitors from abroad. Frequently Germans from the foreign companies, but many foreigners as well. The regular meetings, the numerous people from different countries, that was very interesting and made for variety.





KLOCKNERHAUS

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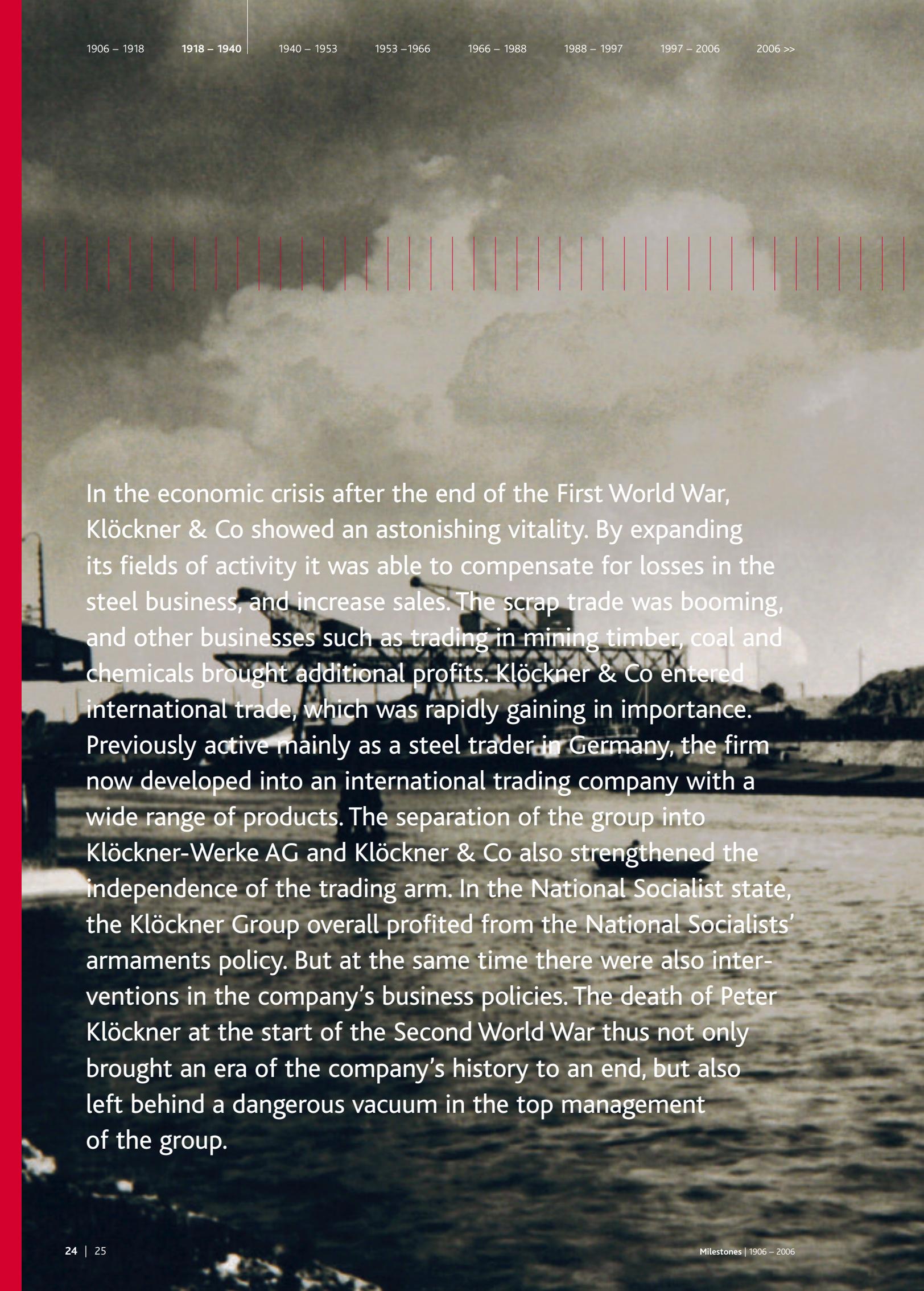
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In the economic crisis after the end of the First World War, Klöckner & Co showed an astonishing vitality. By expanding its fields of activity it was able to compensate for losses in the steel business, and increase sales. The scrap trade was booming, and other businesses such as trading in mining timber, coal and chemicals brought additional profits. Klöckner & Co entered international trade, which was rapidly gaining in importance. Previously active mainly as a steel trader in Germany, the firm now developed into an international trading company with a wide range of products. The separation of the group into Klöckner-Werke AG and Klöckner & Co also strengthened the independence of the trading arm. In the National Socialist state, the Klöckner Group overall profited from the National Socialists' armaments policy. But at the same time there were also interventions in the company's business policies. The death of Peter Klöckner at the start of the Second World War thus not only brought an era of the company's history to an end, but also left behind a dangerous vacuum in the top management of the group.

Growth in times of crisis

From national steel trader to international trading company (1918–1940)

1918

The crisis as opportunity

The defeat of the German Empire in the First World War brought the country into a deep crisis, which also affected the Klöckner Group. The factory at Kneuttingen was confiscated when Alsace-Lorraine, annexed by the Germans in 1871, was returned to France in 1918/19. With Kneuttingen, the group lost its most important ore supplier. Klöckner & Co was hit particularly hard, because trade in ore, iron and steel from Lorraine had for a long time been among its most profitable fields of business. As the year 1919 began, the prospects seemed bleak: the German economy was shaken after four hard years of war, and the establishment of the first German democracy was accompanied by political unrest.

In this difficult situation, Klöckner & Co showed an astonishing vitality. While the factories and mines belonging to the group first needed to be reorganized, the trading company was fully operational immediately after the end of the war, and its profits contributed towards the consolidation of the group. With the economic shortages of the post-war period, trade in scrap in particular was

booming. Just a few years earlier, Peter Klöckner had set up an "old iron" department, and after the war he immediately recognized the potential of this market. He deliberately expanded the scrap business, securing supplies by means of participations and cooperation. Thus, in 1919 Klöckner acquired shares in the Hamburg firm Wilhelm Alt Nachf., which was involved in the scrapping of industrial plant, and from 1921 worked closely together with the demolition contracting firm Sprenger. This cooperation developed into a Klöckner company called Altwert Alteisen- und Abbruchverwertung GmbH, specializing in old iron and scrap recovery, founded in 1937.

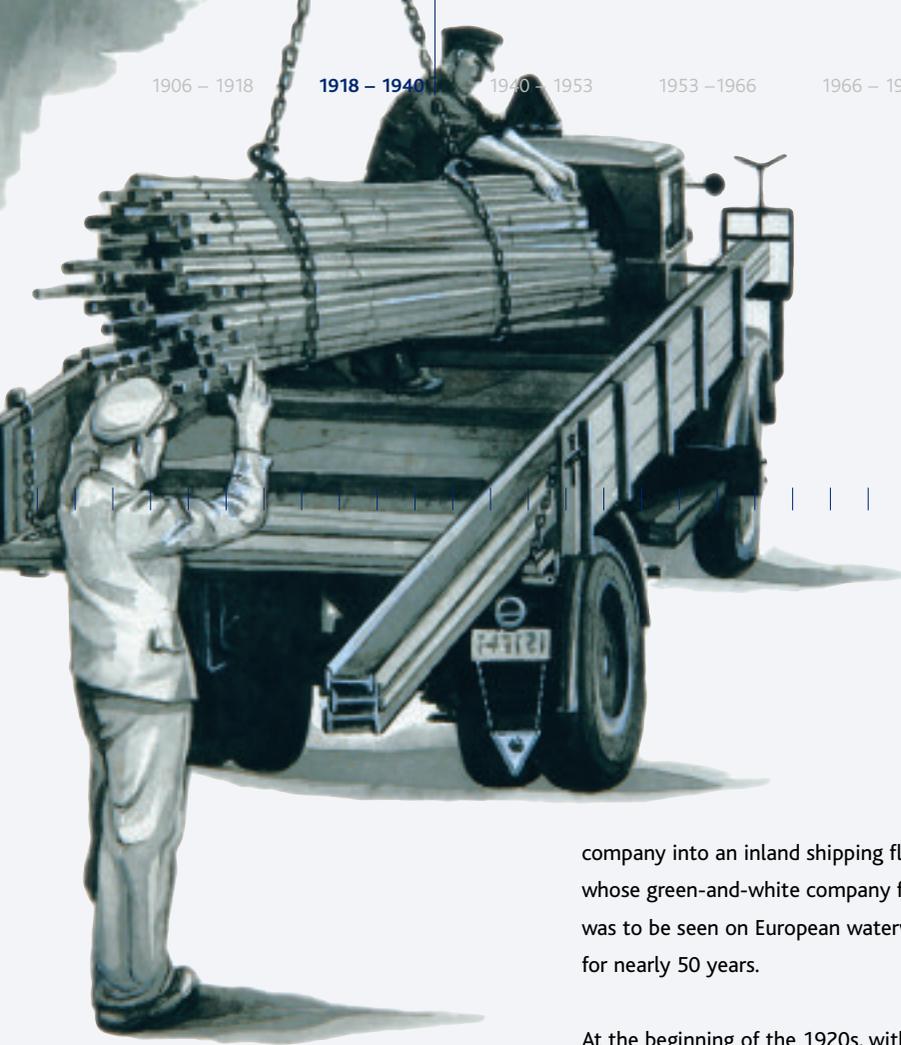
Another lucrative field of business was trade in coal, which was in scarce supply in the first years after the war. The Klöckner Group owned large coalmines, the Victor-Ickern mine in Rauxel and the General mine in Bochum. Trade in this much sought-after fuel went so well that in 1921 Klöckner established his own shipping and distribution company, Klöckner Reederei und Kohlenhandel GmbH. The shipping company's vessels enabled Klöckner & Co to supply its customers quickly and reliably. Within a few years, Peter Klöckner built up the



Ore and coke stocking yard | Access to its own ore supplies was the great strength of the Klöckner Group. After the First World War, Georgsmarienhütte replaced the mines and factories lost in Lorraine.



Rolling yard | In the early 1920s, the swag iron works at Troisdorf produced a range of iron wares on eight rolling lines, from screws to machinery.



1918

company into an inland shipping fleet whose green-and-white company flag was to be seen on European waterways for nearly 50 years.

At the beginning of the 1920s, with the foundation of Westfälische Holzhandlungsgesellschaft mbH in Castrop-Rauxel, Klöckner opened up a further lucrative field of business: trade in mining timber for the many German coal mines. The trading company's chemical department, founded in 1920 also developed successfully; while initially it was only responsible for the purchase of chemical products for the group's own factories and mines, the department soon began to market by-products from the Klöckner factories such as Thomas phosphate and benzene. With the founding of these new activities and the upturn in the steel business, Klöckner & Co grew so fast that in 1921 the 90 employees moved into a larger office building in Mülheimer Strasse. Number 54 remained the address of Klöckner & Co in Duisburg for more than 50 years.

Striking out in new directions

The success of Klöckner & Co in the first post-war years was based on the trading

company's speedy adjustment to the changed economic situation. Peter Klöckner and his staff did not simply cling to the old ways, or complain about the difficult economic situation, but oriented themselves to the needs of the company, used the trading opportunities on offer, and struck out in new directions. These included not only the expansion of its core business and the extension of its product range, but also the development of its own overseas business. Until the outbreak of the war in 1914, Klöckner & Co had mainly supplied the German market, and on account of the expanding German economy this had largely absorbed its entire capacity. During the First World War the export of German steel products to enemy countries was not possible. After the war, on the other hand, overseas trade offered the opportunity to open up promising new markets during a period of economic difficulty.

Peter Klöckner seized this chance. In 1920 he established the first overseas subsidiary of Klöckner & Co in the Netherlands: N.V. Handelsmaatschappij Montan with headquarters in The Hague. The company initially operated a back-to-back business only, supplying customers with products delivered directly from Klöckner & Co.

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A group with two pillars



Two pillars | In 1923 Peter Klöckner separated production and trading. Klöckner-Werke AG took over the manufacture of the various iron and steel products, while Klöckner & Co was responsible for trade.

After the loss of the main works at Kneuttingen in Lorraine, Peter Klöckner had to rebuild his group. With the compensation payments for Kneuttingen and the trading profits of Klöckner & Co, he had at his disposal the funds necessary for larger investments. Thus, in 1920 he already succeeded in taking over a majority shareholding in Georgsmarien-Bergwerks- und Hüttenverein AG near Osnabrück. This company filled the gap in the group's ingenious structure which had been left by the loss of the works in Lorraine. Peter Klöckner also acquired mines at Unna and Werne, and modernized the rolling mill at Troisdorf.

The "Kommerzienrat" acted swiftly and with purpose, so that by 1920 he had already completed the rebuilding of his group with a carefully coordinated structure comprising mines, factories and trading companies. The iron and steel works at Haspe, with 1,900 workers, had four blast furnaces, a Thomas and a Siemens-Martin steelworks, and numerous rolling mills. Mannstaedt-Werke at Troisdorf, with 3,900 workers, produced swag iron, nuts and bolts, and machinery and plant on eight rolling lines. The new factory in

Osnabrück possessed coal mines, blast furnaces, rolling mills and a roll lathe plant, and manufactured points, railway wagons, wheelsets, and other railway equipment. Smaller works as well as numerous shareholdings in steelworks and factories rounded off the alliance of Klöckner-Werke AG, which were closely linked to one another with community of interest contracts. Klöckner & Co marketed the products of the factories belonging to the group, and ensured that they were supplied with raw materials of all kinds.

Peter Klöckner had used the post-war crisis as an opportunity to reorganize his group. Within a few years its size had grown beyond that of the pre-war years. Restructuring was necessary. In 1923 Klöckner decided to divide the group into two independent units. The manufacturing works were grouped together as Klöckner-Werke AG, while the trading activities continued to operate under the name Klöckner & Co. The division into production and trade strengthened the group and gave Klöckner & Co a greater degree of independence.

1918



Georgsmarienhütte blast furnace plant |

In 1920 Peter Klöckner acquired a majority in Georgsmarienbergwerks- und Hüttenverein. With its blast furnaces and rolling mills, Georgsmarienhütte developed into one of the group's most important production locations.

French occupation | French troops march in front of Duisburg Town Hall on March 8, 1921, after the German Reich had rejected the amount of reparations demanded by the allies.



In 1922, Montan acquired its own steel stocking yard, similar to those at the larger German branches. In the following years, Peter Klöckner transferred to the company a substantial proportion of the shares in Klöckner-Werke AG, which was founded in 1923. In view of the unstable political situation in Germany, the Netherlands seemed to him to offer his property better protection. Later, Montan served as a launching pad for further overseas subsidiaries, Montan Establecimientos in Buenos Aires (1931) and Central Iron Metal Company in New York (1939).

At this time, extra-European trade was already operating on all cylinders. In 1922 Peter Klöckner could report a "lively overseas business". At that time, Klöckner & Co delivered goods to Argentina and Brazil, and also to India, China and Japan within Asia. When the German Raw Steel Community was established in 1924, Klöckner & Co belonged to the exclusive

circle of eleven "1A steel exporters". This had powerful advantages for Klöckner, who obtained high export quotas within the framework of the cartel.

The "Golden Twenties"

As well as exports, Klöckner & Co was also active in the import business. When domestically-produced coal was in short supply during the occupation of the Ruhrgebiet by French troops in 1923, Klöckner imported coal from England. This flexibility helped Klöckner & Co to survive the difficult years of the inflation, which reached its peak in November 1923. At that time a loaf of bread cost 201 billion marks. Banknotes to the value of 100 trillion marks were in circulation. A currency reform put an end to this "hyperinflation" and laid the foundations for the upturn of the following years, the "Golden Twenties".

The recovery in the German economy also gave a powerful stimulus to trade. For Klöckner & Co, its domestic business grew strongly while foreign trade broke new records. The eight to twelve employees of the domestic and foreign steel departments in Duisburg alone sold several thousand tons of steel during the

Celebrating liberation | In September 1925 the Mayor of Duisburg, Dr. Karl Jarres, makes a speech on the occasion of the withdrawal of the French troops. Jarres was a friend of Peter Klöckner, and chairman of the supervisory board of Klöckner & Co from 1942 until 1951.



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boom of the 1920s. Also in this core business of the trading company the product range was extended: in 1925 Klöckner & Co started trading in alloys and metals for steel refining. Business in these sectors was so good that in 1930 a separate metals department was established. The success of the steel trade led to the establishment of additional branch offices. Klöckner & Co had operated a new representative office in Hagen since 1919, and this was followed by Osnabrück in 1924 and Nuremberg in 1930.

Trade was also booming in other sectors. In 1925, Klöckner Reederei und Kohlenhandel GmbH delivered coal to France for the first time. In 1926 a months-long coal miners' strike made possible the first exports of coal to the British Isles, a gigantic business with a volume of 1.3 million tons, which also opened up a market which had previously been firmly in the hands of domestic suppliers.

The trading company's chemical department also expanded its field of activities, and in 1923 it started to market fertilizers through Klöckner-Dünge-Handel GmbH with headquarters in Berlin. This business grew when Klöckner, jointly with Wintershall AG, founded Gewerkschaft

Victor in 1927 and took over the marketing of 50 per cent of the fertilizers manufactured at the Rauxel nitrogen works. In the same year Klöckner & Co achieved a profit of one million marks.

Success through Prussian virtues

In the offices of Klöckner & Co, however, there were few traces of the glitter of the "Golden Twenties". The rooms were small and rambling, and the staff mostly still worked standing at desks which dated from the time of the Emperor. Austerity was the order of the day. For example, the Managing Director of Klöckner Reederei und Kohlenhandel GmbH, Hans Broermann, worked initially in the file room of the secretaries' office. In the foreign steel department there was only one telephone. When preparing airmail letters, staff had to cut off any blank paper in order to reduce weight and save postage. Peter Klöckner always urged his employees to show economy, and he himself set a good example. When traveling by train on behalf of Klöckner & Co, he rode second class.

The staff treated the "Geheimrat" with the greatest respect; his discipline and strictness were legendary. Secretaries



Branch office in Hanover | In order to be close to its customers, Klöckner & Co built up a dense network of branches in Germany. The offices, as here in Hanover, also had warehouses stocking a wide range of products.



Klöcknerhaus Berlin | In the capital city, Klöckner & Co was housed in representative offices.

1918

Wire and pin factory | Klöckner's iron and wire factory in Düsseldorf manufactured wire rope and barbed wire. In the hall pictured here, metal pins were also produced.



arriving late would hide in doorways to avoid meeting the boss, who would not tolerate unpunctuality. If the branch managers, with whom Peter Klöckner met regularly, only had small outstanding debts, Klöckner would criticize them for insufficient risk-taking. When the sums became larger, the "Geheimrat" accused them of recklessness. To executives failing to produce the expected profit he declared: "Either we change the figures or we change the faces."

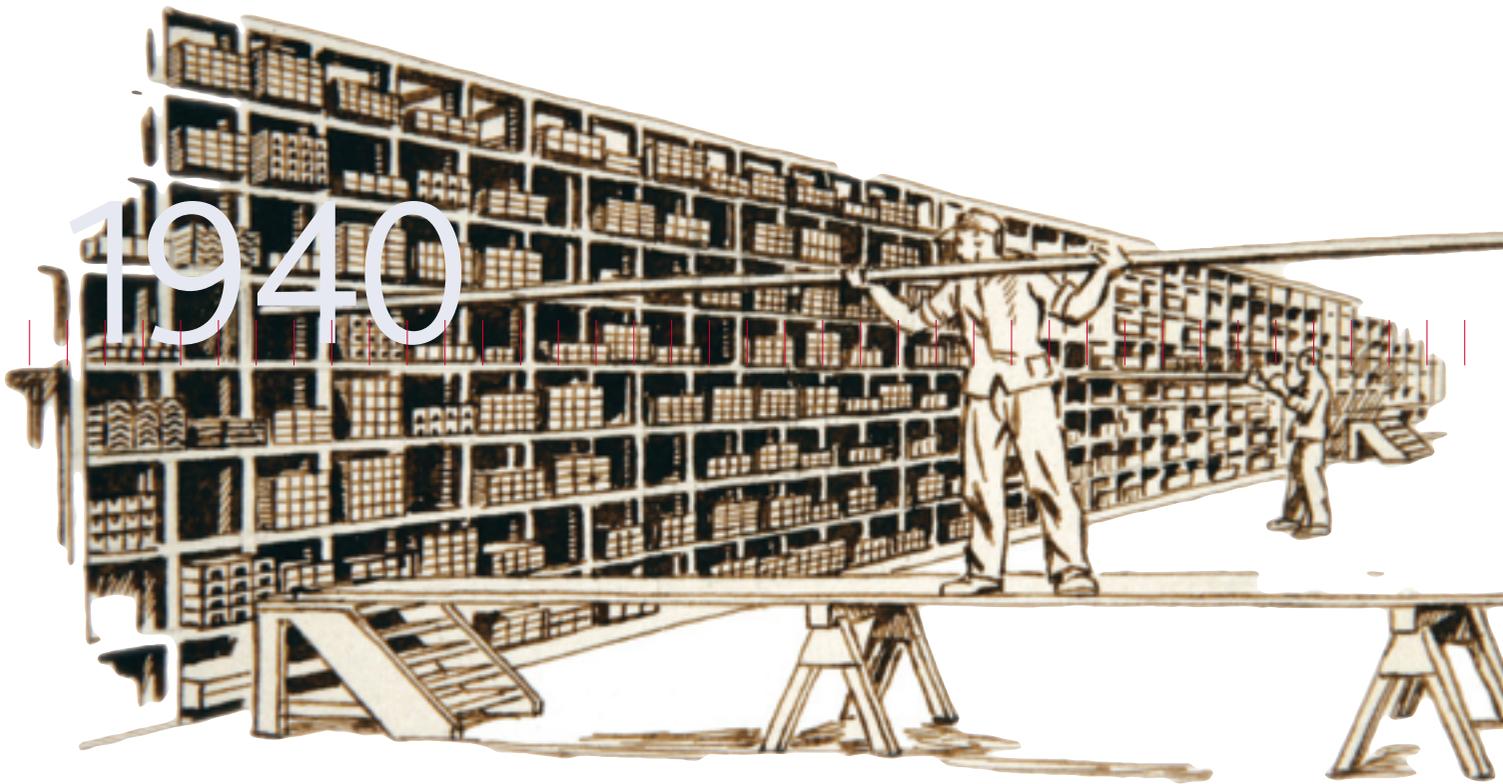
Despite the strict regime, employees were happy to go to Klöckner & Co. The departments possessed a marked sense of community, which was transmitted through the entire company and formed the basis for the frequently invoked "Klöckner spirit". This was based to a large extent on the freedom of action which Peter Klöckner permitted to his staff. From the directors who managed the departments on their own responsibility, to the clerks who received and processed the orders, everyone pulled together with commitment and discipline.

Work at Klöckner & Co was demanding, and was highly respected in Duisburg. Anyone who could say: "I work for Klöckner", rose in the eyes of their friends and neighbors. Consequently a position at the famous trading company was seen as highly desirable.

World economic crisis and "Russia business"

At the end of the 1920s the economic situation deteriorated. In December 1928, Peter Klöckner was already speaking of "particularly bleak prospects". His pessimistic assessment turned out to be true. By mid-October 1929, Klöckner noted that foreign customers were exercising "extreme restraint", and that domestic business was "at quite a low level on account of the financial shortages of the government, local authorities and businesses". A few days later the New York Stock Exchange crashed. The crash, which has gone down in history as "Black Friday", was the most clearly visible sign of a worldwide economic crisis, which in





the following years resulted in the collapse of many companies and high unemployment, also in Germany.

In this difficult situation, German industry received a tempting offer from the Soviet Union. The communist leaders wanted to purchase industrial goods and plant in the framework of their Five-Year Plan for the industrial development of the country. In Germany the business was controversial from the start. Many regarded the communist regime as unreliable and not creditworthy. Peter Klöckner, however, saw this business as an opportunity which he wished to exploit. At the beginning of 1931 he traveled to Moscow at the head of a delegation of German industrialists to obtain for themselves an impression of the Soviet economy.

Their impression was positive (see box), but the negotiations turned out to be difficult. In particular the payment conditions were at issue; the Russians wanted long-term credits, while the Germans demanded a ten per cent cash payment

Peter Klöckner's visit to Russia

It was a very special journey that Peter Klöckner made in February 1931. On the invitation of the Soviet Union, he traveled to Moscow at the head of an eighteen-strong delegation of German industrialists to do business with the first communist state in the world. For two weeks, Klöckner spoke with leading cadres, visited cities and factories, and got to know the country and its people. The experienced merchant was bowled over. Back home he waxed lyrical about the Russian hospitality. "My accommodation was really princely. I lived, for example, in a large room with hunting trophies, a boudoir, a bedroom with two beds, and a bathroom. It was the same for the other gentlemen. Special catering was provided for us, and we received first-class treatment the whole time." Peter Klöckner admired the order that reigned in the country, and spoke with respect about the new rulers, who were working on the development of the country with "extraordinary energy".



Visit to Russia, 1931 | A high-level delegation of German industrialists held negotiations and visited factories, as seen here at Elektrosila in Leningrad. Peter Klöckner (second from left) was the leader of the delegation.

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Cold rolling mill | Klöckner's rolling mills, such as the cold rolling mill at Troisdorf shown here, were delivering at full speed from the mid-1930s. Growing quantities of steel were required for armament production.



when orders were placed and short payment terms. In the end an agreement was reached and Peter Klöckner undertook to win the support of the German government for the deal. He wanted it to provide the industrialists with guarantees against default. Klöckner canvassed vehemently for support in Berlin. In view of the general lack of orders and mass unemployment, he argued, a business worth millions could not be allowed to pass by. In the Soviet Union "there is a state of order", and "the leadership shows extraordinary energy", he declared. The delegation was certain "that the Russians would pay".

Peter Klöckner trusted his personal impressions, and was proved right. Between 1931 and 1934 Klöckner and other German industrialists exported goods to the value of two billion marks to the Soviet Union. The "Russia business" helped the Klöckner Group to survive the crisis years, although not without having to make strict savings. As in so many other companies, Klöckner was forced to reduce wages and dismiss workers.

At the height of the economic crisis, in the year 1932, more than six million people were unemployed. The recession,

which had lasted for more than three years, gave an impetus to the opponents of the democratic Weimar Republic. Since 1930 a series of presidential cabinets had sought to manage the crisis, sometimes with dictatorial measures. Radical forces such as the NSDAP gained increasing strength in this period. In the summer of 1932, the National Socialists were even able to enter the Reichstag as the strongest party. However they did not come to power by their own strength, but with the support of right-wing conservative circles which, following the failure of the last presidential cabinet under General Kurt von Schleicher, entered a coalition with the NSDAP at the beginning of 1933. On January 30, 1933, President Paul von Hindenburg appointed the "Führer" of the NSDAP, Adolf Hitler, as Reich Chancellor.

The economy in the National Socialist state

The conservative opponents of the Weimar Republic, who advocated cooperation with the National Socialists, also included representatives of large-scale industry. Some of these had already given Hitler financial support before 1933, among them the members of the

Port and factory | The closeness of the Klöckner factories to the waterways offered good conditions for marketing in Germany and abroad.

"Ruhrlade", an exclusive circle of well-known industrialists in the Ruhrgebiet, founded in 1928. Their objective was to influence politics in the direction of their own interests. Peter Klöckner was also a member of this organization, even though he was not among the supporters of Hitler. As a Catholic, who was close to the conservative Center Party, he was regarded politically in the "Ruhrlade" as rather an outsider. But despite this distance, Peter Klöckner did not fully reject National Socialism. Like many other nationalist-minded conservatives, he hoped Hitler would restore order and provide a stimulus for the economy.

This hope initially seemed to be justified. In 1933 came the first indications of an upturn, marking the end of the world economic crisis. Measures introduced by previous governments now started to take effect. The National Socialist regime also profited from the improved worldwide economic situation. The National Socialists also launched vast building programs and armament projects which reinforced the upswing. This policy especially benefited the German steel industry. Within a few years, production of crude steel rose from six million tons (1932) to 16 million tons (1935).





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Initially the National Socialists did not interfere with the existing structures of companies, associations and cartels, but with the *Arbeitsordnungsgesetz* (National Labor Law) of January 1934 they intervened massively in the organization of businesses. From then on, the “leader principle” was also applied in the economy: employees were now seen as followers, owing a duty of loyalty and obedience towards their factory leader. Then, in the summer of 1934, the trade associations were brought into line, organized into so-called “Reich Groups”, and made subordinate to the Economics Ministry. In the coal and steel industry, the armament policy of the regime led to interventions in company policy.



Wire manufacture | The Klöckner factory in Düsseldorf produced wire and ropes for a variety of uses. In the halls in this picture, wire was drawn and wound.

More and more steel manufacturers switched to armaments production. However the raw materials and other items necessary were no longer freely traded, but allocated. From August 1934, supervisory offices regulated the procurement, distribution, marketing and consumption of raw materials, products and foreign exchange. This policy was intended to make Germany as independent as possible from other states, and already served as preparation for a war. This also included the encouragement of steel exports, in order to acquire foreign ex-

change for the purchase of products and raw materials relevant to armament production.

The general upturn after 1933 also brought about a recovery in trade, and the National Socialists' promotion of exports resulted in lucrative business. At Klöckner & Co, at any rate, there was a climate of optimism. In October 1934, Peter Klöckner pointed to the “improvement in world business” and reported “higher profits”. The employees had their hands full. In the foreign steel department, ten to twelve hours work per day was the rule. But the control of industry by the state was a thorn in Peter Klöckner's flesh. Although willing for reasons of patriotism to accept the domestic restrictions imposed by the wartime system of allocation, he vehemently rejected targets for exports. World trade, argued Klöckner, was “so complicated and ramified” that only the “enterprise of the German businessman and industrialist” could achieve the desired results. In this, Klöckner behaved like the majority of entrepreneurs in the National Socialist state: they learned to live with the restrictions of the National Socialist economic system, and attempted to operate profitably within the given circumstances of the time.

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Fate strikes a heavy blow

Peter Klöckner's economic success was overshadowed by a heavy blow of fate: on December 26, 1936, Peter Klöckner's only son Waldemar died in a motor accident at the age of 23. For his father, it was as if a world had fallen apart. But the group itself was not endangered, because already in 1931 Klöckner had founded the Peter Klöckner Family Foundation (Peter Klöckner-Familienstiftung) to administer the estate of Peter Klöckner in the event of Waldemar's death. Klöckner took this step as a means to preserve his life's work. The Foundation guaranteed the continued existence of the group.

Nevertheless Klöckner sought a successor from within the ranks of the family. He found him in the shape of Dr. Günter Henle, the husband of his step-daughter. Henle came from a Bavarian family of officials, was a qualified lawyer, and had worked for many years in the diplomatic service. Given his background, nothing would have seemed more remote than the management of a steel group. Yet only a few days after the death of Waldemar Klöckner, Günter Henle answered the call of duty. "I was anxious," he wrote in his memoirs, "to penetrate the secrets of debit and credit, and to

precisely understand the profiles and qualities of rolled iron." He took his first steps in the steel business at Georgsmarienhütte near Osnabrück, where he took over a management function.

"More orders than we want"

The private catastrophe of Peter Klöckner had no adverse effect on the activities of the group, which were running outstandingly well. The steel industry continued to profit from the armament policy of the National Socialists. But when the Four-Year Plan came into force in 1936, the regime placed further significant restrictions on business freedom. Although private property remained untouched, National Socialist economic policy exercised a considerable influence with its freeze on prices and wages. When bottlenecks arose in the procurement of materials as well as in manpower, the authorities extended the system of resource allocation. The aim was to increase armament production further with a view to the planned war. Already in 1938, Germany manufactured more steel than England, France, Belgium and Luxembourg combined. In October 1938 Klöckner-Werke broke all records with the production of more than 100,000 tons of steel. All plants were operating at full



Deutz tractor factory | Motorenfabrik Deutz, located at Deutz (a district of Cologne), later incorporated into Humboldt-Deutz AG, also produced tractors from 1926.



Engines – a third pillar

In 1938 Peter Klöckner extended his group with the addition of a third pillar: the engine factory Klöckner-Humboldt-Deutz AG (KHD). It was a subsidiary of Klöckner-Werke, and combined with it to form a community of interests: KHD processed steel which was produced by Klöckner-Werke. Klöckner had created KHD from four companies which he had brought into his ownership over a period of more than three decades. Already in 1903 he was represented on the supervisory board of Maschinenbau Anstalt Humboldt at Kalk, a district of Cologne, and in 1906 on that of the company that later became Motorenfabrik Deutz, located at Deutz, another district of Cologne. When he acquired a majority of the capital in both companies in 1924, he merged them as Humboldt-Deutz AG. In the same year a community of interests was established with Motorenfabrik Oberursel. In 1930 the two companies merged as Humboldt-Deutzmotoren AG. But the company made hardly any profit. The manufacture of trucks was to change this. In 1935, Klöckner purchased the Magirus truck factory in Ulm. This connection resulted in the creation of Klöckner-Humboldt-Deutz AG – a large company with 18,000 employees, which quickly rose to become an important manufacturer of trucks and engines.



Large engine store | With the establishment of Klöckner-Humboldt-Deutz AG in 1938, Klöckner extended his processing chain significantly. His group no longer only delivered to other processing industries, but now also built its own machinery and engines, which were stored in large halls.

The picture below shows the premises of Klöckner-Humboldt-Deutz AG in Cologne's Deutz district at the end of the 1930s.

capacity, and Klöckner was "flooded with more orders than we want," as the head of the firm noted. At that time 650 people worked for Klöckner & Co, about half of them in the old iron warehouses.

Exports also rose in these years. At the beginning of the 1930s, Klöckner & Co exported principally to European countries, certain South American countries, and the British colony of India, but by the end of the decade the company was supplying all important overseas markets. Klöckner had various local representatives, and also cooperated with English, French, Belgian and Dutch firms who handled the exports to their respective colonies. The importance which foreign trade had now acquired is shown in the number of employees: in 1933 only 12 employees worked in the foreign steel department of Klöckner & Co, but by 1939 there were already 80.

One of the most important items of trade in the late 1930s, both in Germany and abroad, was railway equipment. In 1937, Klöckner & Co obtained an order for the delivery of more than 300 kilometers of rails for new railway lines in China. As the demand for rails, locomotives, tippers and other material

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continued to increase, Klöckner & Co set up a separate railway department in 1939.

The end of an era

The outbreak of the Second World War on September 1, 1939, initially had almost no negative impact of the activities of Klöckner & Co. Even its exports did not experience any downturn. Until the attack on the Soviet Union in the summer of 1941, Klöckner & Co was even still supplying goods to markets as far away as Iran. In the domestic market and among Germany's allies the need for steel, and with it the volume of trade, increased. The railway department also profited from the war, because the Reichsbahn required more and more wagons and locomotives.

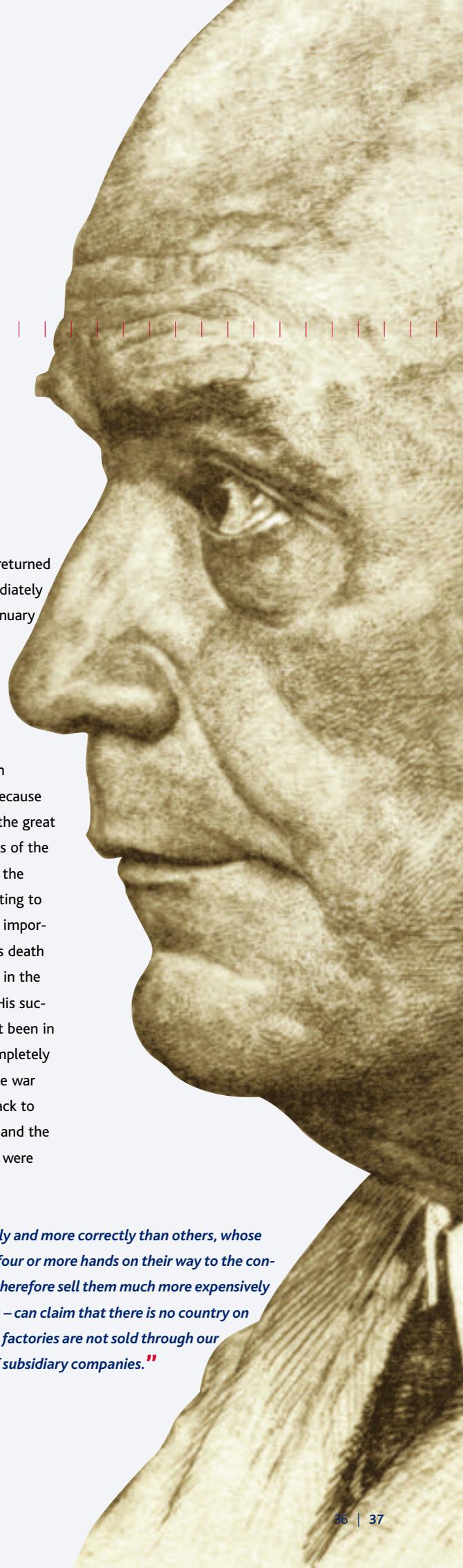
After the capitulation of France in the summer of 1940, Germany once again annexed Alsace-Lorraine. The National Socialist regime needed ores from Lorraine in order to supply the German steel manufacturers with sufficient raw materials for the production of steel for the continuously growing armament production. For Peter Klöckner the annexation of Alsace-Lorraine meant going back to the roots. The factory at Kneuttingen,

which he had lost in 1919, was returned to his possession and was immediately integrated into the group. On January 1, 1941, Kneuttingen resumed operations.

Peter Klöckner did not live to see this. He died on October 5, 1940, at the age of 76. His death represented the end of an era, because Klöckner was one of the last of the great company founders from the days of the German Empire. At a time when the National Socialists were attempting to exercise control over companies important to the war effort, Klöckner's death left behind a dangerous vacuum in the top management of the group. His successor Günter Henle had not yet been in the business long enough to completely fill the gap. At the same time, the war spread and soon reverberated back to Germany. Klöckner-Werke, KHD and the trading company Klöckner & Co were facing difficult times.

"We have done things differently and more correctly than others, whose products pass through three to four or more hands on their way to the consumer, and who of course must therefore sell them much more expensively than we who – without boasting – can claim that there is no country on Earth where the products of our factories are not sold through our own offices or through those of subsidiary companies."

Peter Klöckner, 1933



Personal stories

Helmut von Rintelen

Mr. von Rintelen, what were your duties at Klöckner & Co?

In its best days the central division for legal and group matters was composed of 13 persons, including six fully qualified lawyers who were also company officers holding commercial power of attorney. The international industrial plant business involved the most intensive consulting. I was personally in charge of the Peter Klöckner Family Foundation (Peter Klöckner-Familienstiftung) and later the non-profit-making Peter Klöckner Foundation (Peter Klöckner-Stiftung), and advised the company predominantly in matters regarding company law and the law relating to corporate groups as well as antitrust law. I also handled legal matters concerning the domestic steel sector. I looked after Androsorbis AG in Zürich, whose numerous subsidiaries represented a major part of Klöckner & Co's foreign organization and was a member of the board of Klöckner Industrial Plants Ltd. in London, a subsidiary of Klöckner Industrieanlagen GmbH – at that time a major part of the Klöckner & Co Group. That involved many trips according to the motto: Join Klöckner and see the world.

In the trading business large sums of money are often involved ...

Yes, particularly in the industrial plant business, which was handled by my highly qualified colleagues. That was extremely risky because if, for example, a cement mill or fertilizer plant had to be supplied and this did not work properly, that could destroy a company – if one did not have the right legal counsel. Jörg Henle, himself a qualified lawyer, was well aware of this. We lawyers certainly contributed to the fact that he and the rest of the board of management were able to sleep with peace of mind.

As the head lawyer, you helped to fashion the major legal changes at Klöckner & Co.

One of my first duties was to draft a new memorandum and articles of association for Klöckner & Co. My first big case was the lawsuit against the famous substitute inheritance tax ("Ersatzerbschaftssteuer") for family foundations in 1974. This tax was fatal for our family foundation, which was, of course, the main owner of Klöckner & Co. We went all the way to the Supreme Court and my job was to represent the foundation in court together with the constitutional lawyer Dr. Hermann Maassen. After our lawsuit was dismissed, we pursued the route of setting up a non-profit-making institution.

This is how the Peter Klöckner Foundation came into being, which I helped to establish. It was now the owner of Klöckner & Co, but did not have to pay any inheritance tax, but promote the common good. And that is what it did: Duisburg's cultural life in particular owes a lot to the foundation.

How important were the foundations for Klöckner & Co?

The secret of the family foundation was that it reinvested its income. It always used the income to increase its capital contribution. However, the growth prospects of a company that can make use of the free capital market are significantly better. Some managers complained that the foundation was a growth drag because capital increases

“We contributed to the fact that Mr. Henle could sleep with peace of mind.”



Helmut von Rintelen In 1966, after his studies of law, Helmut von Rintelen (born in 1935) started at Klöckner-Werke AG, which soon sent him to Walzstahlkontor Nord GmbH, a cartel whose main shareholders included Klöckner-Werke AG. In 1973 Jörg Henle sent the law graduate to Klöckner & Co, where he took over management of the central division for legal and group matters. As Judicial Counsel, von Rintelen advised the trading group in many important legal matters for 25 years. Since his retirement in 1988 von Rintelen has been working as a lawyer.

were possible only to the extent that the foundation was able to support them without losing its dominant influence. On the other hand, with the family foundation you always knew where you stood. We were always enamored with the foundation structure because the family remained in the driver's seat. This meant the staff knew who the company belonged to and could be absolutely sure that it would not be sold. The sale of Klöckner & Co in 1989 was a cultural shock for the employees.

Your work for Klöckner & Co was thus very varied?

Yes. Most of the things we had to deal with were quite serious. Nevertheless, we had a lot to laugh about here in the company. I recall an episode in 1977. At the high point of the wave of terrorism Klöckner & Co was safeguarded due to the concern about attacks. In the "plush suite" – the executive floor – the secretaries kept a watch on access to the board offices by means of monitors. Ms. Becker, the popular secretary of Finance Director Heinz Wolf, also had a monitor. After she had let me in, I asked her: "Ms. Becker, what would you actually do if I appeared in front of the door and a masked terrorist was standing behind me holding a pistol to my head?" Ms. Becker promptly replied with her very charming smile: "In this case, Mr. von Rintelen, I have express instructions to sacrifice you."

Good thing that Ms. Becker was not put to the test! In general there was a rather informal atmosphere at Klöckner & Co?

Yes, that's right. For example, Jörg Henle used to write a personal bonus letter to all his directors every year. In addition to an assessment of the business results, they also sometimes contained criticism. As if to say: "Our patience is slowly coming to an end, another year of losses and we will have to think about drastic measures." As a rule, however, reproach and praise balanced each other out. When someone was promoted, received special authority or moved up to manager of a



division, this was always announced by Jörg Henle personally in a very witty speech at a nice get-together shortly before Christmas. Those scaling the career ladder in this way were invited to dine with one of the managing partners. Mockers nicknamed this event the "subordinates ball".



In the grip of politics | **1940 – 1953**

War, decartelization and a new beginning

43 | Loss of control

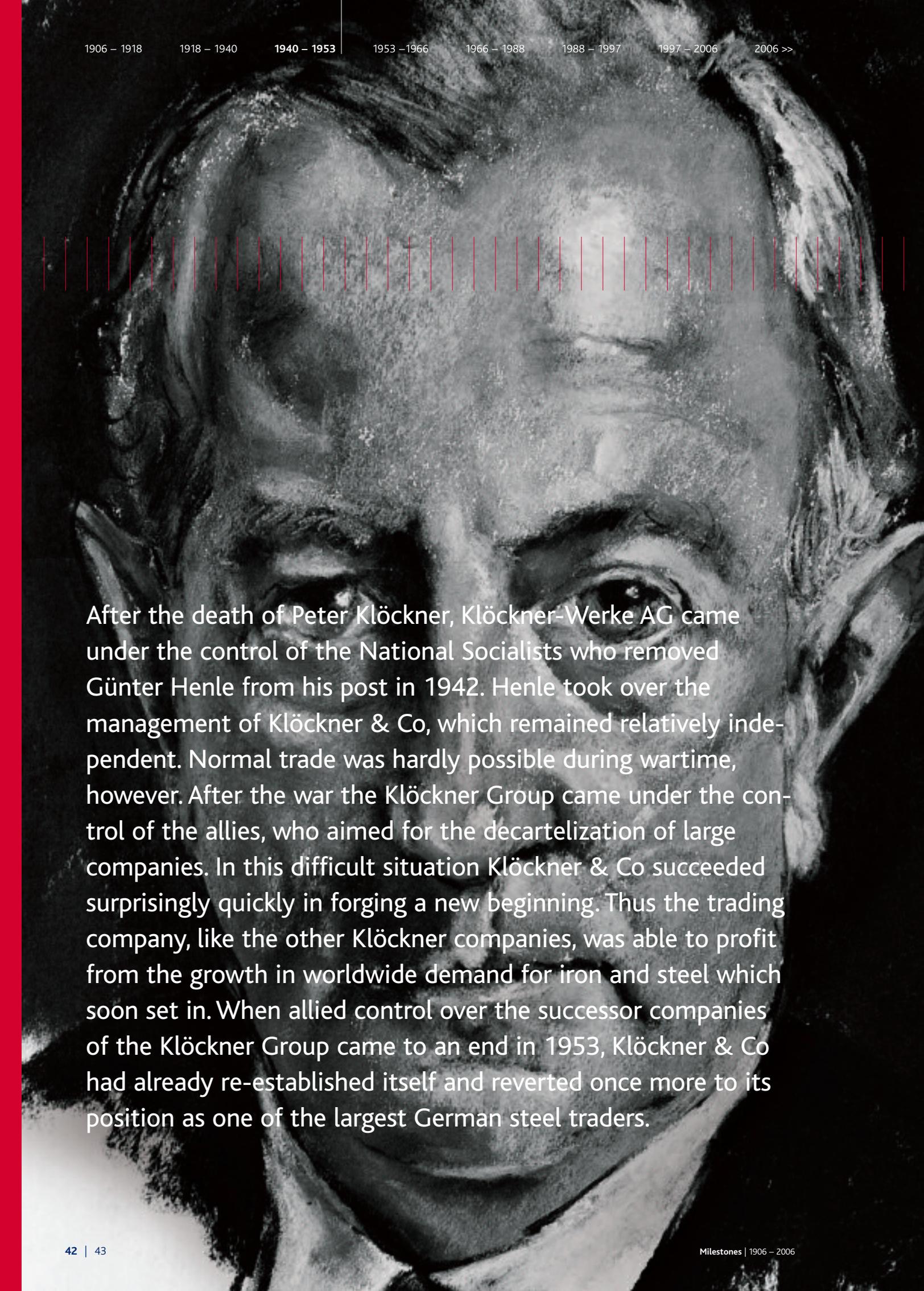
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After the death of Peter Klöckner, Klöckner-Werke AG came under the control of the National Socialists who removed Günter Henle from his post in 1942. Henle took over the management of Klöckner & Co, which remained relatively independent. Normal trade was hardly possible during wartime, however. After the war the Klöckner Group came under the control of the allies, who aimed for the decartelization of large companies. In this difficult situation Klöckner & Co succeeded surprisingly quickly in forging a new beginning. Thus the trading company, like the other Klöckner companies, was able to profit from the growth in worldwide demand for iron and steel which soon set in. When allied control over the successor companies of the Klöckner Group came to an end in 1953, Klöckner & Co had already re-established itself and reverted once more to its position as one of the largest German steel traders.

In the grip of politics

War, decartelization and a new beginning (1940–1953)

1940

Loss of control

Following Peter Klöckner's death, Günter Henle took over the management of the group in October 1940. But the change in management did not run smoothly; the gap left by Peter Klöckner was too great. One of the directors of Klöckner & Co refused to work under Henle. The staff regarded themselves as more competent in trade matters than their new boss, who until then had only worked at Klöckner-Werke AG. It was only after a long-running legal battle and a high severance payment that the director relinquished his position in August 1941.

But it was not only internally that Günter Henle's position was challenged. The National Socialists, too, attempted to gain influence over the company, which was important to the war effort, by attacking the still-inexperienced head of the group. In July 1942 the Gauleiter (Nazi party district leader) of Essen, Josef Terboven, called on Henle to cease "all activities within the Klöckner Group". The Nazi official used as his pretext an infringement of the state-regulated price-fixing which had occurred more than a year previously.

The background for the Gauleiter's attack was the intensification of the National Socialist wartime economic controls. With its attack on the Soviet Union and its declaration of war on the USA in 1941, the National Socialist regime had spread the war outside Europe. Armaments production was running at full tilt, but was still unable to keep up with the needs of the German Wehrmacht. The main shortages were felt in raw materials and manpower. When the advance of the German armies in Russia began to falter in the winter of 1941/42, Hitler appointed the young Albert Speer as Minister of Armaments and War Production in order to mobilize the last possible resources. The National Socialist state and its organizations intervened more and more heavily in the management of companies important to the war effort such as Klöckner.

Günter Henle feared attacks on his person, and withdrew to Berlin. In Duisburg the remaining group management resisted the interference of the National Socialists to the best of their ability. In particular the chairman of the supervisory board, Dr. Karl Jarres, attempted to limit the damage suffered by his good



Klöcknerhaus with oriel | After various phases of rebuilding, the originally somewhat playful Gründerzeit Klöcknerhaus became a rather functional office building. Until his death in 1940, Peter Klöckner resided in the legendary oriel room.

1940

Forced labor and the war economy



From the beginning of the war, the German economy suffered shortages of manpower. Able-bodied men were called up, and women could only partially make up for their loss. So at an early stage the National Socialist regime began to employ foreign laborers, prisoners of war and forced laborers in the German economy, and especially in armament production. This also applied to the Klöckner factories. For example, initially French and later also Russian prisoners of war and so-called "Ostarbeiter" (Eastern workers) worked in the steel and ironworks at Haspe from the summer of 1940. The "Ostarbeiter" had been deported from the occupied countries of Eastern Europe and compelled to work in German industry. The Klöckner factories also employed forced laborers for particularly heavy work in the coal mines. In 1945, 1,000 to 2,000 persons were still being held prisoner in one camp alone attached to the Werne mine. Near Osnabrück in 1944 the Gestapo built a "Workers Educational Camp" for 2,000 forced laborers, who lived there in

inhuman conditions and were put to work in the nearby Klöckner factories. Besides the forced laborers, concentration camp prisoners also worked in the factories of the Klöckner Group.

Whether and to what extent forced laborers worked at Klöckner & Co is not known. Trade was not a typical field of occupation for forced labor, but here too there was a shortage of manpower, which in sectors important to the war effort was undoubtedly remedied by whatever means were available. When the German business foundation "Erinnerung, Verantwortung, Zukunft" (Remembrance, Responsibility and Future) was set up in 1999 on the initiative of the German government, Klöckner & Co contributed to the fund through its owner at that time, VIAG. In this way, more than fifty years after the war ended, the surviving forced laborers received at least a small material compensation for the injustices they had suffered.

1953

friend Peter Klöckner's company. The former Mayor of Duisburg had been removed from his position by the National Socialists in 1933, but nevertheless kept a certain influence. It was especially thanks to him that Günter Henle was allowed to retain the management of Klöckner & Co. But even Jarres was unable to prevent the National Socialist Wilhelm Marotzke from taking over the chairmanship of the board of Klöckner-Werke AG, and thus the part of the company most important to the war effort. At the end of 1942 the Klöckner Group found itself "in brown hands", as Günter Henle put it later.

The battle for the management of the group had no apparent impact on the activities of the individual companies. Production rates in the Klöckner factories declined as the war went on, but at a later stage than in the case of most other steel manufacturers. It was only in the final year of the war, when the German economy almost completely collapsed, that production rates fell significantly. In the later war years it was hardly possible to speak of trade in any normal sense. The job of Klöckner & Co was mainly to distribute steel and raw materials according to the dictates of the National

Socialist regime. Prices and profit margins were fixed by the responsible offices of the National Socialist economic administration.

Trade in ruins

The war increasingly impaired the work of the Duisburg headquarters of Klöckner & Co. The foreign steel department more or less disappeared of its own accord. One after another the men were called up into the Wehrmacht; moreover there was less and less foreign business to be done. Of the 80 employees who worked there in 1939, only three remained in 1945. The other departments also shrank: in 1945 Klöckner & Co employed just 173 staff.

Working conditions deteriorated after the first bombing raids on Duisburg in 1943. Klöcknerhaus was hit on numerous occasions and badly damaged. During air raids, the staff recalled, Henle held out in his Duisburg office until the last minute. Then he came down into the air-raid bunker with a typewriter under his arm and a briefcase with important papers in his hand. Eventually it only became possible to work in Klöcknerhaus under temporary conditions. Some parts of the office



War destruction | During the war the various Klöckner buildings suffered varying degrees of damage. While Klöcknerhaus in Duisburg was scarcely useable, many production facilities remained almost unscathed.

1940



Warehouses | Well-filled warehouses formed the basis for the revival of trade after 1945.

In Cologne (below) Klöckner & Co operated an iron trading business since the 1920s with a large warehouse covering an area of 5,000 square meters.

building were burnt out; other parts were destroyed by mines. So a large part of the workforce of Klöckner & Co moved into premises in Bad Godesberg and Bonn.

For the few staff remaining in Duisburg the war ended on April 12, 1945, when the city was occupied by US troops. Klöckner & Co lay in ruins: Klöcknerhaus was largely destroyed, and important contacts and trade relations had been lost due to the war. Nobody knew when it might be possible to resume normal work.

Time of uncertainty

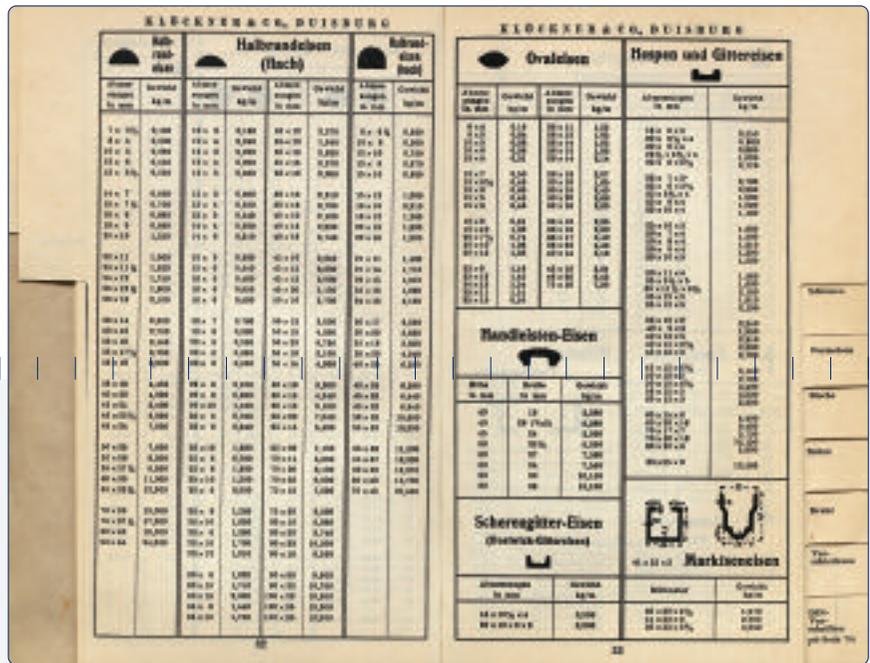
In the group's other departments too, the outlook was uncertain. The steelworks in Osnabrück and KHD in Cologne were severely damaged. But the majority of Klöckner's operations had survived the war intact. Nevertheless, in the summer 1945 the resumption of production on a large scale was out of the question. In particular there were shortages of ore, qualified staff, and functioning transport. Moreover the country was under occupation law: every factory required permission for production from the relevant occupation authorities.

But worse was the fact that the Klöckner Group was threatened with breakup. On August 2, 1945, in the Potsdam Treaty, the four occupying powers, USA, USSR, Great Britain and France, decided to decentralize and reorganize the German economy. A key aspect was the "decartelization" of those large companies which had been part of the National Socialist war economy and which possessed significant economic power. This applied in particular to coal and steel groups like Thyssen, Krupp and Klöckner, which extracted iron ore and coal and processed them into steel for the manufacture of machinery and weapons. The aim of this policy, which in addition to decartelization also threatened companies with dismantling and confiscation, was to prevent any moves to the rearmament of Germany such as had occurred after the First World War. Many representatives of the German steel industry were arrested and interned. These included Günter Henle, who on November 30, 1945, was interned in a British prison camp for more than nine months.

Shortly before Henle's release, on August 20, 1946, the British occupation authorities confiscated the entire steel industry

Catalog | In 1948 Klöckner & Co again produced a catalog showing the still limited range of steel and iron goods.

1953



of the Ruhrgebiet and placed it under the administration of a new body called North German Iron and Steel Control. The Klöckner Group was facing the greatest change in its history. Günter Henle's closest colleague, Dr. Hans-Helmut Kuhnke, painted the future in dark colors: "In any case the owners will be expropriated and the factories will never again come back into their possession."

Bartering engines for herrings

Despite the concerns for the future of the group, the approximately 120 staff remaining at Klöckner & Co resumed their trading activities shortly after the end of the war. Initially, trade was carried out through barter: products from the Klöckner factories were exchanged for potatoes, fat and other goods. Particularly inventive staff traded a Deutz ship's engine for a barrel of herrings. Tools and materials for the rebuilding of Klöcknerhaus were also procured by the Klöckner traders in the same manner.

Primarily however, Klöckner & Co attempted to build up a normal trading business. In this it was helped by its good relations with the factories belonging to

the group. For example the traders from the branch offices arranged for steel from the Osnabrück factory to be rolled into profiles in the Mannstaedt-Werke factory at Troisdorf, and were thus able to offer a product which was much in demand. Cheap profiles found a ready market, while almost no customers could afford the high-quality steel products which remained in the warehouses in large quantities. The Klöckner traders also collected debts owing from the war years. This brought in money which could be used to purchase new goods. Business also slowly picked up in the old iron and foreign steel departments. Small volumes of sales filled the coffers, and gradually also the stocking yards.

At the time of the currency reform in June 1948, Klöckner & Co was already offering a wide range of products again. These could now be sold for hard currency: the new German mark. In addition to this, the establishment of the Federal Republic of Germany in May 1949 created a stable political and judicial framework. Now the trading business started to boom. Typical of this development was the scrap business. Until 1948 the department had only handled relatively small



Apprentices in training at Königsborn | An investment in the future: the Klöckner factories relied on solid apprenticeship training, as here in the lamp-room of the Königsborn mine in 1954.

1940



Coal trade | The coal trade experienced its last flowering in the 1950s. Loading of coal transporters at the Königsborn mine.



Day-to-day business | A typical scene from the everyday life of an iron and steel merchant. As here in Cologne in 1954, in all the branch offices of Klöckner & Co orders were received and processed. Drivers picked up the orders and delivered the goods to the customers.

quantities, but shortly after the currency reform it broke through the 10,000 ton barrier. From then on the business grew rapidly: in 1950 Klöckner & Co was already selling more than 100,000 tons of old iron per month.

New fields of business also contributed to the revival of the trading company. The firm Industrienanlagen GmbH (INA), founded back in 1943 for the export of machinery and plant components, resumed its work after the relaxation of export restrictions in 1949. Its first deal was the sale of scales for two-hundred-weight sugar sacks to the Caribbean. From these modest beginnings an extremely successful business quickly developed, sending complete plants from Duisburg into the world.

On the path to the "Economic Miracle"

With great energy and business skill the employees of Klöckner & Co succeeded, five years after the end of the war, in making profits once again. The war in Korea in 1950 and the resulting armaments drive by the western industrial nations led to a rapidly increasing de-

mand for iron and steel. Order volumes doubled within a very short time, with the result that steel again became the most important trading commodity for Klöckner & Co. But the stimulus of the Korean War went far beyond trade, and launched a worldwide economic boom from which West German industry profited to an especially large degree. At Klöckner-Werke AG too, which was still in the middle of the process of decartelization, the order books were filled.

In the departments and companies of Klöckner & Co there was a widespread sense that a new era was about to dawn. They dealt in whatever goods the customers asked for. Chances offered themselves wherever the post-war system of controls was abolished. In 1951 for example, trade in mineral oil was liberalized. The chemical department, which was initially only able to offer a small range of goods, took advantage of the opportunity and revived its old benzene sales contracts. From 1951, Klöckner & Co sold heating oil in addition to mineral oil. In this field it was one of the first suppliers in Germany and was soon able to secure a good market position.

1953

A new Klöcknerhaus | A highlight in the reconstruction of Duisburg was the new Klöcknerhaus on the old site. Klöckner & Co unveiled its "tower" in 1953.

The result of decartelization | The factories formerly belonging to Klöckner-Werke AG were separated from the trading company Klöckner & Co and received new names, in which the founder was no longer mentioned.

Nach Durchführung des Gesetzes Nr. 27 ergibt sich folgende Umgestaltung:

Früher:	Jetzt:
 KLÖCKNER-WERKE AG DUISBURG	 NORDWESTDEUTSCHER HÜTTEN- UND BERGWERKSVEREIN AG DUISBURG
 KLÖCKNER-WERKE AG ABTEILUNG BERGBAU	 STEINKOHLENBERGWERKE VICTOR-ICKERN AG CASTROP-KALLTEL
 KLÖCKNER-WERKE AG WERK OSNABRÜCK	 GEORGSMARIENWERKE AG OSNABRÜCK
 KLÖCKNER-WERKE AG WERK HASPE	 HÜTTENWERK HASPE AG HAGEN-HASPE
 KLÖCKNER-WERKE AG WERK TROISDORF	 MANNSTAEDT-WERKE GMBH TROISDORF
 KLÖCKNER-WERKE AG WERK DÜSSELDORF	 DÜSSELDORFER DRAHTINDUSTRIE GMBH DÜSSELDORF
 KLÖCKNER-WERKE AG WERK QUINT	 EISENWERK QUINT GMBH QUINT

Kohle und Koks einschließlich Nebenerzeugnissen, Roheisen, Halbzeug, Formstahl, Stabeisen, Grob-, Mittel- und Feinbleche, Walzdraht, Warmbandeisen, Betonstahl, Edelstahl, Rillen- und Vignolschienen, Weichen, Radreifen, Radsätze und Ringe, Stahl- und Grauguß, Schmiedestücke, Behälter- und Stahlbau, Mahlkörper, Mannstaedt-Spezialprofile, Kaltbandeisen, Kaltprofile, Profilrohre, Preß-, Stanz- und Ziehtteile, Schrauben, Eisen- und Stahlrohre, Drahterzeugnisse, Drahtseile, Elektroden und Schweißdrähte, Schweißbeschlag, Ofen und Herde, Thomasmahl, Hüttenzement, Hüttensteine, Steinbrucherzeugnisse, Ziegel- und Betonwaren



Telex machine | Trade lives from communication. For this, in the 1950s Klöckner & Co Eisenhandel used the telex machine.

Other sectors were also growing. Shipping, for example, experienced a revival. The old fleet belonging to Klöckner Reederei und Kohlenhandel GmbH (KRK) had been almost completely destroyed in the war, and so after the currency reform KRK built a new one. The transport business on Europe's rivers and canals ran so well that Klöckner & Co expanded its shipping activities, and began building an ocean-going fleet in 1952.

1940

With economic success, the number of employees also grew. Space in the old Klöckner building, which had been patched up temporarily after the end of the war, soon became inadequate. So in 1951 the company built a seven-storey tower block on the corner of Mülheimer Strasse and Ludgeristrasse. With this, Klöckner created a striking symbol of reconstruction, because the building was one of the first larger construction projects in Duisburg in the post-war years. At the same time the new Klöcknerhaus also symbolized the oncoming "Economic Miracle".

From Klöckner Group to "Klöckneri"

In these years the process of decartelization also entered its decisive phase. All in all, the consequences for the Klöckner Group were moderate. The company Klöckner-Werke AG was dissolved and was converted in 1951/52 into Nordwestdeutsche Hütten- und Bergwerksverein AG, comprising the two important factory complexes in Osnabrück and Georgsmarienhütte as well as the factory at Haspe. The mines at Werne were sold off. The most important manufacturing operation of the Klöckner Group, KHD, was separated from the remaining

1953

operations and a majority shareholding was transferred to Klöckner & Co. The trading company retained its structure and independence. The final result was that the Klöckner Group was separated into three large groups: Nordwestdeutsche Hütten- und Bergwerksverein AG comprising parts of the former Klöckner-Werke AG, KHD AG, and Klöckner & Co.

Klöckner “came off lightly”, as Günter Henle expressed it in his memoirs. Decartelization had changed nothing of the well-functioning cooperation between the parts of the former group. All that had changed was its external form. In place of the group there was the so called “Klöcknererei”; an alliance of all three pillars of the former Klöckner empire – Klöckner-Werke AG, KHD and Klöckner & Co – linked together through their growing mutual relations. When on November 1, 1953, allied control over the companies of the former Klöckner Group ended, the company’s management immediately converted Nordwestdeutsche Hütten- und Bergwerksverein AG into Klöckner-Werke AG. The works of Peter Klöckner had been preserved through the war and into the era of the “Economic Miracle”.



Günter Henle – a political entrepreneur

Peter Klöckner had built up his group with courage and determination. His successor, Günter Henle, guided the successor companies through the post-war years with political skill. His experience as a diplomat now came to his assistance. Henle was more than just a corporate manager. He was both a politician and a lobbyist. Already in August 1945, Henle was elected as Chairman of the newly re-established Association of the German Iron and Steel Industry, the forerunner of the German Steel Federation. Henle enjoyed the confidence of the occupation authorities, who in June 1947 appointed him to the Economic Council of the British and American “Bizone”. It was from this that Henle’s party political involvement developed. From 1949 until 1953 he sat in the Bundestag as a representative of the CDU. There he campaigned in particular for the European Coal and Steel Community, which was founded in 1951. With this organization, six European states created a common market for coal, iron ore and steel and thus began the process of European unification. In his political activities, Henle always had the interests of the German economy and the Klöckner companies at heart. For this political entrepreneur, politics and economics were one and the same.

Personal stories

Kerstin Ellebrecht

Ms. Ellebrecht, what is the working day of a steel saleswoman in the quality and stainless steel department like?

My main job is looking after the customers. I handle the inquiries that come in, calculate the prices and enter the orders in the system or pass them on directly to the warehouse. If an order comes in to our department by midday, the customer already receives the material the next day as a rule. On the basis of the delivery notes, I finally check again whether the material has arrived at the client in the desired quantity and quality and on schedule. Besides handling the orders, I am also responsible for order-related purchasing. We always have to make complementary purchases if the desired product is not available either in our store or at the central warehouses. However, purchasing also means updating stocks in the warehouse. Furthermore, many customers have commissioned us to carry out contract warehousing. In this case I monitor the stocks and automatically reorder material so it is always available to the customers when they need it.

Do many customers make use of this service?

In general one can say that more and more companies assign purchasing and customer-specific warehousing to us. The same applies to preprocessing. The colleagues in the warehouse perform work in the first processing stage. This means the customer can obtain the material from us already ready-cut to the desired length. This is a service that is demanded by more and more companies. We are then responsible for ensuring that the material is in fact delivered such that it can flow directly into production. To make sure this takes place smoothly, a specific contact person at Klöckner who provides individual support is assigned to each customer. In addition, I try to get to know each customer and plant personally on site so I can orient myself even better to the needs of the client. Nowadays not only the price, but also quality and service have to be right.

What do you especially like about your work?

I enjoy sales very much: dealing with the customers, gearing myself to new people and new inquiries. Some things are routine, of course, but time and again there are questions or special requests where you think: Wow! How do I deal with this? I see this as a challenge and try to find a solution. Sometimes it can take half a day, for example when a customer is looking for a very unusual product. But then I am so ambitious I would even get a "checked lily of the valley".

The steel trade is considered to be a classic "male preserve" – what experience have you had as a steel saleswoman?

I have never had any problems at Klöckner & Co. In Bremen we traditionally have a relatively high proportion of women in sales. This is different in the warehouse, but

“Price, quality and service have to be right.”



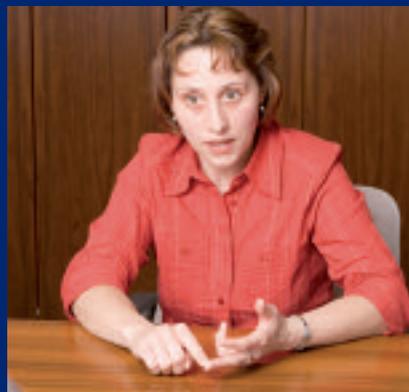
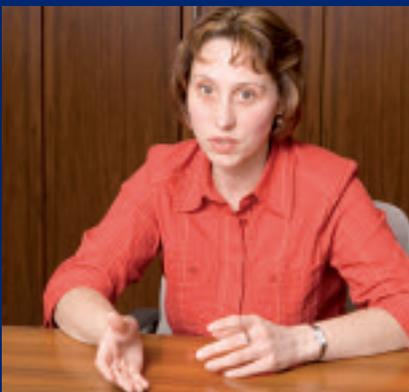
Kerstin Ellebrecht started as a trainee at the Bremen branch of Klöckner Stahl- und Metallhandel GmbH in 1998. After completing her training as a wholesale and foreign trade clerk, she acquired qualifications in European business management through further training parallel to employment. She has been working as a steel saleswoman in the quality and stainless steel department in Bremen since January 2001.

I also get along well with the colleagues there. Sometimes I even put on blue overalls myself. For example, when we receive a very large shipment for a customer, I am also in the port to check and label the material on site.

As far as the customers are concerned, acceptance is often a question of the generation. Younger customers have no problems at all with a steel saleswoman. Older customers now and then need time to get used to this, they need proof that a woman can also do the work before they really accept you. It has happened to me on occasion, for example, that the senior boss of a small or medium-sized enterprise called up and then said: “Write that down, your colleague can call me back.” When I then reply that I can also make an offer, they first hesitate. But if the price is right and the material is sent to the yard in good quality and on time, everything is all right. And once we have got to know each other, there are no more problems anyway.

How do you see your professional future?

I just completed the trainer aptitude examination and previously took a further training course in European business management parallel to my job. The Bremen branch then gave me the opportunity of working at our English foreign company in Leeds for three months. I enjoyed that very much. I would like to go abroad again and am very glad that Klöckner & Co as an international company offers this prospect. In any case I would like to remain faithful to the steel trade. Steel is a wonderful product that can be processed and used in diverse ways. I am delighted every time I see a bridge or structure and know that we supplied the steel for it.





E-ANLAGE

Growth without limits | **1953 – 1966**

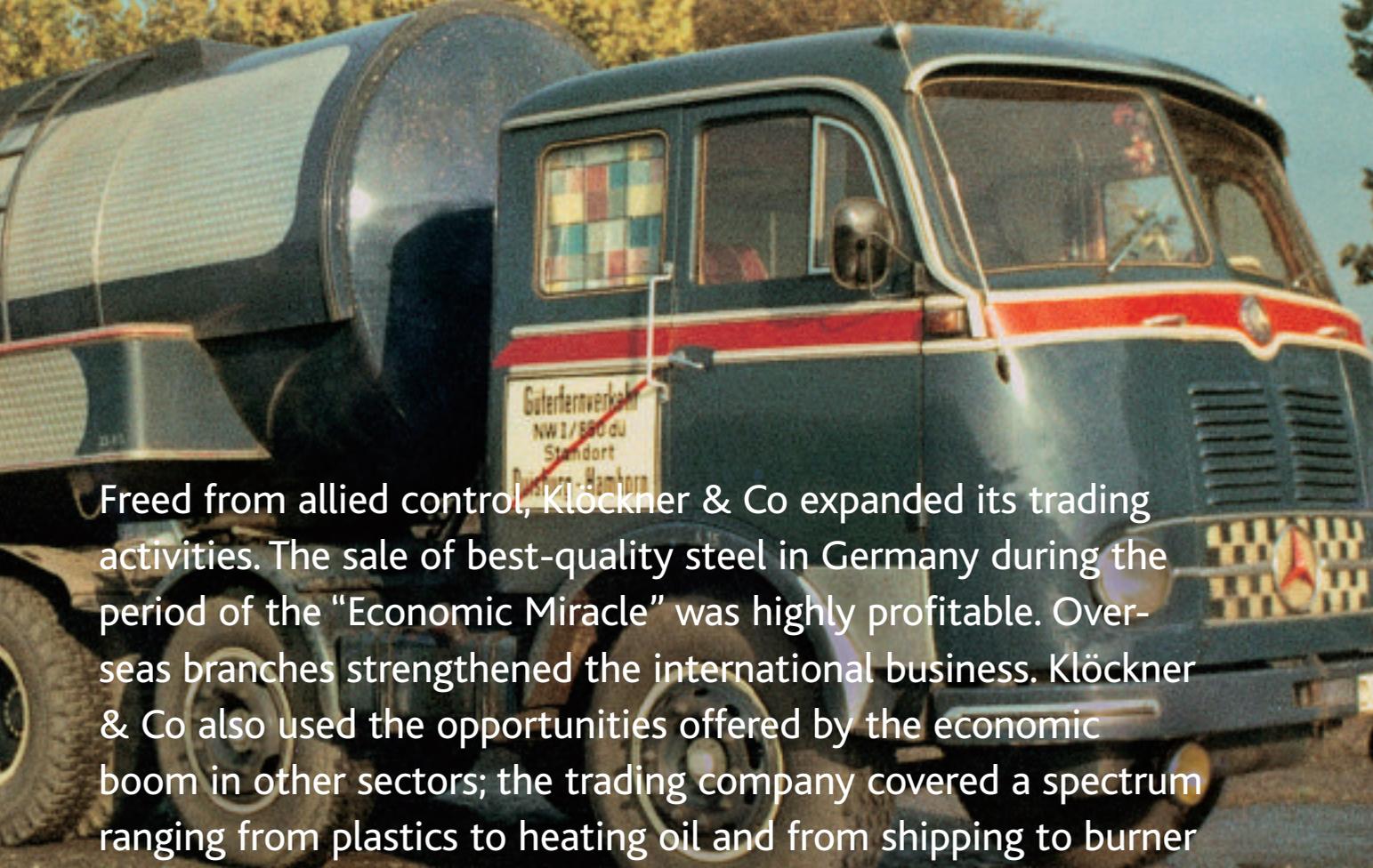
A trading company during the “Economic Miracle”

57 | A new dawn in the “Economic Miracle”

58 | International activities

59 | Unlimited possibilities

60 | On the path to Europe



Freed from allied control, Klöckner & Co expanded its trading activities. The sale of best-quality steel in Germany during the period of the “Economic Miracle” was highly profitable. Overseas branches strengthened the international business. Klöckner & Co also used the opportunities offered by the economic boom in other sectors; the trading company covered a spectrum ranging from plastics to heating oil and from shipping to burner equipment. It was the beginning of a long-lasting phase of growth.

Growth without limits

A trading company during the “Economic Miracle” (1953–1966)

1953

A new dawn in the “Economic Miracle”

Emerging relatively unscathed from decartelization and allied control, a time of uncertainty for Klöckner & Co came to an end. From now on the firm operated as a trading company independent of any group, but it continued to profit from its close contact to Germany’s largest steel manufacturer, Klöckner-Werke. Business was good thanks to the worldwide economic upturn. Even the collapse in steel prices on the world market after the end of the Korean War had little effect on this, because the start of the “Economic Miracle” in Germany resulted in a rapid growth in demand.

In the mid-1950s, Klöckner & Co already supplied 30,000 customers with steel products in back-to-back business. The goods were transported directly from the steelworks to the customer, mainly by rail in freight wagons or by ship. In the branches, up to 100 orders were being processed per day. In Klöckner’s warehouses, customers – more than 20,000 skilled craft businesses and small companies ranging from locksmiths to fac-

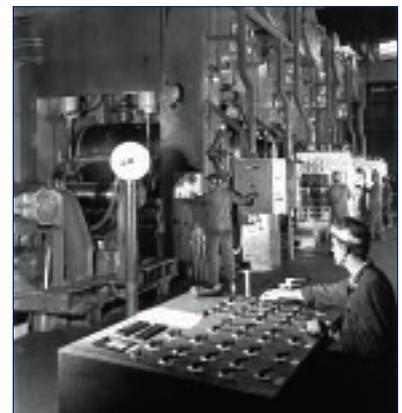
ories – could find a wide selection of profiles, sheets, tubes and screws, the majority of which came from Klöckner-Werke. The goods were transported to the customer in trucks belonging to the branches.

Although profiles – mainly manufactured by Mannstaedt-Werke at Troisdorf – represented the company’s main business for a long time, from the early 1950s Klöckner & Co also sold increasing volumes of rolled steel. In order to meet the growing demand, in 1954 Klöckner-Werke began the construction of a new steelworks in Bremen, which entered production in 1957. The Siemens-Martin steelworks had three furnaces and a rolled steel processing plant. The Bremen steelworks was the first of its kind to be built in West Germany after the war, and it was also the most modern. In the period up to 1967, Klöckner-Werke invested around one million marks in keeping the works at the highest technical level.

The “steelworks by the sea” was intended to serve not only the German and European markets, but also countries outside Europe. With its branches and ocean-



Modern plant | After decartelization, Klöckner & Co continued to cooperate closely with Klöckner-Werke, whose production plant was being constantly modernized. A delegation sees this for itself during a materials test at Mannstaedt-Werke, Troisdorf, in 1963 (top). The new steelworks in Bremen (bottom) was among the most modern in Europe.





Steel for mobility | Economic success in the 1950s and 1960s enabled more and more Germans to buy a car. The steel trade also profited from this, because the booming German automobile industry needed vast quantities of steel.



Steelworks by the sea | In Bremen, Klöckner-Werke built a modern steelworks which entered production in 1957. Its closeness to the sea facilitated transport of the steel.

The "secret of success"

To motivate the traders and to provide them with guidelines for their day-to-day activities, the management produced a company handbook in 1956. According to this, the Klöckner trader should be "flexible, vital, charming and conciliatory". He should meet the expectations of the customer, and this meant above all: "The Klöckner trader is always well informed." Generally, Klöckner & Co called on its "leading men, in their discussions with industry, officials and local authorities" as well as its agents in their sales meetings, to "keep general market trends under observation". "It is important to know whether a meeting of the city fathers is discussing the construction of a new bridge, but it is equally important if a new material appears which can possibly offer the chance to put a traditional material in checkmate. Therefore an understanding of materials is as important for the Klöckner trader as his ability to spot new technical developments." The trader should quickly pass on the information collected. "The telex machine or a telephone call will ensure that important information is conveyed within minutes to where it is needed." Speed was important in the trading business, and especially for Klöckner & Co, whose maxim was: "Klöckner is always there five minutes before the competition." This was the "secret of success".

going fleet, Klöckner & Co possessed the necessary logistics. The Klöckner traders called the plant their "jewel", because it produced types of steel which could be readily sold in Germany and abroad on account of their high quality. Rolled steel from Bremen was much sought-after, especially by the automobile industry and other manufacturing sectors. Once again the link between Klöckner & Co and Klöckner-Werke proved its worth; the new steelworks used the logistics and experience of the established trading company, which profited in turn from the success of the steel from Bremen.

International activities

From the mid-1950s, overseas business also improved once more. But political crises such as the Hungarian Uprising and the Suez Crisis in 1956 repeatedly led to uncertainty. It was not until the end of the 1950s that the international steel market stabilized. The freedom of exchange between the German mark and other currencies, applicable from 1958, also facilitated the trading activities of Klöckner & Co. German companies had previously had to secure their interna-

1966

tional trade deals by means of complex contracts, and negotiate to agree on exchange rates, but from now on overseas business became much easier. While the traders in the foreign department mainly operated from Duisburg, working with agents in the various overseas markets, their colleagues at INA – which was re-named Klöckner Industrie-Anlagen GmbH in 1956 – traveled abroad or negotiated in Duisburg directly with their international customers. In 1960 INA opened its first overseas office, and processed orders totaling 80 million marks. By the early 1980s the volume of orders had grown to three billion marks.

But it was not only INA that had successes to celebrate during the period of the "Economic Miracle"; the foreign steel department of Klöckner & Co also grew. Steel exports rose from 470,000 tons in 1960 to 730,000 tons in 1965. Klöckner & Co thus increased its share of total German steel exports from just below nine to eleven per cent. Trade with foreign steel also grew continuously; in the mid-1960s more than ten per cent of the steel sold by Klöckner & Co was already coming from steelworks abroad.

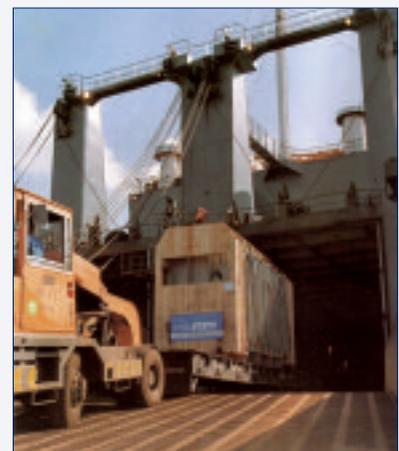
International business was becoming ever more important.

Unlimited possibilities

Klöckner & Co used the general economic upswing for diversification. For example, the company now placed greater emphasis on trade in alloys, which were playing a more important role in steel production. This business, which Klöckner & Co had originally entered in 1925, grew during the period of the "Economic Miracle". Well-known experts kept the traders informed via regular alloy conferences. In 1969, Klöckner & Co entered the manufacture of alloys itself, purchasing Mark metalworks company at Wilhelmsburg, a district of Hamburg.

The company also expanded its transport activities. In 1957 Klöckner & Co took over Stute Verkehrs-GmbH, which gradually expanded to cover a broad spectrum of activities from haulage, freight and handling through to travel agencies. The fleet belonging to Klöckner Reederei und Kohlenhandlung (KRK) also expanded at the beginning of the 1960s. The coal trade, too, initially developed positively,

Central sheet warehouse | For its steel trade, Klöckner needed warehouses with a wide range of products to provide customers with their traditional service. Here is the Bremen branch in the late 1950s.



Stute Verkehr | Successful trade requires perfect logistics. From 1957, the subsidiary Stute Verkehrs-GmbH took over transport activities on behalf of Klöckner & Co.

1953



Scrap pressing plant | After the Second World War the scrap trade continued to play an important role for Klöckner & Co. With the construction of a very modern pressing plant in Mannheim in the early 1960s, the company was well-equipped for the future.

mainly due to the growing imports of US coal. After the shortage of coal in Germany turned into a surplus in the second half of the 1950s, Klöckner & Co turned its domestic organization into a "solid fuels" department through acquisitions and reorganization in the 1960s.

The chemical department, which mainly marketed chemical products from other Klöckner companies, developed its own marketing network in the Federal Republic of Germany in the 1960s with a view to marketing chemical products from other companies as well. In this way, through exclusive contracts with chemical companies in Germany and abroad, Klöckner & Co secured a lucrative business and expanded its delivery program to include organic solvents, inorganic chemicals and plastics. With its own subsidiaries in Germany and abroad, Klöckner & Co also increasingly produced and marketed specialty chemicals.

In 1950 Klöckner & Co began to market heating oil, and in 1958 it founded Klöckner Heizölhandel GmbH. This business profited from the growing number of oil-fueled heaters which were replacing

coal-fired stoves. In 1960 Klöckner Heizölhandel already sold more than one million tons of heating oil. In the 1960s Klöckner & Co also entered the production of oil burners, after having previously marketed burners from a Swiss company. The diversification strategy of the "Economic Miracle" years quickly bore fruit. When Klöckner & Co published its first annual report in 1964, recording sales of nearly 3.1 billion marks, the company had developed from its modest beginnings after the war into one of the largest trading companies in Europe.

On the path to Europe

Until the 1960s, trading activities outside Germany were conducted as a rule through local agents. A typical case was the situation in Italy, where an independent agent operating from Milan had marketed Klöckner's products since the 1920s. After the war, Klöckner & Co continued to work together with one of the sons of the original agent. When sales in Italy declined in the early 1960s, Klöckner & Co terminated the agency contract in 1964 and set up its own branch, Klöckner Italiana, in Milan.



In other countries, too, the trend was towards establishing local branches rather than relying on agents. A separate department for foreign organization undertook the task of developing the branch network, initially in the markets of Western Europe. At first the branches were mainly staffed by traders from the Duisburg headquarters, but later Klöckner & Co also took on more staff from the local countries. While Klöckner's staff in Duisburg knew about the steel business, the local employees understood the trade customs of their home country.

The foreign branches dealt primarily with steel, and rarely participated in trade with heating oil, chemicals or other products from the Klöckner range. Such matters were decided by the foreign branches themselves, which like those in Germany enjoyed a degree of independence. As a rule however, the actual business was done by the foreign department in Duisburg. The foreign branches worked on a commission basis, but sold exclusively on behalf of Klöckner & Co.

By the mid-1960s, the export business had developed into one of the most

important mainstays of Klöckner & Co. Here too, the growth possibilities seemed endless. Klöckner & Co was at the pinnacle of its post-war development: in 1965 the company had sales of 3.4 billion marks, the highest turnover yet recorded in the company's history.

INA | Close cooperation with overseas customers was one of the principles of Industrieranlagen GmbH (INA). The result of cooperation over many years was a well-functioning plant, as here in Algeria (left) and Indonesia (right).

Plant for the world – INA

First established in 1943, Industrieranlagen GmbH (INA) experienced a boom in its overseas business in the 1950s and 1960s, when the Federal Republic of Germany rose to become one of the largest exporters in the world. The INA staff handled business worth millions of marks, and sometimes experienced the most curious things. A Turkish company needed to build a preserves factory as quickly as possible in order to obtain a large credit from the World Bank. In desperation the company approached INA, whose staff, without further ado, drove around Germany with the Turks in a truck borrowed from KHD, buying plant components wherever they could find them. The journey took them from a fish preservation factory in Cuxhaven to a vegetable preservation factory in the Harz region. Later, this was followed by further orders for preserves factories, among others from Pakistan. Because the cooperation with INA functioned so well, a Pakistani industrialist even ordered a complete steelworks. It was not long before INA began to offer customers not only the plants themselves but also a comprehensive package of services. A copper works in Chile was one of the first major projects in which INA undertook all aspects of the project, from its initial planning, through the geological analysis, to the delivery and financing of the complete plant. This frequently led to follow-up contracts. Once the plant was up and running, INA also provided for its necessary expansion and modernization.

Personal stories

Kurt Oldemeier

Mr. Oldemeier, you have headed the Klöckner machining center in Velten since 2003. How did the center come into being?

The machining center was set up on the grounds of Klöckner Stahlhandel Berlin in Velten in 2001. The occasion was a contract with Heidelberger Druckmaschinen AG. Since then we have been machining raw material in the first preprocessing stage for the production of printing presses for the Heidelberger Druckmaschinen plant in Brandenburg.

What do you mean by preprocessing stage?

We cut, chamfer, center, clean and are responsible for the entire logistics. Thus, in addition to the steel trade, a systems supplier was developed that handled purchasing, warehousing, preproduction and just-in-time delivery. Up to 2001 the individual components were produced at the main plant of Heidelberger Druckmaschinen in Wiesloch near Heidelberg. The entire warehousing and the machinery were outsourced. The work was assigned to the Klöckner machining center. Cooperation was very close, open and based on partnership right from the beginning. Today we supply Heidelberger Druckmaschinen AG with around 35 tons of processed steel a day and keep on average about 1,600 tons of crude steel in stock for Heidelberger Druckmaschinen.

How does the cooperation with Heidelberger Druckmaschinen AG work?

First Heidelberger Druckmaschinen AG gives the machining center a preview of the needs for twelve months. These "rough calls" become "fine calls" that we receive daily at our plant in Velten via remote data transfer. These calls are immediately entered into our production planning system and transmitted to the individual machines. Sales selects the orders for which adequate materials are not available. Then the orders are further processed with respect to material procurement and change of quality, for example. As far as the processing time for orders is concerned, we calculate five days for cut parts and one day for long material.

Who else is a customer of the machining center?

Up to 2003 we worked exclusively for Heidelberger Druckmaschinen AG. Since then ten other customers have become part of the clientele. They include such well-known names as the car manufacturers DaimlerChrysler and Volkswagen, automotive supplier Freudenberg as well as Claas, a manufacturer of harvesting machines. For DaimlerChrysler the machining center produces, among other things, pipes for the cross members of the new S class.

When you serve these customers, how do you handle quality assurance?

We are certified by Heidelberger Druckmaschinen and other customers. In particular DaimlerChrysler conducted an audit that we passed with great success.

“Our job is to be useful for the customer.”



Kurt Oldemeier is a qualified mechanical engineering technician with additional commercial training. After various stages in his career, including a position at a Swedish group and at a large German pipe manufacturer, he joined Klöckner & Co in October 2003 and has headed the machining center of Klöckner Stahl- und Metallhandel GmbH in Velten near Berlin since then.

We have targeted certification in accordance with TS 16949 as a further goal for autumn 2006.

What was the procedure for the audit like?

We presented ourselves as a supplier to DaimlerChrysler. An audit was conducted before the first order was placed. After the first audit we merely received a product release. Then we changed and further developed several points in the quality assurance system. After approx. six months we applied for a further audit at DaimlerChrysler. After the second audit we obtained a release for our location.

What do you offer your customers?

We are primarily a service provider, i.e. we try to identify and meet the demands of our customers. That is not possible from a distance. We stay in close contact to the companies that we work for or which we want to acquire as new customers. I personally go into plants and take a look at the production procedures. If there are problems there or we have new ideas, we try to find a solution together with the customer. Our business partners should see the advantages. But we, too, want to benefit from this. I always address this issue very openly. If the delight is only on one side, it is not possible to build up a proper business relationship. I always use the word “partnership”. Partnership means a give and take. The main job of the machining center is to be useful for the customer. Companies that assign certain production workflows to us can concentrate on their core competencies.



They no longer have anything to do with material procurement, preproduction and quality assurance or the entire warehouse and transport logistics. This reduces tied-up capital and releases resources. The goal must be to build up and expand further clientele pillars in addition to our backbone, Heidelberger Druckmaschinen. We have succeeded in doing so in the past and are confident that we will continue to succeed.



KLÖCKNER & CO
KOMMANDITGESELLSCHAFT AUF AKTIEN

KLÖCKNER-WERKE AG

Diversification and internationalization | **1966 – 1988**

A trading company moves in new directions

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- 74 | Turbulence, consolidation, crisis

A man in an orange jumpsuit and a woman in a yellow jumpsuit stand in a scrap metal yard. The man is on the left, looking up with his arms raised. The woman is on the right, also looking up. In the background, there is a large industrial structure and a crane lifting a piece of scrap metal. The sky is overcast.

After the end of the “Economic Miracle”, Klöckner & Co reacted to the fundamental changes in the steel market with more service, a reorganization of its warehouses, and an intensification of its international trading activities. Alongside its core steel trading business, Klöckner & Co expanded its other trading operations and opened up new fields of business. Diversification and internationalization proved their worth in the economic ups and downs of the 1970s and 1980s, and kept the trading company on its successful path for two decades. But then a disastrous crude oil futures deal drove the company into an existential crisis.

Diversification and internationalization

A trading company moves in new directions (1966 – 1988)

1966

From "Economic Miracle" to economic crisis

The "Economic Miracle" reached its peak in 1965. In that year Klöckner & Co achieved the highest turnover in the company's history. Then, in 1966, sales fell slightly for the first time in years. The first signs of a profound crisis were emerging, especially in the steel sector. The German steel manufacturers experienced stagnant sales and falling profits, with increasingly strong competition from abroad putting pressure on prices. But it was not only the steel industry that found itself in economic difficulties. In 1966/67 the Federal Republic of Germany, which had grown accustomed to success, was shaken by its first economic downturn since the early 1950s. After years of full employment, the number of unemployed tripled to 460,000. The recession was soon overcome, but it was the first clear sign of an end to the long phase of upswing.

Klöckner & Co initially reacted to this development with a reorganization of its company administration. Accounting, finance, taxation and administration had already been combined into a single department in 1966. As well as reducing

costs, this measure had a strategic purpose: the various trading operations were to concentrate entirely on their core trading activities. The company also undertook a rationalization of its operational processes in order to boost productivity and save costs. In this, the first main-frame computers were playing a more and more important role. In the steel division, which was particularly badly hit, the company's management focused on the development of its stockholding business; in 1967 the warehouses in Cologne, Regensburg and Duisburg were expanded, and new warehouses were built in Frankfurt and Hagen in 1968. Klöckner & Co also installed many new warehouses at its over 80 foreign bases. These measures, along with the overall economic recovery, resulted in a further growth in sales in 1968, both in the steel division and for the group as a whole. For the first time, the company employed more than 10,000 staff.

But the recovery did not last long. So Klöckner & Co continued to pursue its policy of modernization and rationalization. In 1970 it sold Klöckner Reederei und Kohlenhandlung GmbH, which no longer fitted into the company's business policy. This was followed by the sale of



Data processing facility | At the end of the 1950s, Klöckner & Co installed its first electronic computers. These were soon expanded and modernized to make use of the possibilities offered by data processing.

1966

Leipzig Fair | Klöckner & Co did good business in Eastern Europe, and showed its presence at the Leipzig Fair (below). The attractions on the company's stand at the 1966 Leipzig Fair included a wall made out of profiles (above).



further smaller subsidiaries with the goal of consolidating the company's various business units. The many wholly-owned subsidiaries were rationalized, reducing their number to 30, while the core steel business was further expanded.

"Serving the customer"

With the expansion of its steel stockholding activities in the late 1960s, Klöckner & Co was reacting to the changed demands of its customers, who were expecting more service and a wider range of goods available locally. In the early 1970s, the company began the task of improving the quality of its warehouses. In 1970 it modernized the organization of the Frankfurt warehouse, opened two years previously, which served as a model for all further modernizations. In a 10,000 square meter warehouse, the trading company in Frankfurt offered an extensive range of products ranging from classic rolled steel, through sheets from the Bremen steelworks and reinforcing steel and merchant bars from Haspe, to a wide range of aluminum and plastic products.

Nearly 80 staff processed orders from customers from Frankfurt and the whole

Rhine-Main region. They operated numerous cranes, as well as luminous dial scales, which were among the technical innovations introduced into the warehouses and which facilitated the task of order picking. There was also an open-air stocking yard spanned by a large portal crane. The warehouses were supplemented by a new office block with a pneumatic post facility – in those days a modern form of internal communication. Frankfurt was followed by the modernization of the warehouses in Berlin, Duisburg and Munich.

In 1970 there was a further development: the introduction of steel service centers in Hanover and Canada. This novel concept, in which Klöckner & Co invested massive sums in the coming years both in Germany and abroad, was based on providing an intermediate service between producers and downstream processors. The service included all forms of steel preprocessing: sawing, paring, burning, cutting, bending, slitting and cutting-to-length. In this way, Klöckner & Co could meet the needs of its customers who expected short delivery times and precise solutions. For exports, the company switched from country-based



Transport | Klöckner & Co often had to solve complex logistical tasks, as here the transport of a particularly bulky steel component in 1972.

1988

The third generation

The transformation from a classic trading company into a modern service provider had already been set in motion by Günter Henle, who retired from corporate management in 1976 and died in 1979. Henle was succeeded by his two sons, Jörg Alexander and Christian Peter, who had been active in the management of Klöckner & Co since the early 1970s. Jörg Alexander Henle was born in 1934 and, like his father, had studied law. In the Klöckner Group he first became familiar with steel production, and subsequently worked as a director of the Bremen steelworks, later joining the Board of Management of Klöckner-Werke AG in Duisburg. In July 1971 he became a personally liable managing partner of the company Klöckner & Co. Christian Peter Henle was born in 1938 and studied business management, subsequently working in a variety of fields within the "Klöcknererei". He managed the industrial plant department before being appointed to the group management of Klöckner & Co in January 1971.

Our men in Moscow

In the 1970s the Soviet Union developed into the most important customer of Klöckner & Co in the steel business. In order to establish a permanent local presence, the company together with KHD moved into its own offices in Moscow in December 1976. The two Klöckner companies handled contracts valued at more than one billion marks per year in the Soviet Union. For the opening, Jörg Henle and the Chairman of the Board of KHD, Bodo Liebe, traveled to Moscow with 50 senior staff members for a great welcoming reception. The entire furnishings for the opening celebration – from the buffet to the flower vases – were flown in by Lufthansa.

The daily reality was less grand. Klöckner & Co staff regarded the Soviet Union as strange and threatening. Those who were sent from Duisburg to Moscow often already started to feel uncomfortable while checking into their hotel, and were happy to be sitting in the aircraft on their way back to Germany. August Schöller, the first office manager in Moscow, mainly worked with Soviet staff allocated to him from the Russian side. The few German staff felt themselves to be subjected to pressure from the KGB. "The first time, one would still be sitting in the restaurant. The second time, the meal would already take place in the back room, and on the third occasion comes the offer," it was said in the foreign office. The consequence was clear: "Then comes the fourth meeting, and then you need to make sure that you're not there."



1966



Product range | The range of goods traded by Klöckner & Co became ever wider. Its subsidiary Westholz (top) traded in wood and wood products. Klöckner & Co also operated DIY stores in many German cities (bottom).

divisions to a product management system, corresponding to the requirements of both customers and suppliers. With the modernization of its warehouses, the development of steel service centers and the customer-oriented restructuring of its sales organization, Klöckner & Co developed from being a service-oriented steel merchant towards becoming a full service provider.

“From presence to action” – the international business

The further development of its services was accompanied by the expansion of its international trading operations. Klöckner & Co had been active overseas since the 1920s, initially in the European markets and later worldwide. In the 1970s, fundamental changes in the steel industry made a reorientation of international trade necessary. More and more newly industrializing countries were developing their own steel production, resulting in stagnant demand and falling prices. The process of globalization was under way. Klöckner & Co reacted offensively by strengthening its foreign business. Trade with the Soviet Union in particular was expanded in the 1970s. But the new strategy was targeted, not at individual

countries, but at worldwide trade as a whole. “Systematic internationalization” was the name of the game. Although foreign markets were also affected by growing competition from the newly industrializing countries, Klöckner & Co felt itself to be at an advantage over the newcomers in international trade on account of its long experience and comprehensive services.

This change in direction affected not only the steel business but all the trading operations. The foreign meeting in 1976 summed up the new orientation in a powerful formula: “From presence to action”. According to this new concept, Klöckner & Co would not only continue to extend its own worldwide network of companies, offices and delegations, but would also actively expand trade in the various countries. Purposefully, markets were analyzed and strategies developed for increasing overseas sales. In 1977 the company also brought the first non-German national – the internationally experienced Belgian Georges Grumieaux – into the group management in order to promote the raw materials business. Alongside its steel activities, Klöckner & Co still saw growth potential precisely in trading in oil and other liquid fuels.

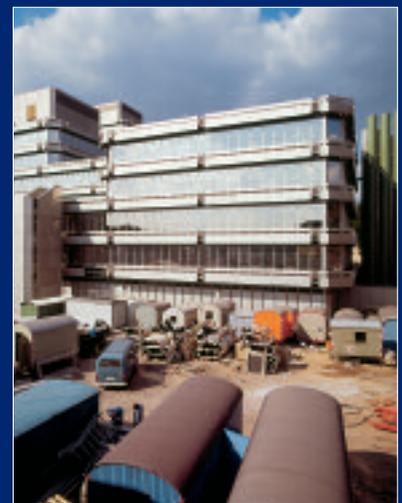
1988

"Silberburg" – a symbol of steel



"It is not a building, it is a superlative" enthused the newspaper Westdeutsche Allgemeine Zeitung on the occasion of the formal opening of the new Klöcknerhaus in 1978. The building, which soon became known as "Silberburg" ("silver castle"), stood in the heart of Duisburg directly adjacent to the central railway station. With this, as it had already done with the rebuilding of Klöcknerhaus after the Second World War, Klöckner & Co created a symbol of confidence and economic strength – a signal for a city which was marked by the decline of the steel and coal industries. At the building's opening ceremony, Jörg Henle emphasized the close bond between Klöckner & Co and Duisburg.

For the roughly 1,500 staff of Klöckner & Co in Duisburg, the new Klöcknerhaus was a stroke of good fortune. While previously they had been scattered among a range of sometimes very old office buildings around the city, they now worked in a modern, functionally-designed office block. Instead of the long journeys previously required for meetings with colleagues, short distances now facilitated speedy communication. With "Silberburg", Klöckner & Co possessed once again a center in which the Klöckner spirit could unfold.



1966



Heating oil | The Klöckner oil tanker was a familiar sight on the roads of Germany. In the 1970s, trade in heating oil became one of the company's top-selling business sectors.

On course for growth

To raise efficiency, Klöckner & Co decided in 1977 to concentrate on five key trading activities: steel, raw materials/transport, building materials/fuels/chemicals, equipment, and industrial plant (INA). In most of these lines of business results were good in the following years; group sales rose from 7.4 billion marks (1977) to 9.5 billion marks (1979). Trade in raw materials proved to be especially profitable. The "liquid fuels" segment, with its main focus on oil trading, developed into one of the departments of Klöckner & Co with the highest sales volumes. In 1977 the company established a separate gas operation, completing its range of offerings in the fuel sector.

Thanks to internationalization and the expansion of services, the steel trading business developed positively. Worldwide steel production rose faster than demand and cheap suppliers put pressure on prices, resulting in lower yields in the steel trade. But the steel traders of Klöckner & Co always succeeded in achieving above-average profit margins through the quality of their services. Another factor was that its worldwide trading operations made the company relatively independ-

ent of national economic fluctuations. If business in Germany was poor in a particular year, profits could be made in other regions of the world. If the North American market was stagnant, a stimulus would come from Europe.

New markets in the Far East

In 1981 the sales of Klöckner & Co exceeded 10 billion marks for the first time. When the world economy recovered from its phase of recession in 1983, the group's sales rose to nearly 11.5 billion marks in 1985. At that time an important stimulus to growth was already coming from Asia, especially from Japan. Other South-East Asian countries were also trying to catch up with the advanced industrial countries of the West. China started to restructure its state-controlled economic system, and gradually began to open up its markets.

The ambitious industrialization plans of the South-East Asian countries could only be turned into reality with large quantities of steel. Klöckner & Co recognized the opportunities which the Far East offered, and established a large number of local branches and offices. The South-East Asian business was centered on Japan,



Foreign conference | Exchanging information and strategic planning were increasingly important for foreign business. The regular foreign conferences offered staff a forum for obtaining information and exchanging views.

which in the early 1980s was the largest raw steel producer in the world. Klöckner & Co was represented in Tokyo by its own subsidiary, which in 1984 opened a branch office in Hong Kong. Together with the Peking office, the new branch handled the rapidly-growing China business, which had already been started by the Steel International business unit in the mid-1970s.

A spectacular success proved the correctness of this strategy. In the autumn of 1984 the Chinese railways purchased 20,000 tons of rails from Klöckner & Co. It was the first deal of this kind since 1945, and was a public event. To mark the conclusion of the negotiations, the Mayor of Duisburg, Josef Krings, arranged a reception for the Chinese delegation together with Karl-Hans Seegers from the group management of Klöckner & Co and Robert Krämer, Director of Steel International. In 1985 Klöckner & Co set up an office in Shanghai, and in 1986 it combined all its China activities into a separate company, Klöckner East Asia Ltd. In the second half of the 1980s, regional trade within Asia also proved successful; increasingly, Klöckner & Co was trading within South-East Asia with steel from South-East Asian manufacturers.

The Peter Klöckner Foundation

Since the death of Peter Klöckner in 1940, Klöckner & Co had been a limited commercial partnership (Kommanditgesellschaft) with the Peter Klöckner Family Foundation (Peter Klöckner-Familienstiftung) as the limited partner. This unusual structure had resulted, after the introduction of the new Inheritance Tax Law of 1974, in a "destructive tax burden", as Klöckner & Co put it. Therefore, at the end of 1983, the Peter Klöckner Family Foundation transferred its holdings to the Peter Klöckner Foundation (Peter Klöckner-Stiftung), which it had set up. As a non-profit institution however, this body was not permitted to be a "co-entrepreneur" in an unincorporated partnership. So on January 1, 1984, Klöckner & Co was converted into a commercial partnership limited by shares (Kommanditgesellschaft auf Aktien, or KGaA), whose shares were vested in the Peter Klöckner Foundation.

But the non-profit Peter Klöckner Foundation served not only as a means of securing the company's ownership structure, but also to support the promotion of institutions in the fields of culture, science and research, medicine, education and training. In 1985 for the first time, the Foundation received a dividend from Klöckner & Co amounting to some eight million marks. The money was used to support the Wilhelm-Lehmbruck Museum in Duisburg, the Wallraf-Richartz Museum in Cologne, the Düsseldorf University Clinic, the Bethesda Protestant Hospital in Duisburg, as well as various other universities and research institutions.

1966

Advertising | The steel crisis called for more intensive marketing. In the 1980s, Klöckner-Werke AG ran a large-scale campaign to advertise the quality of its steel.



Turbulence, consolidation, crisis

In the first half of the 1980s, the development of international trading activities and expansion in services continued to stimulate the steel trade. Business was good both in Germany and abroad. It was only in 1986 that falling prices for raw materials and products forced the company into massive inventory devaluations and the liquidation of reserves. The losses in the steel business unit, which accounted for more than half of the group's sales, resulted in a fall in sales by 17 per cent to 9.5 billion marks. The group's annual



Hanover Fair | At the Hanover Fair in 1969, the head of the press department of Klöckner-Werke AG presents interested journalists with a world first: the 2,150 mm wide coil.

1988

surplus fell from 41 to 26 million marks. In order to strengthen the company's capital basis, Klöckner & Co raised nearly 200 million marks on the capital market by means of beneficial interest certificates and a bond issue.

In the turbulent year of 1986, the strategy of diversification and internationalization proved its worth. A fall in income in individual trading units and regions could be cushioned by others. Therefore, also in the following years, Klöckner & Co remained committed to the expansion of its international trade and of the trading units. Thus, in 1987 the company established an environmental equipment unit, and expanded its more profitable segments. These included in particular the fuels and chemical unit, whose share in group sales was growing, mainly thanks to its trading activities in crude oil.

At the beginning of 1988, corporate management was looking to the future filled with optimism. Early reports gave rise to the hope of a good financial year. But then, speculative losses in the crude oil business wiped out the capital base of the company. The "oil debacle" cost the firm 600 million marks. Peter Henle, who was responsible for this business unit,

accepted the consequences and resigned from the group management.

In this situation, Klöckner & Co was rescued by Deutsche Bank, which made 400 million marks available to cover the losses. Insolvency was thus averted, but now Klöckner & Co was facing a fundamental reorganization. Deutsche Bank took over the company and converted it into a joint-stock company (Aktien-gesellschaft, or AG). Thus, after a history of more than 80 years, Klöckner & Co was no longer a family-run business.



Personal stories

Frank Kloke

Mr. Kloke, in spring Meyer Werft completed its new cruise ship, the "Pride of Hawaii". The Bremen branch supplied around 20,000 tons of steel for this project – are you proud of that?

Of course, we are proud. After all, it is an impressive picture when an ocean giant with a length of 294 meters is taken up the River Ems to the open sea. The "Pride of Hawaii" is the first ship built by Meyer Werft for which we provided the entire steel plate as well as numerous supplementary services within the framework of our new cooperation. So we also put a lot of work into it.

How did this cooperation come about and what exactly does it involve?

Meyer Werft has procured ship plate from Klöckner & Co for decades now. For the most part this was classic back-to-back business, i.e. the shipyard ordered from the plants via us, as well as via other dealers, and then put the material into storage and further processed it itself. For Meyer Werft, however, this procedure was not optimal. On the one hand, the shipyard had enormous inventories with a corresponding amount of tied-up capital in the millions and, on the other hand, it was extremely complex and costly to have the right material in the right place at the right time. In view of the identified problems, we approached the shipyard and presented our initial concepts regarding warehousing and logistics. This was followed by intensive talks not only with the purchasing department of the shipbuilding company, but also with production and logistics. That was a very exciting and interesting, but also complicated procedure since consideration had to be given to internal production planning and in-house processes, also with the involvement of other suppliers.

The result was a five-year contract. Since spring 2005 we have been supplying the entire ship plate for Meyer Werft and warehousing it on our own account on site in Papenburg in such a way that it can flow into the production process as required at the proper time. This is coordinated precisely with Meyer Werft on the basis of short-, medium- and long-term requirements planning.

So in the broadest sense you also provide a financial service?

Yes, you can call it that. We are responsible for material supply, warehousing and logistics as well as relieving the debt service burden. Furthermore, we also handle the complete documentation of the plate. In shipbuilding every plate used has to be accepted and certified by the plant so it is possible to provide complete verification that the right material was used in the event of liability claims. This documentation was enormously complicated for Meyer Werft. Now we have developed a system so that whenever material is removed in Papenburg, the corresponding papers are provided and stored on a virtual basis. Once the ship is finished, we burn all the documents to a DVD and thus have the complete certification of the ship in compressed form. That works only with very close cooperation based on mutual trust. Now we are conducting talks on performing even more services for Meyer Werft in the steel processing sector as well.

Is the Bremen branch specialized in shipbuilding?

Shipbuilding is very clearly one of our focal points. We have a strong plate department and, besides Meyer, our customers include nearly all other shipyards which we not only supply with ship plate, but with everything required in shipbuilding. In addition, we supply to northern regions up to Denmark, Wolgast, Stendal and Poland as well as to the south up to just before Celle. We are also very strong in

“Comprehensive carefree package for the customer.”



Frank Kloke knows how steel “smells and tastes”. Even as a pupil in school, he worked in the warehouse of Klöckner Stahlhandel AG in Bremen. In 1986 he started training as an industrial clerk at Klöckner & Co Service Center Flachformstahl (Klöckner & Co Flat Steel Service Center) in Arnsberg and after completion he worked for Klöckner’s steel trade operation in Hagen. After holding positions at the Duisburg headquarters and the Fränkischer Eisenhof branch in Bamberg Frank Kloke returned to Bremen and has been branch manager there since 2002.

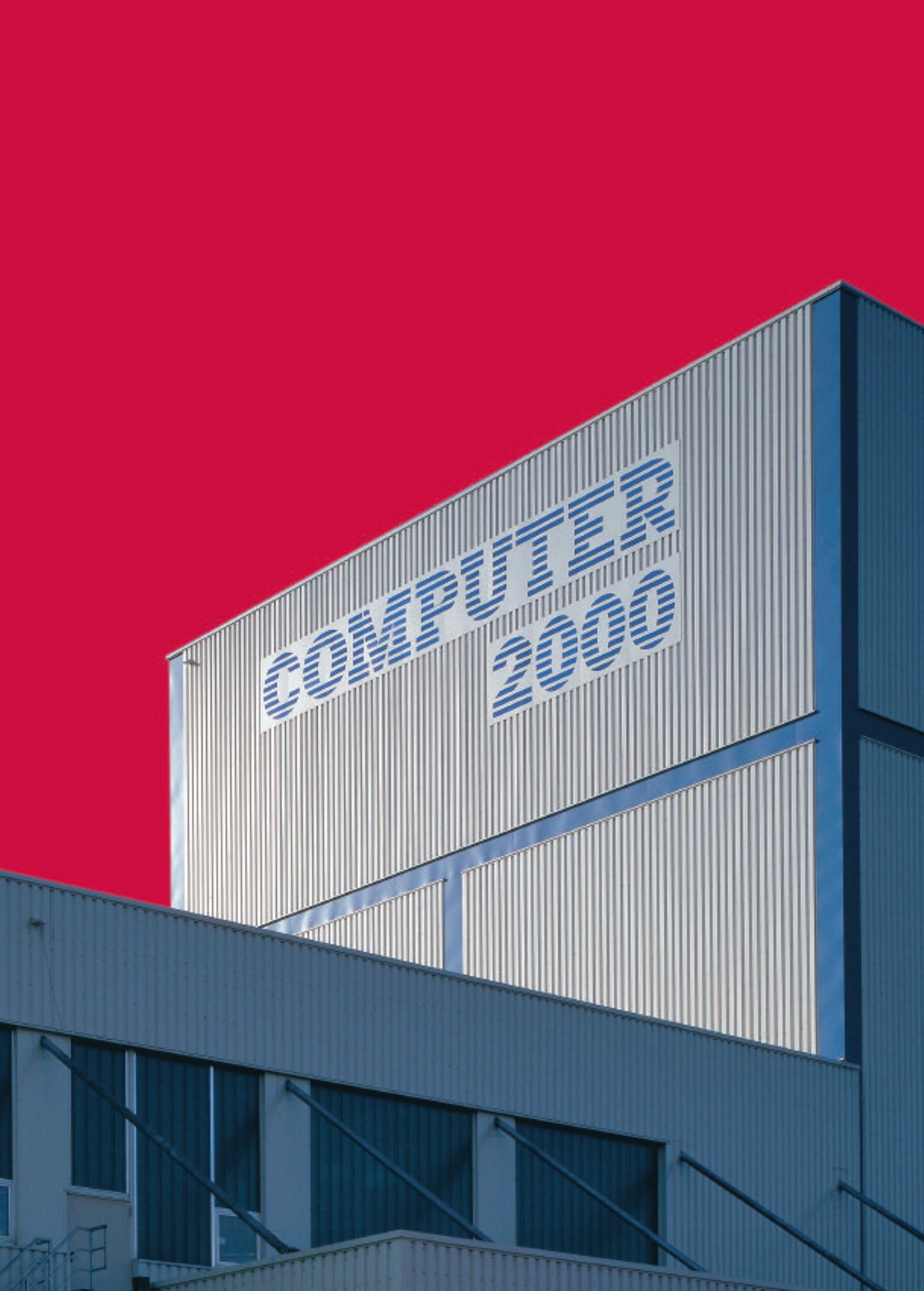
façade construction and have one of the largest roof and wall departments at Klöckner. Finally, we have additionally specialized in wind energy. The plate for the steel tower of the largest wind turbine in the world with an impressive height of 125 meters was supplied by us – we have obtained orders for two other plants. This growth sector is a personal passion of mine. We were involved here right from the beginning and gained know-how at a very early stage. Today we are a national contact for diverse manufacturers of wind energy converters.

Is there similar cooperation with other customers as with Meyer Werft?

As a matter of principle, our aim is to offer more than merely the material. We want to develop individual solutions for the problems of our customers, lighten their work load on the basis of a “comprehensive carefree package” so they can concentrate entirely on their core competence. As far as the scope and complexity are concerned, our cooperation with Meyer Werft is certainly something special. However, we carry out warehousing and just-in-time delivery for many customers. Furthermore, we offer a broad spectrum of in-company processing work in combination with external enterprises, which is taken advantage of by an increasing number of clients. In some cases we also perform the complete preproduction for the customer on the basis of framework agreements. After processing by us, the material can flow directly into production. However, our service encompasses not only warehousing, logistics, processing and transport. We also see ourselves as a customer advisor. We provide information on new products and qualities, for instance weight reduction by means of higher quality in the structural steel tubing sector. In the roof and wall sector we additionally offer support with respect to questions of statics and advise the customers regarding invitations to tender, without billing that as a separate



service. We want to continue to pursue this path of creative customer orientation on the basis of which we develop suitable solutions for special problems together with the customer. That is our future.



COMPUTER
2000

Modernization and
market leadership | **1988 – 1997**
Transformation into an international
distribution group

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After its takeover by Deutsche Bank, Klöckner & Co was sold to VIAG AG, now E.ON, in 1989. In the following years, as an independent member of the VIAG group, the trading company was transformed into a modern distribution group, which aimed to achieve a leading international position in its four central business areas of steel, chemicals, PC products and services. In its traditionally strong core business of steel, the company succeeded in reaching this goal within a few years. When, in 1997, VIAG halted its diversification program for strategic reasons, Klöckner & Co focused entirely on the steel business.

Modernization and market leadership

Transformation into an international distribution group (1988–1997)

1988

Change of owners

Deutsche Bank took over Klöckner & Co in the autumn of 1988 and converted it into a joint stock company (Aktiengesellschaft, or AG) in the same year. Thus the first step was taken towards the sale of the company. The bank looked for a purchaser who would ensure the "unhindered maintenance and development of the businesses" of Klöckner & Co. With this in mind, from December 1988 Deutsche Bank held discussions with VIAG AG, now E.ON, then based in Bonn, which bore fruit in June 1989 after intensive negotiations. With effect from January 1, 1990, Klöckner & Co passed into the ownership of VIAG. This formerly state-owned company had been recently privatized through a series of two stock market flotations, and since then had been on an expansionary path. VIAG aimed to transform itself from a national producer in the fields of energy, aluminum and chemicals into an international service and distribution company.

The acquisition of Klöckner & Co was of strategic importance. The trading company's turnover of ten billion marks catapulted VIAG AG into the top 20 German listed companies at a stroke, and opened a path into the fields of distribution and services which were seen as the markets of the future. Moreover Klöckner & Co, as a global player with sales offices and contacts in many countries, gave the VIAG group an international presence.

VIAG integrated Klöckner & Co into its group as a separate "distribution and services" division, while maintaining the tradition-rich company's commercial and legal independence. For the approximately 7,000 Klöckner staff it was good news. However it soon became clear that the trading company could not continue to operate as in the past. The markets had changed, and the Duisburg-based company had to change in order to remain competitive.

Under new ownership | At the beginning of 1990, VIAG AG took over Klöckner & Co. The conglomerate group, then based in Bonn, already operated divisions for "energy", "aluminum", "chemicals", "fireproof and technical ceramics" and "glass". Klöckner & Co was integrated into the group as an additional "distribution and services" division.



1988

The end of the "Klößnererei"

The takeover by Deutsche Bank in 1988 and its sale to VIAG in 1989 ended the tradition of Klößner & Co as a family-run company. Jörg Alexander Henle remained initially as chairman of the board of management, but he left the group management in 1992. For over 80 years, Peter Klößner and his successors had written steel history, and achieved worldwide recognition for the name of Klößner.

The sale of Klößner & Co also resulted in the end of the "Klößnererei". The trading company's holding of around 40 per cent in KHD AG remained in the hands of Deutsche Bank. Klößner-Werke AG, in which Klößner & Co held a share of some 20 per cent, was forced to file for bankruptcy in 1993, and its steel production was divested as part of its rescue package. Thus, for Klößner & Co, its participation in the former sister company no longer had any strategic significance. It was sold off successively during the second half of the 1990s. Thus ended the history of the "group which is not a group", as Günter Henle liked to say.

Yet the Peter Klößner Foundation, which for many years performed the role of a holding company for Klößner's coal and steel empire, still exists to this day. Following the oil debacle, even its existence was threatened. But after its successful sale of Klößner & Co, Deutsche Bank furnished the Foundation with funds amounting to ten million marks, with which the Foundation today still promotes many cultural projects in Duisburg, the home city of the Klößner Group.



More than trade | Preprocessing was among the services offered by Klößner & Co's steel and metal distribution from an early stage.

At the start of a new era

For Klößner & Co, the changes in 1989/90 represented a double caesura. Not only did the company come into the ownership of an industrial group, but it also had to adjust to a changed market environment. The world was in transformation. Revolutionary changes in Eastern Europe put an end to the Cold War and opened the way for the unification of the two German states. The Soviet Union collapsed, and some of the newly-independent former Soviet states formed themselves into the Commonwealth of Independent States (CIS). With the fall of the iron curtain, many restrictions on trade also fell. Spurred on by the events in the East, the process of unification in

1997

Western Europe also accelerated. In 1992 the states of the European Union (EU) completed the "European internal market" with the free movement of goods, persons, services and capital. At Maastricht in the same year, the EU states set the course for "European Economic and Monetary Union". In South-East Asia the "tiger states" were about to spring. Globalization was in full swing.

These epoch-making changes created a new set of political and economic conditions. New competitors were forcing their way onto the market, and the global political situation became more obscure. The financial difficulties of the CIS states resulted in the disappearance of traditional export markets. Deliveries of steel to Russia fell by more than one-quarter in 1990. In order to compete successfully as a worldwide trading company in the

1988



Distribution as core competence | Services in the initial processing stage: plasma cutting and flame cutting with ultra-modern CNC-controlled equipment at Klöckner Stahlhandel in Nuremberg (top). Charging of a micro-processor-controlled inert gas hardening furnace for treatment of pre-forged retaining rings at subsidiary Mamesta B.V. in the Netherlands.

globalized markets, and to exploit the chances offered by these historic changes, Klöckner & Co decided in 1990 to substantially expand its international activities. For this purpose the board of management created a separate portfolio for "Europe". At the same time an investment program worth billions of marks was launched with the support of VIAG. The goals were ambitious. A powerful distribution organization was to be created in the new federal states in Eastern Germany, and the European business was to be brought up to speed for the EU internal market. But above all Klöckner & Co aimed to establish itself in the following years as an international distribution specialist with market leadership positions for its core business units.

Core competence distribution

Service had always played a major role at Klöckner & Co. Alongside its classic back-to-back business, which moved large volumes of steel but in which the company acted simply as middleman between producer and customer, from its early days Klöckner & Co had also operated a stockholding steel and metal distribution business. This supplied customers with

smaller volumes from nearby stocks – a field of activity which the company had expanded massively since the 1960s. In the early 1990s, in addition to an extensive range of products, the warehouses of Klöckner & Co also provided customers with transport and logistics services, quality assurance and materials processing. These activities, which were fundamentally different from classic trading and which offered the customer a genuine added value, were summarized by Klöckner & Co under the term "distribution".

Steel was a pioneer in this respect, but also in other areas the firm had transformed itself from a trading company into a distribution specialist. In the fields of chemicals, mineral oils and gas, its services ranged from stockholding, through transport logistics and quality assurance, to the installation and maintenance of tanks and supply facilities. Distribution, which was seen as the core competence, was to be developed to international standards in all units in the early 1990s.

The market conditions for this strategy were favorable. While classic trading was experiencing stronger competition and falling profits, and the producers were

Cooperations | In 1995 Klöckner & Co merged its raw materials/recycling/environment business unit into Thyssen Klöckner Recycling GmbH, operated in cooperation with Thyssen Handelsunion AG. This also included the scrap business which Peter Kloeckner had established.



increasingly marketing directly to the major processors, in the field of distribution the trend was moving in the opposite direction. Within the framework of outsourcing programs, more and more customers were buying the external services which stockholding distributors provided, in order to concentrate on their core business. Distribution was a growth market.

This applied especially to steel, which in the early 1990s represented some 60 per cent of group sales. At that time however, Klöckner & Co only carried out steel distribution in Germany, Belgium and North America. Thus, one of the most important projects of the 1990s was to expand stockholding steel distribution in Europe and become the market leader in this segment. It aimed to achieve this within just a few years, and the goal could only be accomplished by the takeover of foreign companies. In 1990, while still under the management of Jörg Henle, Klöckner & Co entered the stockholding steel distribution market in Austria through acquisition and, in 1992, joined up with one of the leading steel distributors in Switzerland, Debrunner-Koenig-Group, by purchasing a majority shareholding in the company.

Concentration, expansion and diversification

In its other business units too, step by step Klöckner & Co implemented its goal of international market leadership in the field of distribution. In order to build up a powerful international distribution organization, within a few years the company acquired and integrated numerous foreign subsidiaries, mainly within Western Europe. Parallel to this expansion strategy, it abandoned those business activities which no longer fitted its portfolio, either because they represented marginal activities, did not accord with the company's new perception of itself as a distribution specialist, or failed to offer any international perspectives. In 1989 Klöckner & Co had already disposed of its heating equipment business unit. In 1990 its traditional building materials activity was sold off.

This did not yet represent a fundamental restructuring of the portfolio. This only took place under Dr. Helmut Burmester, who replaced Jörg Henle as chairman of the board of management of Klöckner & Co at the beginning of 1993. In 1993 Burmester sold the Union Air Transport Group and 50.1 per cent of Stute

Expansion in Europe | With the acquisition of a majority in Debrunner-Koenig-Group in 1992, Klöckner & Co opened up the Swiss market. Here is one of the branches.



Location in the Netherlands | The Dutch steel distributor Oving-Diepeveen-Struycken B.V. (ODS) joined Klöckner & Co in 1993.



1988

The group's organizational restructuring



In the early 1990s, Klöckner & Co commenced an extensive restructuring of its internal organization. The aim was to abolish hierarchies and decentralize services, in order to be able to act quickly and flexibly in the new markets. The new chairman of the board of management, Dr. Helmut Burmester, streamlined the group's management, strengthened individual responsibility, shortened lines of communication, and replaced the prestige-laden title of "Director" with more functional job titles. The business units were also reformed and their competences significantly extended. The end result of the reorganization was the legal independence of the individual sectors. In 1995 the steel, chemicals and energy divisions

were converted into separate subsidiaries under the umbrella of Klöckner & Co AG as the managing holding company. These subsidiaries were joined by INA along with the new acquisitions Computer 2000 AG, Röder Zeltsysteme und Service AG, and Wilhelm Ispert AG & Co KG (see organigram). The group's steel activities, with all its relevant subsidiaries, were transferred to the newly-established Klöckner Stahl- und Metallhandel GmbH (KSM). The new, decentralized group structure provided for a clearer division of responsibilities, greater efficiency, and an even stronger orientation towards the market and the customer.

1997

Verkehrs-GmbH to the parent company VIAG. This move was prompted by the decision of VIAG to bundle its own transport activities with those of its subsidiaries. After that, changes followed one another in rapid succession. In 1994 Klöckner & Co sold off its machine tool business unit, and in 1995 the company gave up its remaining holdings in Stute Verkehrs-GmbH. In the same year, its majority in the raw materials/recycling/environment unit was transferred to Thyssen Handelsunion. Klöckner & Co only retained a share of 20 per cent in the new company, Thyssen Klöckner Recycling GmbH. Even a majority shareholding in the traditional company INA was sold at the beginning of 1996.

These company disposals were counter-balanced by a major program of acquisitions, especially in the core steel business. Here, in 1993 Klöckner & Co acquired the Dutch company Oving-Diepeveen-Struycken B.V. (ODS), which had a strong position especially in the distribution of specialties. This was followed in 1994 by the purchase of Stahl Service Center Feinstahl AG in Zürich. At the beginning of 1995, Klöckner & Co extended its leading position in Germany with the purchase of nine warehouses and two

sales offices from Ferrostaal AG of Essen. In Switzerland and the Netherlands, Klöckner & Co was able to establish itself as market leader through further acquisitions.

The process of concentration and expansion was accompanied by a strategy of diversification. In 1994 Klöckner & Co purchased a majority in Röder Zeltsysteme und Service AG in Büdingen, which sold and rented large tents and lightweight halls internationally. The acquisition of Computer 2000 AG in 1995 was a coup. This Munich-based company was the largest European distributor of PC products at that time. With this purchase, Klöckner & Co acquired a second rapidly-growing foothold in the international distribution sector alongside steel.

After three difficult years, which were marked by a worldwide economic downturn and the restructuring of the group, in 1995 the fundamentally altered Klöckner & Co holding company was back in substantial profit for the first time. Nearly 11,900 employees produced sales of some 15 billion marks, over 58 per cent of which was abroad. This represented an increase in the share of foreign business by more than half in comparison to 1989.

Computer 2000 call center | At the beginning of 1995, Klöckner & Co acquired Computer 2000 AG. That year, the largest distributor of PC products in Europe had sales of nearly five billion marks with some 2,500 employees.



Röder tents in action | In 1994 Klöckner & Co acquired a majority in Röder Zeltsysteme und Service AG, which was represented in ten countries with 17 subsidiaries. The company sold or rented tents and lightweight halls, here for the Eurocard Open Tennis Tournament in Essen in 1995.

A decisive step | At the beginning of 1996, Klöckner & Co took over the French steel distributor ARUS, which was renamed Klöckner Distribution Industrielle (KDI) two years later. With 120 warehouse operations in France and Great Britain, ARUS had sales of some two billion marks in 1995.

1988

By the mid-1990s, Klöckner & Co had achieved the central objectives of its strategic reorientation, and could now present itself as an international distribution group with its four pillars of steel, PC products, chemicals and services.

The reinvention of a tradition

Despite the company acquisitions in other fields, steel continued to be the core business of Klöckner & Co. In 1995 it contributed more than 50 per cent of the group's sales. In the following year, the company made substantial investments in the expansion of steel distribution. In 1996 Klöckner & Co bought the largest French steel distributor ARUS, which was later renamed Klöckner Distribution Industrielle SA (KDI). The French company had nearly 3,200 employees, with sales of 1.8 billion marks. It also owned the British steel distributor ASD, the number two in Great Britain with 580 employees and sales of 350 million marks. Parallel to the expansion of its stockholding steel distribution activities, Klöckner & Co abandoned its steel service center operations. This form of distribution, which principally involved delivering flat steel products to large-scale customers, but also undertook individual preprocessing

1997

operations such as stamping, welding, cutting-to-length and pressing, was mainly a lucrative business for steelworks, which preferred to sell large volumes of steel to a single customer.

While carrying out large-scale acquisitions in the steel sector, Klöckner & Co continued to sell off other parts of the business. In 1996 it abandoned the energy business, which did not offer any international perspectives. A buyer was sought for its marginal activity in textiles. Corporate management did not consider entering any additional fields of business. Once the turn-around was achieved in 1995, the management and staff, with great élan, set about making Klöckner & Co the leading service provider in Europe in its main business sectors.

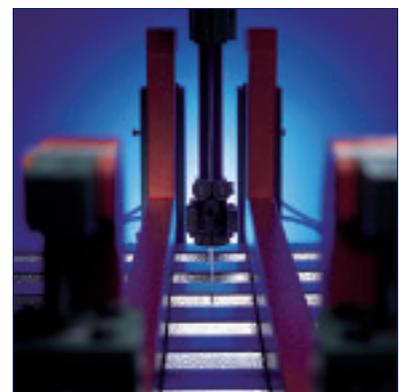
But the euphoria was quickly followed by disillusion. In the late autumn of 1996, the parent company VIAG decided to concentrate in future on the development of its activities in the fields of energy and telecommunications. Diversification was now followed by a narrowing of the focus. In this, the company was following the trend of the times. In an environment of global competition, the financial and organizational task of developing and

growing a variety of different business fields at an international level was hardly possible to manage. Therefore, since the mid-1990s more and more companies had decided to concentrate on their "core business" and dispose of marginal activities.

For Klöckner & Co the change in strategy by VIAG had far-reaching consequences, because its development as a distribution group with three or four major, internationally-oriented, fields of business could not be realized without having VIAG in the background. Therefore, in the spring of 1997, the board decided to concentrate in future entirely on steel and metal distribution. If it could succeed in further expanding its distribution business in this sector, major opportunities for development would be opened up. With this decision, the company was not only following the general trend towards concentration on core businesses, but also recalling its old strengths. Strictly speaking, Klöckner & Co was reinventing a tradition. The company had begun as a classic iron and steel merchant, and its future now lay in its transformation into a modern steel and metal distributor.



Farewell | In 1996 Klöckner & Co abandoned its energy activities, which included the tank storage facility at Krefeld with a quay for the delivery of liquid gas.



New horizons | The future of Klöckner & Co lay in its concentration on steel and metal distribution. This also included the expansion of pre-processing services, such as here the sawing of a tapered sheet.

Personal stories

Ralf Jordan

Mr. Jordan, as Managing Director of Klöckner Information Services (KIS), you are responsible for worldwide introduction of SAP in the Klöckner & Co Group. Why is that so important?

In the country operations of the Klöckner & Co Group very different IT systems are used, even today. This makes intensive international cooperation or transfer of best practice solutions extremely difficult. A standardized IT system for the group results in options for implementing significant cost savings in this area.

How far along is implementation?

The first introduction of SAP at Klöckner & Co took place in Germany in 1995. After that it was introduced in Austria, Belgium and the Netherlands and there were projects at participations of KSM. The most recent installations of the SAP system were in Spain, Great Britain, the Czech Republic and Poland. In 2004/2005 the accounting system of the North American companies were also changed over to SAP. For the country operations in Switzerland and France SAP introduction is in the preparation phase. This means most of the European Klöckner companies will be changed over to SAP.

How is SAP actually introduced?

In every country there are special features, certain commercial customs or legal regulations we want to conform with. This is why we work closely together with the local IT staff. The typical procedure is that we initially introduce SAP in a section of the country operation, a so-called pilot. During a preparation phase of about six to nine months the system is adapted to the local requirements and the users are trained. On a fixed date the data from the old system are transferred to SAP. To ensure that business continues as

smoothly as possible, the users are supported in the changeover on site. After completion of the pilot introduction the system is transferred to the other locations. This may be a very complex under-taking depending on the size and structure of the country operation. In Spain, for example, we had to deal with eleven different subsidiaries. In France there is only one country operation, KDI, but it has over 100 locations. Our goal is for the customers not to perceive the system changeover. They can order as usual and receive their goods without any delays.

What advantages result for the individual country operations?

Through the SAP system the country operations are provided with a modern IT platform. Some of the systems still used at present are now between 10 and 20 years old. On the basis of the SAP system, the convenience and efficiency of business processes are to be further improved. Decision-making processes are facilitated at all levels by providing current information nationwide. The system permits a connection to customer or supplier systems. For example, nearly all data are exchanged electronically within the framework of cooperation between the machining center in Velten and Heidelberger Druckmaschinen AG and no longer have to be manually recorded on both sides. This shortens the throughput times and increases the transparency of the processes.

Does the group also profit from the introduction of SAP?

Yes. The IT costs of the entire group can be considerably reduced by harmonizing the IT landscape. We expect further effects through group-wide use of SAP for so-called best practice solutions. With the, in some cases, very different old

“SAP – a platform for cooperation.”



Ralf Jordan, a qualified businessman and business administration graduate, joined Klöckner & Co in 1994 after positions at Otto Wolff AG and Thyssen Handelsunion. The IT specialist worked in the steel data processing department and has been Managing Director of Klöckner Information Services GmbH (KIS) since 2006. KIS is responsible for the IT applications of Klöckner & Co and, as part of this function, for worldwide introduction of SAP.

systems it was hardly possible to transfer solutions from one country to another. On the basis of SAP, this will be much easier in future.

Are there concrete examples of this best practice approach?

An elementary part of this approach is the search for good solutions that are also of interest for other country operations. These solutions consist of methods that have proven themselves in practice and are supported by the system in many cases. A concrete example of this is inventory management, i.e. monitoring stocks as well as calculating proposals for new orders. This task represents a key function for any trading company. Another example of the transfer of system-based solutions is a sales information system that was developed in Germany and is now also used at ODS in the Netherlands. The Spanish country operation, too, has already indicated interest in this.

We assume that there are specific focal points of know-how in every country that can be adopted profitably by the colleagues in other countries. Our goal is not to develop and distribute solutions from the headquarters, but to make the know-how of individual countries available group-wide.

Are other synergies between the countries also possible?

Through SAP we generally provide a very good platform for international cooperation. Opportunities for intensive collaboration are examined in eight initiatives within the scope of the Star program. From this we expect a large number of specific projects to be implemented on the basis of SAP.



The diverse possible areas of application make the worldwide introduction of SAP exciting. Many feel IT is a dry field, but the contacts with various people, mentalities and markets as well as the opportunities of international cooperation resulting from that are vivid and interesting.

Klöckner Stahlhandel

klöckner & co multi metal distribution

Klöckner Aluminium Service

klöckner & co multi metal distribution

A new beginning
in the 21st century | **1997 – 2006**
Klöckner & Co as multi metal distributor

95 | Concentration on the core business

97 | Unity in diversity

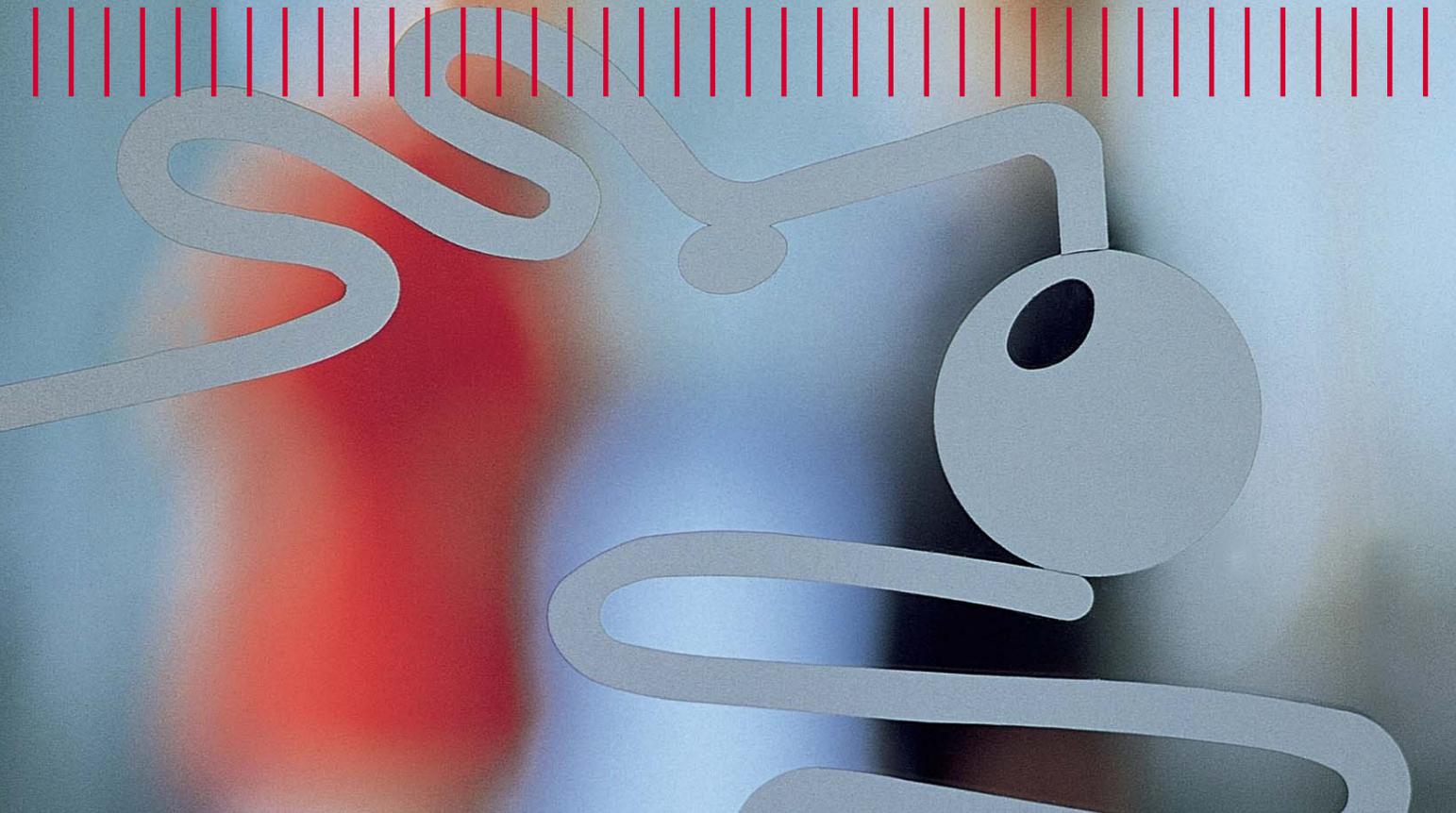
98 | Farewell and a new beginning

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After Klöckner & Co had taken the decision in 1997 to concentrate its activities in future solely on steel and multi metal distribution, the company disposed of its other fields of business within 15 months. At the same time Klöckner & Co continued to build up its leading market position in Europe. The stormy phase of expansion was followed by the integration of the new foreign companies. The company also developed into a systems supplier offering an extensive range of services. Following a series of ownership changes, the company was taken over in March 2005 by the US investment group Lindsay, Goldberg & Bessemer. In June 2006 Klöckner & Co launched an IPO on the stock market and thus opened a new chapter in its history.

A new beginning in the 21st century

Klöckner & Co as multi metal distributor (1997–2006)

2006

Concentration on the core business

In the spring of 1997, Klöckner & Co announced its decision to concentrate in future on steel and multi metal distribution. At a time of globalization this was a logical step, because in the long-term the traditional Duisburg-based company could only succeed against intensified international competition through the targeted deployment of its resources and know-how. The basis for this strategic reorientation was provided by the West European steel distribution companies which Klöckner & Co had acquired in the previous years. The purchase of the Spanish steel distributor Comercial de Laminados in July 1997 was a further milestone along this road. As the market leader on the Iberian Peninsula, Comercial de Laminados had sales of nearly 600 million marks with 900 employees, and was also present in Portugal with its subsidiary Ferros de Litoral. With the acquisition of the Spanish company Klöckner & Co had established itself as the largest mill-independent steel distributor in Europe.

The most urgent task of the reoriented company was the legal and organizational adaptation of the group structure. Already

Goodbye to the "general store"

While Klöckner & Co continued to expand its stockholding steel distribution in Europe, it commenced the disposal of those activities which no longer belonged to the group's core business. Already in 1997, Klöckner & Co divested its textile division and transferred it to a non-consolidated holding company with a view to sale. At the end of the year, the group transferred its remaining participation in Thyssen Klöckner Recycling GmbH to the majority shareholder. This was followed at the beginning of 1998 by the sale of Klöckner Chemiehandel GmbH. Computer 2000 AG changed owners in the summer of 1998 and was sold to the US company Tech Data Corporation. Its involvement in Röder Zeltsysteme und Service AG also ceased, according to plan, in the summer of 1998. Almost at the same time the company transferred its remaining participation in Klöckner Industrie-Anlagen GmbH (INA) to the majority shareholder. Thus, in just 15 months, Klöckner & Co had undergone a complete reorientation. The former conglomerate company had become a pure steel and metal distributor. In terms of sales, the volume of business halved from 18.6 billion marks in 1997 to 9.5 billion marks in 1998. The number of employees fell from 14,655 to 10,752.



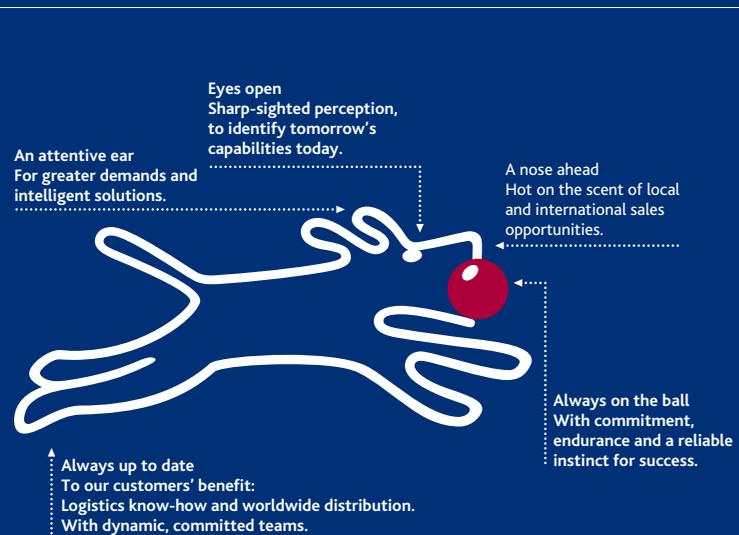
(R 126) (verteilen)
 bul|ie|ren (ver|teilen)
Dis|tri|bu|ti|on, die; -
 lung; Auflö|sung;
 mens|ver|teilung,
 1997

The sign of the dog

“Has Klöckner & Co moved into dog breeding?” There was no shortage of wry comments when Klöckner & Co unveiled its new corporate identity in the autumn of 1997. The dog caused a certain irritation in the traditionally conservative steel industry, and even some members of staff initially had problems with the new Klöckner symbol, which was designed by the famous London agency Wolff Olins. Steel and dog: what was the connection? Indeed the dog had little to do with steel trading in the classic sense. Rather it represented the new appreciation of trading as distribution, in which everything depended on quality of service. Clever, fast, flexible, and loyal to both suppliers and customers; this is how Klöckner & Co understood its task as a modern multi metal distributor.

But the new corporate design was not only the expression of a new understanding of its role, but also provided the group for the first time with a uniform global corporate identity. All the foreign companies now incorporated the dog and the new Klöckner colors of blue and red into their emblems. Alongside their established names, the suffix “klöckner & co multi metal distribution” now appeared, drawing attention to the strength and dynamism of the international group.

Today the dog can no longer be ignored. And even the skeptics have come to love the dog. Because one thing is sure: the Klöckner dog is always a topic of discussion, especially with new customers. It carries sympathy and is a striking symbol of the group. Whether it is on the facades of the branch offices, the annual reports of the group, or promotional gift items, the dog has been a great success.



Holding company logo

klöckner & co

multi metal distribution

Klöckner Stahl- und Metallhandel

klöckner & co multi metal distribution

ASD metal services

klöckner & co multi metal distribution

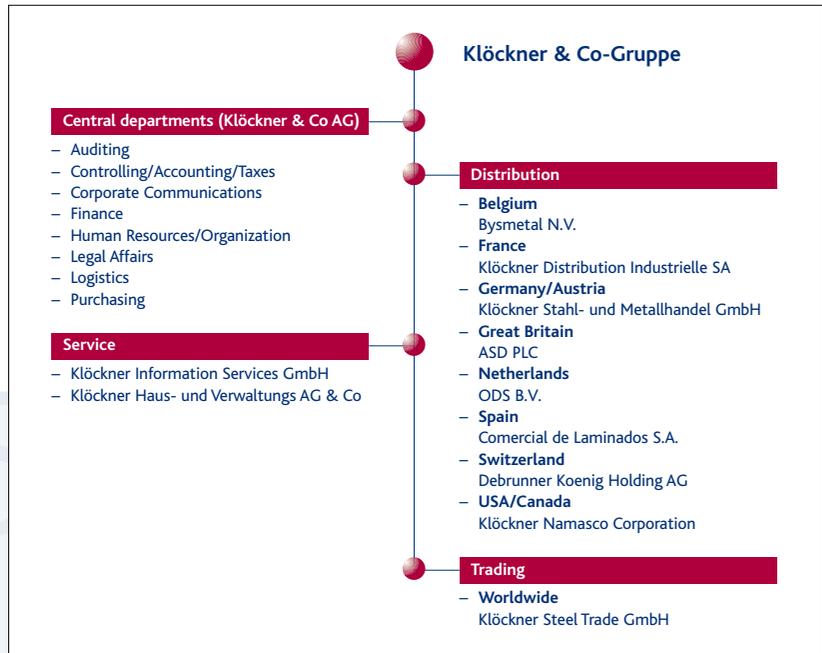
Buysmetal

klöckner & co multi metal distribution

Examples of subsidiary company logos

New group structure | In 1998 the former conglomerate company Klöckner & Co had become a pure steel and multi metal distribution company.

2006



in 1997, practically all foreign subsidiaries of the former steel management company, Klöckner Stahl- and Metallhandel GmbH (KSM), were transferred to Klöckner & Co AG. For the foreign offices with back-to-back business Klöckner & Co founded a new company, Klöckner Steel Trade GmbH. New organizational structures and a reorganization of the board of management portfolios were also part of the group restructuring. The most visible sign of the transformation was the new corporate design which Klöckner & Co presented to the public in the autumn of 1997. In place of the three Klöckner semicircles came the new logo and the Klöckner dog, which was to become the symbol of the steel and multi metal distributor (see box).

Unity in diversity

The new corporate design now identified Klöckner & Co to the outside world as a global group for the first time. But the internal unification of its structures and business processes had yet to be accomplished. In this respect, every foreign company had developed its own system. Therefore, after the stormy acquisition phase of the previous years, the task was now to integrate the new companies into

the group. In this, Klöckner & Co continued to rely on the principle of decentralized organization and independence. The operating business remained in the hands of the foreign companies who contributed the necessary know-how for the development of their markets. However, the management of business processes was to be unified, and synergies within the international group strengthened.

The most important instrument of integration was the harmonization of the group's data processing activities. At the beginning of 1998, Klöckner Information Services GmbH was established. Its task was the coordination and unification of the multifarious data processing systems in the different country operations. Klöckner & Co thus aimed to network the group internationally, make group-wide data more accessible, and raise sales activities, procurement, logistics and accounts reporting to a uniform standard. An important step in this direction was the introduction of SAP in Austria, Belgium and the Netherlands. This was based on the experience already gained in Germany, where this data processing system had been introduced for the first time in 1995.

SAP rollout | Klöckner Information Services (kis) issued a brochure in the year 2000 to inform staff about the introduction of the SAP software.



1997

Going up | In 2000/2001 in Nuremberg

Klößner & Co built one of the most modern high-bay warehouses in Europe, setting new standards in warehouse logistics.



In order to increase efficiency, Klößner & Co also launched global quality and profitability programs. At considerable expense, almost all foreign companies were restructured and modernized at the end of the 1990s. Klößner & Co also developed a uniform Europe-wide product structure. In addition, customer service was optimized. Whereas in the past, specialist salesmen were responsible for the various different product groups, now each customer was allocated a personal contact partner, able to offer customized solutions and an individual service.

Farewell and a new beginning

While the internal reorganization was still under way, Klößner & Co continued to pursue its expansion. For the first time, attention was also focused on the Eastern European markets. Here the group aimed to gain experience by acquiring a ten per cent participation in the leading steel distributor in Bulgaria, and establishing its first branches in the Czech Republic and Poland. Acquisitions were also made in Western Europe. In 1999 Klößner & Co strengthened its presence in Switzerland through the acquisition of IBAG Zentral-schweiz Industrie- und Baubedarf AG, the national market leader in concrete re-

inforcing steel, rolled steel and iron products. The group also expanded its stockholding locations in Spain, the Southern USA and Canada. At the beginning of 2000, Klößner & Co took over the English flat steel specialist Richardsons Westgarth. The company also expanded in Germany. The aluminum business was extended, and in 2000/2001 a modern high-bay warehouse was built at the Nuremberg branch.

Klößner & Co coupled the expansion of its stockholding steel distribution with the disposal of its traditional back-to-back business. In the year 2000 the back-to-back steel trading division, with subsidiary companies in Europe, America and Asia and some 190 employees, was sold to the British-Iranian Balli Group. In 1997 the back-to-back business had a turnover of 1.8 billion marks, while that of the distribution companies amounted to 7.4 billion marks. In view of the large amount of capital tied up in the back-to-back business, and its comparatively low margins, this field of business no longer had any significance for Klößner & Co. Following the disposal of the group's other business units and the abandonment of the steel service centers, the sale of the back-to-back steel trading division was the final step towards its concentration on the

2006

stockholding distribution business.

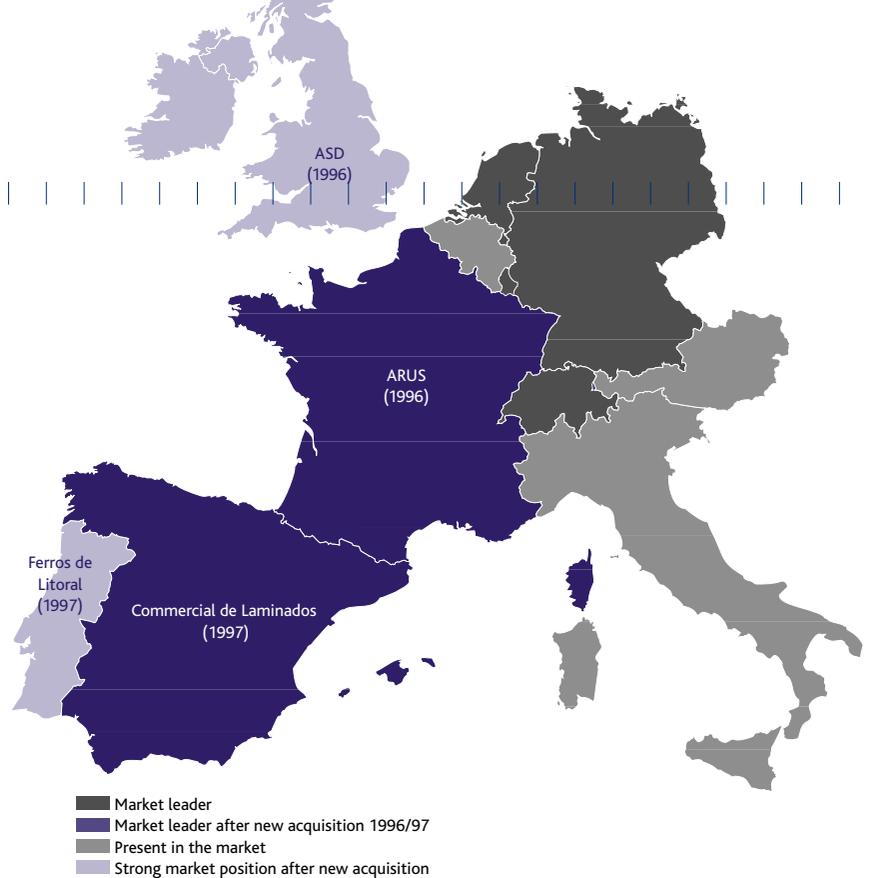
The strategy quickly bore fruit. In the year 2000 Klöckner & Co achieved one of the best results in the company's recent history. Sales rose by nearly 20 per cent over the previous year to some 10.5 billion marks. The group's annual surplus, at 126 million marks, more than doubled in comparison to 1999.

Becoming a systems supplier

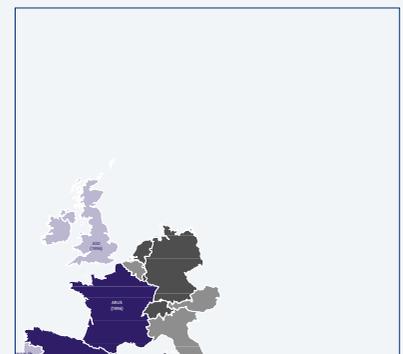
At the start of the 21st century, Klöckner & Co was poised for a new departure. A project with particular significance for the future was launched at the beginning of 2001 at Velten, where a total of 30 million marks were invested in the construction of a new machining center. The background was a cooperation contract with the global printing machine manufacturer Heidelberg Druckmaschinen AG, initially for a period of ten years. For its factory in Brandenburg, the company had been looking for a partner who could not only handle warehousing, material disposition and logistics, but could also undertake the complete preprocessing of steel components. Klöckner & Co succeeded in winning the contract against numerous competitors.

The new factory hall, in which 40 new jobs were created, was finished in just six months. It started operation in August. The order volume was impressive. In a precisely coordinated production plan, Klöckner & Co supplied Heidelberg Druckmaschinen AG with some 7,700 tons of round and sectional steel, tubes and non-ferrous metals per year. After a variety of processing operations and quality checks, large quantities of ready-to-install components left the Velten machining center daily for incorporation directly into the manufacture of printing machines. For Heidelberg Druckmaschinen AG it was a major relief; for Klöckner & Co it represented an important step on the way to becoming a systems supplier, undertaking a range of functions in the manufacturing process for its customers, from purchasing,

To European market leadership through targeted acquisitions



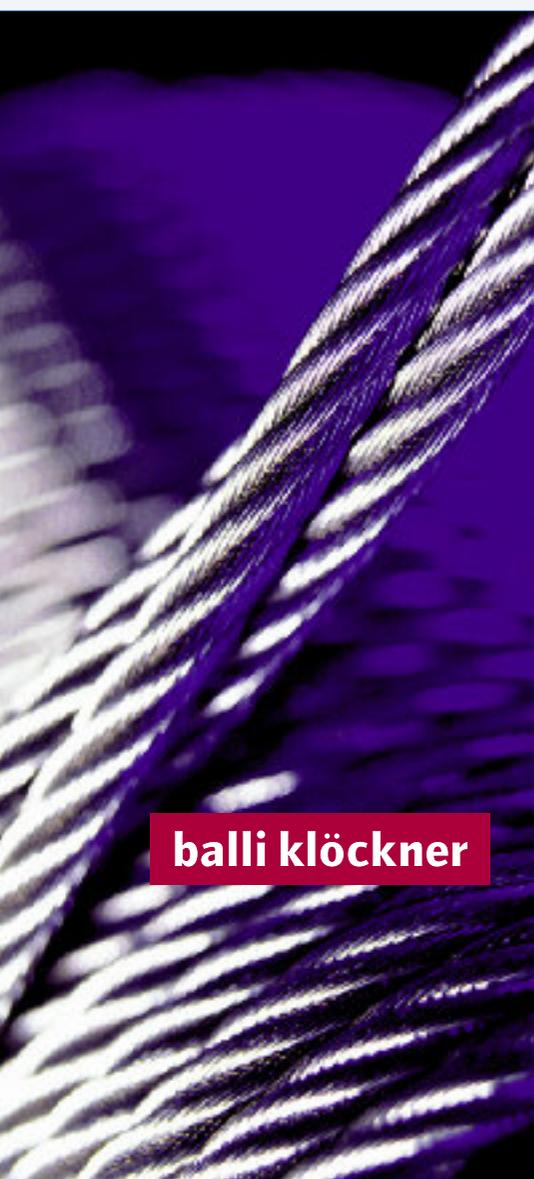
Market position in Europe | By the end of the 1990s Klöckner & Co had become established as the largest mill-independent steel and multi metal distributor in Europe.



Made to measure | Based on coordinated production planning, the Klöckner machining center in Velten near Berlin, opened in 2001, delivers its customers ready-to-install components which can flow seamlessly into the manufacturing process.

1997

Takeover | In 2001 Klöckner & Co was acquired by the Balli Group. But the new company, "balli klöckner", was just a brief episode in Klöckner's history.



balli klöckner

through warehousing and further processing, to the delivery of finished components.

A financial loss – the Balli crisis

In the autumn of 1998, the company's then parent company, VIAG AG, had announced its medium-term intention of disposing of the Duisburg steel distributor. VIAG aimed to concentrate entirely on the energy and telecommunications sectors, with the result that Klöckner & Co no longer fitted into its core business. The sale was planned to take place within the next three years. Both Thyssen-Krupp and Arbed showed interest, but the negotiations failed.

The merger of VIAG and VEBA in the year 2000 to create the largest energy group worldwide, E.ON, forced the pace of the planned sale, which was concluded in October 2001. Klöckner & Co was sold to the Balli Group, which acquired a 94.5 per cent holding in the group. The London-based British-Iranian company, belonging to the Alaghband brothers, had already bought the back-to-back trading division of Klöckner & Co the previous year. The Balli Group, which up to that point had been involved in back-to-back steel trad-

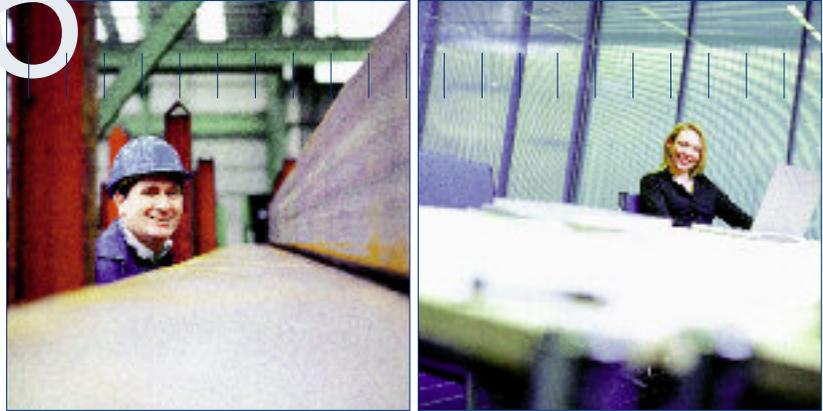
ing but was not active in stockholding steel distribution, appeared to be a suitable partner for the Duisburg company. But it soon became clear that the sale to the British-Iranian company was a mistake. Within one month after the arrival of the Alaghband brothers, more than 120 million euros was missing from the company's accounts. The money had been transferred by the new owners into accounts to which Klöckner & Co had no access.

Under pressure from WestLB AG – the bank which together with HSH Nordbank AG had financed two-thirds of the purchase price, receiving as security a right of lien on the shares of Klöckner & Co – the Alaghband brothers were forced to resign their positions on the board of management and supervisory board of Klöckner & Co in the spring of 2002. The shares were firstly transferred to a trust company, and then in March 2003, when it became clear that the Alaghband brothers were not in a position to service their debts, they were taken over by WestLB.

For Klöckner & Co these events were dramatic. On account of the drain on capital, the 2001 financial year closed with a massive loss of 156 million euros.

2006

Faces of a company | Whether in the warehouse or the office, the employees of Klöckner & Co represent all-round service and competent advice for the customer.



Although the company was stable enough to survive this setback, the financial turbulence made considerable waves. Owing to the uncertain situation, the banks threatened to block loans to the company. Suppliers were uneasy. In this situation it was above all the employees of Klöckner & Co who, with great commitment, kept the company on track. With success: already in 2002 the company was back in profit to the tune of 17.3 million euros. Thus Klöckner & Co emerged from the crisis with a financial loss but otherwise undamaged. At the end of 2005 the Alaghband brothers received suspended prison sentences and fines amounting to millions of euros for fraud. The civil law proceedings are still continuing.

Return to normality

The turbulence in the wake of its sale to the Balli Group kept Klöckner & Co in a state of suspense for nearly two years. It was only when WestLB AG took over the company in May 2003 that the situation returned to normal. At the end of 2003 the company also acquired a new Chairman, Dr. Thomas Ludwig. Dr. Ludwig not only had decades of experience in the steel industry, but was also extremely

A group and its employees

Since the end of the 1980s, Klöckner & Co has lived through turbulent times. The group had to meet the challenges of globalization, saw numerous changes of ownership, redefined and restructured its business operations, and experienced two major crises with the oil crash and the Balli sale. That the group has withstood these so successfully and is today among the world's leading steel and multi metal distributors, is above all thanks to its employees. They have remained true to Klöckner & Co even in difficult times, and have shown a high degree of loyalty to the company. The employee representatives have also given their constructive support to the processes of change over the years.

The group today has about 10,000 employees, of whom some 1,800 work in Germany. Their average age is 40 years. Ten per cent of the staff are trainees. The proportion of women in the non-commercial wage category has continuously increased in recent years.

Flat hierarchies and intensive employee promotion are characteristic of the company. Many branch managers learned their craft at Klöckner & Co from the bottom up. There are many opportunities for advancement, especially for young people. Sending them abroad in order to experience the international character of the group is part of the program of Klöckner & Co. It was not for nothing that, even in the 1950s, it used to be said that: "If you join Klöckner, you see the world." And in this respect nothing has changed.

1997

familiar with Klöckner & Co, having belonged to the company's board of management from 1991 until 1995, where he was responsible for the raw materials, recycling and environment divisions. Under Dr. Ludwig the strategic expansion of the group was resumed and pressed forward energetically. Klöckner & Co launched an extensive development and financing concept for its Spanish subsidiary, and its market position in Switzerland was further strengthened. From 2004 the conversion of the company's data processing systems to SAP software has been pushed forward intensively, and has now been completed in many countries.

Core business steel | Klöckner & Co offers its customers a wide-ranging assortment of steel and metal items.

Among its most important projects was also the international networking of the company. Having successfully integrated

the foreign companies, the network effects of the international group were now to be harnessed better. Here, Klöckner & Co focused initially on the procurement side. In the summer of 2004 a separate subsidiary was established, Klöckner Global Sourcing GmbH, which can improve the coordination and bundling of the regional purchasing volumes of the country operations in order to obtain more favorable conditions on the market. Regular meetings were initiated between the purchasing executives of the foreign companies, and the mutual exchange of information was intensified. Klöckner Global Sourcing GmbH also sought to open up new procurement sources, including in Asia and Latin America, in which strategic partnerships with suppliers were to play an important role.

The reorganization of procurement was accompanied by a worldwide boom in demand for steel. Global raw steel consumption had already grown strongly in the preceding years, but in 2004 it reached a new record peak of more than one billion tons. In particular the explosive economic growth in China, whose steel consumption had almost doubled in just a few years, and the resulting growth in



2006

demand for steel, caused world market prices to sky-rocket. Klöckner & Co also profited from this development. Demand was extremely strong, and in 2004 the group achieved the best results in its history up till that time. Profits after tax increased to 140.4 million euros from 27.2 million euros in 2003.

However, the ownership question remained open. WestLB AG had always emphasized that it did not see its participation in Klöckner & Co as a long-term involvement. In the summer of 2004 the bank launched a bidding procedure for the sale of the company. In December the bid was won by the US investment group Lindsay, Goldberg & Bessemer. The change in ownership was completed in March 2005. Now the task was to work together with the new shareholder to meet the challenges of the changing steel market.

Securing the future

Since the start of the wave of globalization, the steel market had changed dramatically. Not only had demand grown worldwide, but new suppliers had also forced their way onto the market. In order to meet the growing competitive

pressures, steel producers had merged into ever larger units. The heavily fragmented steel trade could not stand apart from the trend towards increasing concentration on the manufacturing side. Klöckner & Co had already anticipated this development, and – through major acquisitions – had established itself within just a few years as the largest mill-independent steel distributor serving the whole European and North American market. But in order to stay competitive in the future, it was essential to continue to optimize business processes and gain a foothold in new growth markets.

Internally this called for the further development of the group and the strengthening of synergies within it. With this in mind, Klöckner & Co had already optimized its procurement in the summer of 2004. Now business processes were also to be improved worldwide with the introduction of the "Star" program in July 2005. The key idea of "Star" is to transfer particularly successful business practices and models from individual foreign companies to the other countries. It is focused especially on purchasing, asset and inventory management, sales promotion, customer orientation and logistics.

Optimized stockholding | With new concepts for improved inventory management as well as individual customer-specific stockholding, Klöckner & Co aims to further enhance its service to customers.

A nose in front | Klöckner & Co works hand in hand with its customers. On the basis of polished transport and logistics solutions, the materials can flow directly into the production process.



1997

Klöckner Stal i Metal Polska

klöckner & co multi metal distribution

Klöckner Romania

klöckner & co multi metal distribution

Klöckner Baltija

klöckner & co multi metal distribution

Going East | A key objective of Klöckner & Co is the opening of Eastern European markets.



The business in Germany was also restructured and unprofitable branches were closed. Instead the company further extended its competence in the field of systems solutions for customers. At Velten, near Berlin, additional new customers were gained alongside Heidelberger Druckmaschinen AG, including Daimler Chrysler in Stuttgart and VW. In Bremen an extensive cooperation with the shipbuilder Meyer Werft has existed since the spring of 2005. The Stuttgart branch is currently being expanded into a large machining center similar to that at Velten. Here, "bite-sized" components will be produced for the region's automobile manufacturers.

Klöckner & Co also aims to expand into the growth markets of Eastern Europe. The Polish branch was already extended in 2004, and Klöckner & Co established new foreign companies in the Baltic countries and Romania in 2005 and early 2006. The aim was to build up a nationwide distribution network in each of these countries. The group is also establishing a presence in China, where an office of Klöckner & Co will be opened.

This growth strategy demands that the company opens itself up to the capital market. Therefore the board of Klöckner & Co, together with its new owner, decided in its anniversary year to bring the group to the stock market. 100 years to the day after its foundation, on June 28, 2006, Klöckner & Co launched an IPO on the stock market and thus opened a new chapter in the company's history. However, Lindsay Goldberg & Bessemer retains a majority shareholding of some 65 per cent.

Deutsche Börse welcomes 2006

klöckner & co

multi metal distribution



Personal stories

Ralf Oberhuber

Mr. Oberhuber, you are responsible for the expansion of international activities at Klöckner & Co especially in Central and Eastern Europe. How did this focus come into being?

Back in the 1980s the Central and Eastern European markets were still procurement markets for Klöckner & Co. This changed after the opening of the Iron Curtain in 1989-90. Many of our customers in the metalworking sector went from Western to Central and Eastern Europe to take advantage of the favorable production factors there. That was a clear signal for us to become increasingly active in this region, too. Furthermore, our goal is to gain new customers for our distribution concept in the Central and Eastern European countries. They are extremely interesting growth markets. The demand for steel in this region will continue to increase in contrast to demand in the EU15 countries, particularly in the construction and mechanical engineering sectors.

How did Klöckner & Co proceed?

Back in the second half of the 1990s we established a branch in Poland and in the Czech Republic and acquired a small shareholding in Metalsnab, which was still the state-run market leader in steel distribution at that time. These were relatively small commitments because we first wanted to gain experience and see how these markets functioned. In 2004 we specified the strategic direction for development of business in the Central and Eastern European markets together with the board of management of Klöckner & Co AG. This was followed by a comprehensive market analysis that we developed and conducted in cooperation with an internationally renowned consulting firm that was familiar with the steel sector. In autumn 2004 we then defined

four core markets in which the Klöckner Group would expand its activities. They included Poland, the Czech Republic, Romania and Bulgaria. In addition, the Baltic region was to be developed.

In 2004 we opened our own warehouse in Poland and we will continue to develop this market successively for the company. In 2005 a branch was established in Lithuania and will be expanded with its own warehouse location this year. In Bulgaria we want to expand our minority shareholding in Metalsnab and take over corporate management. In Romania a first warehouse location opened in Bucharest commenced operation in April 2006. Our professed goal is to create a network of branches within a short time so as to serve the entire Romanian market. Here we benefit from the so-called "first mover effect", which we will consistently exploit. Furthermore, we are looking into two interesting acquisition projects that may take us a big step forward in the implementation of our strategic goals. In the medium term we continue to plan on moving east, to the Ukraine and Russia.

The Central Europe unit is currently being created to set up such a network of branches. What is its function?

In essence its mission is to provide operating management for the business activities of the Klöckner Group in Central and Eastern Europe and make use of existing know-how as well as apply successful business models. This leads to creation of a competence center that brings together knowledge from different countries and pushes forward the group concept beyond mental barriers and geographic organizational structures. This integration is especially important for an international group like Klöckner & Co. We have to learn to think beyond borders.

“Thinking beyond borders.”



Ralf Oberhuber (born in 1964) has been working for Klöckner & Co for 25 years. After commercial training in the foreign steel department he worked in the shipping and sales department and completed studies of business administration parallel to employment. He held various management positions in the contract management, controlling and finance departments and has been working in the corporate development department since 2004.



How do the branches in Central and Eastern Europe operate?

There is a tendency to perform all central services from Germany. The branches essentially take care of the core activities, such as market observation, acquisition, sales and warehousing. They do this on their own responsibility. Our staff members come from the region. They are the local specialists. I do not take it upon myself to say what product portfolio is appropriate for which customer structure in Romania in the west, in the north or in the east. The people on site have to know that, the branch manager, that's what he is hired for. That's his job.

What is your job in this structure?

My job is to perform development work. It is very interesting and responsible work that demands everything from me as an all-round business manager. Furthermore, it is important to develop the necessary sensitivity for the special mentalities and lifestyles of the clientele in Central and Eastern Europe. Therefore, I inform myself about the countries in which we want to establish branches or acquire shareholdings. This is basic work that is of outstanding importance for setting up a sales organization. For the staff abroad I am the bridgehead to the headquarters. I help them to find their way in the large Klöckner & Co organization. For example, I explain our corporate identity and what the dog is all about, I organize training courses at sister locations in Western Europe and help with the development and fashioning of marketing tools. In addition, I explain how budgeting functions, how financing of the business is structured and much more.

What are your personal experiences with the people in Central and Eastern Europe?

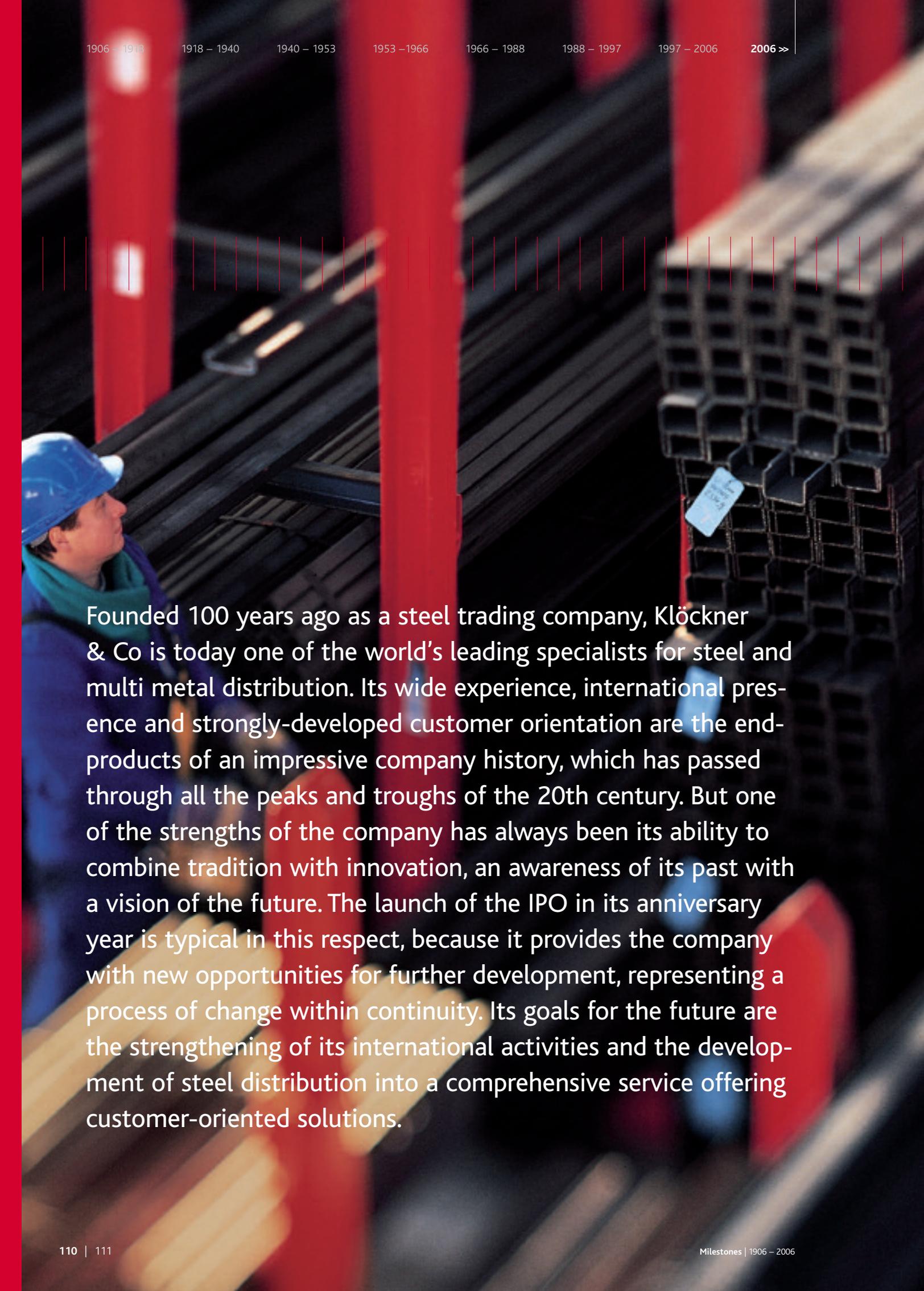
Absolutely positive. The people are very open, very interested. Klöckner & Co is well-known to many there. Often it is not necessary to give a big explanation about who you are because the name Klöckner has established an excellent reputation on the basis of its many years of business activity despite the difficulties in the recent past. The good level of education of the people is remarkable. In Romania, for instance, there is a very young population with a high proportion of academics. They all speak English or French so there are no problems in understanding one another. That is the interesting thing about my job: the contact with many different people and mentalities – and the fact that it is always exciting. I have been working for Klöckner & Co for 25 years and could not say that I was bored for even a single day.



Klöckner & Co | **2006 >>** Today and tomorrow

111 | Local presence, international standards

112 | Future objectives

A photograph of a worker in a blue hard hat and scarf looking at a large stack of steel beams in a warehouse. The beams are arranged in a grid pattern, and the worker is positioned on the left side of the frame. The background is dark, and the lighting is focused on the worker and the beams.

Founded 100 years ago as a steel trading company, Klöckner & Co is today one of the world's leading specialists for steel and multi metal distribution. Its wide experience, international presence and strongly-developed customer orientation are the end-products of an impressive company history, which has passed through all the peaks and troughs of the 20th century. But one of the strengths of the company has always been its ability to combine tradition with innovation, an awareness of its past with a vision of the future. The launch of the IPO in its anniversary year is typical in this respect, because it provides the company with new opportunities for further development, representing a process of change within continuity. Its goals for the future are the strengthening of its international activities and the development of steel distribution into a comprehensive service offering customer-oriented solutions.

Klöckner & Co

Today and tomorrow (1997–2006)

2006

Local presence, international standards

Klöckner & Co is represented in 14 countries worldwide with 238 locations (see map on page 114), and operates globally in the truest sense of the word. Rather than exporting products from a central location, the international branches with their qualified staff offer an extensive range of products and services locally. Customers can depend on the know-how of regional staff, able to provide advice and support in the buying and processing of materials. The branches also offer a wide range of products immediately available from stock. In Europe as a rule the delivery radius of the individual branches is 150 kilometers; in North America it is 250 kilometers.

Closeness to the customer through international networking is the decisive plus point for Klöckner & Co. The company can source steel and metal types and qualities from anywhere in the world, but it also supplies regional products. Its stockholding activities guarantee permanent availabilities for the customer at competitive prices. Its independence from individual steel producers allows it to

offer a wide and differentiated range of products in the quality which the customer expects. This, together with its international network, enables the company to respond flexibly to changes in the market, and also to source steel and other metals at times of supply bottlenecks. As one of the largest independent, international distribution groups in the steel and multi metal sector, Klöckner & Co is at the same time an important partner for producers throughout the world.

The combination of a regional presence and international standards has paid off. Klöckner & Co has more than 200,000 active customers worldwide. These are mainly small and medium-sized companies, but they also include big players. Its principal markets include the construction industry, followed by mechanical engineering, the automobile industry, as well as the machinery and plant building and processing industries. The group deals primarily with sectional or long steel products, as well as flat steel, tubes, special steels, high-grade steels and aluminum. In its most important markets of Europe and Canada, Klöckner & Co is one of the three biggest stockholding steel



In the service of the customer | Early in its history Klöckner & Co built stocking facilities in order to supply its customers on time. From simple warehouses, as here in Cologne (above), these have become modern high-bay warehouses with smoothly-operating logistics.

2006

ASD metal servicesGreat Britain **klöckner & co** multi metal distribution**Buysmetal**Belgium **klöckner & co** multi metal distribution**Comercial de Laminados**Spain **klöckner & co** multi metal distribution**Debrunner Acifer**Switzerland **klöckner & co** multi metal distribution**Debrunner Koenig Holding**Switzerland **klöckner & co** multi metal distribution**Klöckner Baltija**Baltic States **klöckner & co** multi metal distribution**KDI**France **klöckner & co** multi metal distribution**Koenig Feinstahl**Switzerland **klöckner & co** multi metal distribution**Klöckner Romania**Romania **klöckner & co** multi metal distribution**Klöckner Stahlhandel CZ**Czech Republic **klöckner & co** multi metal distribution**Klöckner Stahl- und Metallhandel**Germany **klöckner & co** multi metal distribution**Klöckner Stal i Metal Polska**Poland **klöckner & co** multi metal distribution**Metall- und Service-Center**Austria **klöckner & co** multi metal distribution**Namasco**USA/Canada **klöckner & co** multi metal distribution**ODS**Netherlands **klöckner & co** multi metal distribution

and multi metal distributors. In 2005, nearly 10,000 employees produced sales of some five billion euros.

Future objectives

In order to remain attractive for customers, suppliers and investors in the future, Klöckner & Co has set the goal of profitable growth through the continuous optimization of its existing business, organic growth and acquisitions in the markets where it is already present, and expansion into new markets. At the same time, internal processes in the fields of procurement, distribution networks and inventory management are to be improved in the coming years by means of business optimization programs aimed at raising profitability still further.

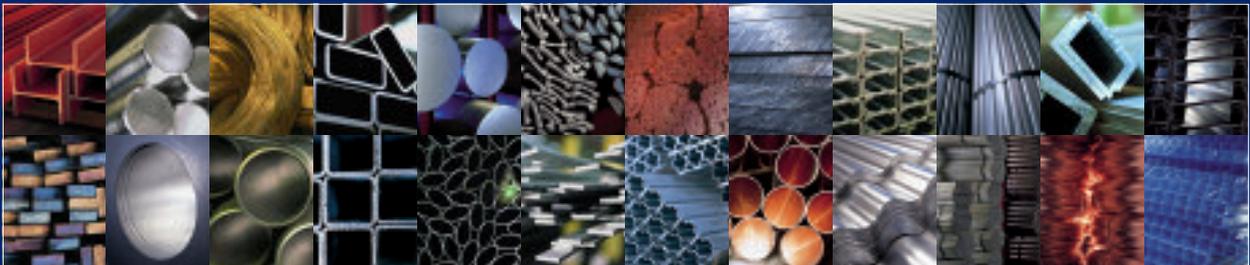
In the field of procurement, Klöckner Global Sourcing GmbH will bundle its worldwide purchasing in order to gain optimal benefit from existing synergy effects in relation to the steel producers. This includes savings and cost advantages in comparison to regional distributors, but also the opening up of new purchasing sources. In the medium-term, optimization of the customer and product structure by means of IT-based cost allocation

systems will raise the profitability of the distribution network. Of central importance is the creation of an inventory management system which optimizes costs while guaranteeing the capacity to supply. The existing structure of the distribution network with its central and special warehouses offers the ideal precondition for this; purchasing processes will be restructured and inventory specifications individually optimized in order to reduce the stock levels needed to ensure on-time delivery to the customer.

In order to further expand its position as the largest mill-independent steel and multi metal distributor serving the whole European and North American market, Klöckner & Co has set its sights on external growth. This involves the continuous expansion of its existing branches by focusing on its core competences in logistics, a market-oriented product range, closeness to the customer, and good relations with the steel and metal producers. The company's objective here, by broadening its customer base in its core markets, is to achieve continuous growth, constantly expand the product range in line with regional requirements, and increase customer-specific added value through preprocessing activities.



Multi metal solutions



Products | sheet | heavy plate | merchant bars and structural steel | sectional steel | other long products | high-grade/bright/special/tool steel | stainless steel | steel tube | aluminum | roof and wall products | non-ferrous metals | plastics | ironware, equipment, building products | sun protection systems | fastening systems

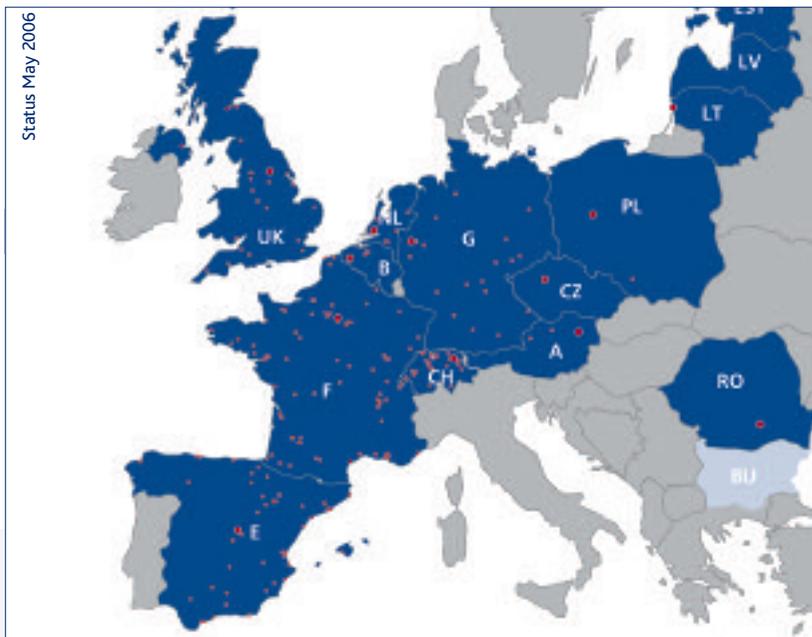
Preprocessing | flame cutting | plasma cutting | cutting-to-length and sawing (miter cuts) | cutting and sawing | other mechanical processing | conservation and surface treatment

Services | technical consulting | product consulting | customer warehousing | just-in-time delivery

When a small machine builder or skilled craft business requires steel, as a rule it does not buy directly from the steel manufacturer, whose customers are mainly large-scale users. The best partners for small and medium-sized companies are steel and multi metal distributors like Klöckner & Co. As middlemen between the producer and the user, they play an essential role in the market. Thus, customers of Klöckner & Co can purchase even the smallest quantities and be served in just the same way as for an order for 10,000 tons. The branches stock a vast selection of products, ranging from sheets and tubes, through merchant bars and structural steels, high-grade steels, aluminum and non-ferrous metals, to plastics. In addition an extensive range of processing options is available, such as flame cutting, cutting-to-length and sawing, cutting and splitting, or

material conservation. Professional staff in the branches offer advice on technical questions and the choice of products. They look for customer-specific solutions for the warehousing of particular goods. But complex logistics concepts, such as just-in-time deliveries, are also among the services offered by the company.

In this, Klöckner & Co consistently acts as a systems supplier, not only handling material procurement and logistical aspects on behalf of the customer, but also undertaking work processes in the initial stage of processing. The aim is to enable components to flow into the production process in accordance with schedules and production plans which have been coordinated with the customer. Thus, tailored solutions are worked out – for the largest and smallest problems of the user.

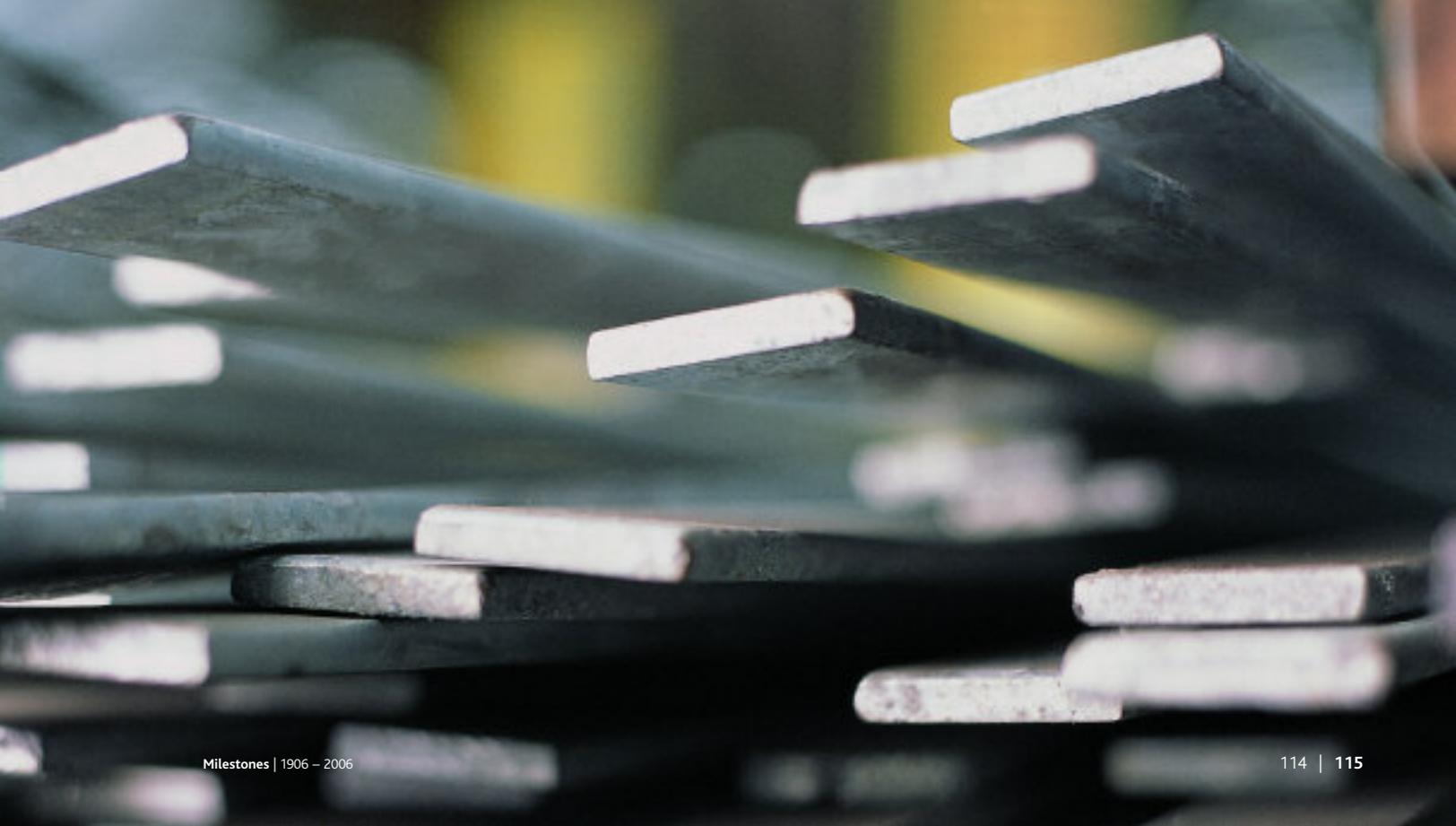
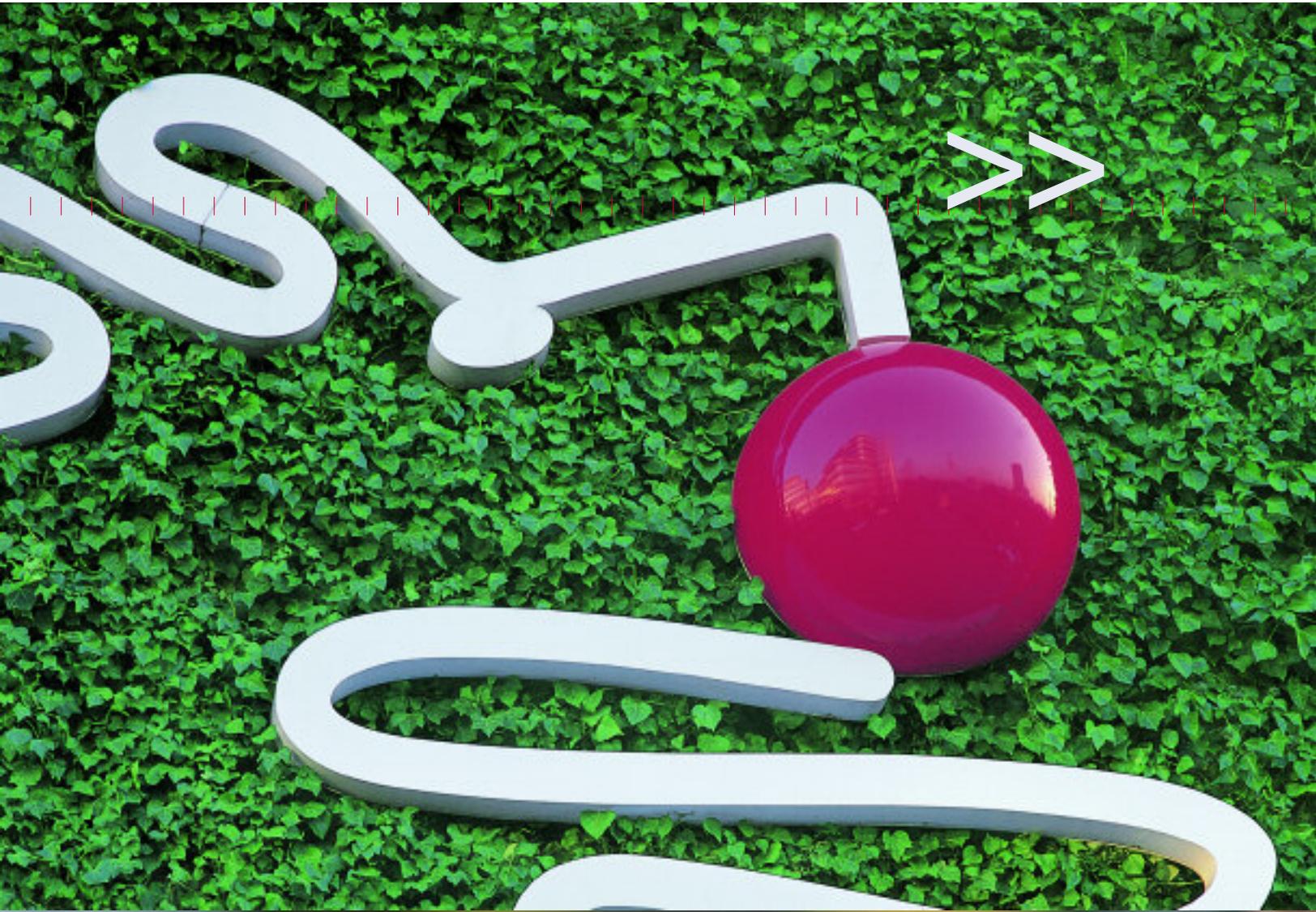


Worldwide presence | Klöckner & Co is represented today at 238 locations in 14 countries.

Since the market for steel and multi metal distribution is likely to consolidate further in the coming years in the same way as steel production, Klöckner & Co will continue to aim for the acquisition of small and medium-sized distributors in existing markets. The company, which has substantial experience in the successful integration of companies it has acquired, thus aims to play an active part in the concentration process of the industry in Europe and North America, and to achieve lasting competitive advantages over small and medium-sized competitors through the bundling of purchase quantities and optimized logistic costs. This will be to the benefit of the customer.

As well as increasing its penetration in those markets where it is already present, Klöckner & Co will also continue to expand into new and attractive markets. This includes the development of its distribution network in the growth regions of Eastern Europe. Another strategic goal of the company is the opening up of China. Here, based on its own experience in the procurement of steel and other metals, and on an extensive market entry study, the company initially plans to build up its strategic supplier relations with the Chinese steel and metal producers. In the medium-term, Klöckner & Co contemplates the establishment of a distribution business based on European quality standards in China.

The opening of the Chinese market is typical of the success story of Klöckner & Co. Building on its past experience, and using expertise and sound judgment, it has developed in the last 100 years from a trading company in Germany to an international distribution group. Thus the basis has been laid for a successful development in the 21st century.



Personal stories

Friedhelm Wagner

Mr. Wagner, you are head of Klöckner Global Sourcing (KGS), which is responsible for worldwide purchasing for Klöckner & Co. What was the reason for establishing the company two years ago?

Worldwide purchasing (global sourcing) is a fundamental part of a market-oriented procurement policy today. We are currently experiencing a great concentration on the manufacturer side in Europe and Eastern Europe. In this context it is important to avoid dependencies. Expansion of the supplier base in accordance with competitiveness is thus a key reason why global sourcing is at the top of the list of priorities. In addition, we want to generate synergies by bundling the purchasing volume of the group to a greater extent. Finally great focus is placed on direct purchasing at the plants. Setting up strategic partnerships at the international level is a major milestone for our company in the area of supplier management.

What exactly do these strategic partnerships look like?

In individual cases the country operations met their needs in the so-called third countries outside Europe and Eastern Europe in the past. They made purchases via trading companies, without the supplier's knowing where the materials went. Now we have a completely different approach in that we establish direct contact with plants in Asia and Latin America with the aim of maintaining long-term supply relations. Thus, we emerge from anonymity and say: we are multi metal distribution partners; we are the largest mill-independent trader in Europe in terms of purchase volume and to this extent attractive for many Asian or South American plants.

What advantages does central procurement generate for the plants?

Through long-term, reliable partnerships with different plants we hope for greater support for the plants' readiness to deliver in the third country sector and at the same time reduction of the supply risk, even in times of material shortage in Europe. Thanks to diversification in strategic procurement, on the one hand, and concentration of our purchase volumes, on the other hand, we can remain competitive and hold our own in the market.

Will central purchasing meet the entire needs of Klöckner & Co in the future?

No. KGS will only be active in the third countries. The European and Eastern European business will continue to be conducted by the purchasing departments of the various country operations themselves. Why? Because most plants in this region are well established with their own representations at the local level. Many of our country operations have built up valuable contacts and supply relations to

“We bring people together.”



Friedhelm Wagner has been head of the newly established Klöckner Global Sourcing GmbH since 2004. Before that he was employed in the ThyssenKrupp Group for nearly 30 years, 17 of them abroad. Wagner held managerial positions both in purchasing and in sales. In his last position he was a member of the board of management of ThyssenKrupp Schulte GmbH in Düsseldorf.



these manufacturers over the years and they should be maintained. However, we support the foreign subsidiaries in strategic purchasing since we also see ourselves as a service company for the Klöckner Group.

What type of support is provided to the foreign subsidiaries?

We help in the search for products and suppliers at the international level, for example, we support the buyers of the foreign subsidiaries in difficult negotiations regarding complaints from case to case and agree on annual quantity targets on the basis of existing strategic partnerships with the Western and Eastern European steel plants so as to safeguard and emphasize our group interests. We organize GPSC (Global Purchasing & Stock Committee) meetings with the head buyers of our European and North American companies. In addition, we have set up European working groups for the main products we purchase.

What are your plans for the future?

First priority is given to purchasing in the third countries where implementation will start in the 2nd half of 2006 after completion of the recently-conducted launch phase. Furthermore, we want to continue networking as a group. Today we already have a very good system through which we inform each other on price developments. In addition to the planning of the individual country operations, there is also planning at the European level and we want to push ahead with the planning for third country purchases. Moreover, KGS wants to set up a standard European article master so the country operations can work together on an inter-warehouse basis via standardized article numbers. Finally we want to incorporate sales and marketing to an even greater degree since a prompt and direct exchange of information between purchasing and sales and marketing on market developments, availability of material and prices is enormously important.

Then in addition to its operational activities, KGS is also a kind of information exchange?

Yes, we are also an information tool. We bring people together in the Klöckner Group: the buyers among one another, buyers and suppliers, buyers and sales staff. After all, we want to work together and pass on information on an intercompany and interdepartmental basis to put us in a better position with respect to products and suppliers or to jointly find solutions for the benefit of all. That is also where I see the future of purchasing: by generating synergy effects through communication, showing readiness for know-how transfer and concentrating quantities within our group.



Milestones | **1906 – 2006**
Chronicle of a success story

1906

1906 | On June 28, Peter Klöckner founds Klöckner & Co as a general commercial partnership in Duisburg. In the same year branches are established in Cologne and Düsseldorf with their own warehouses. These are followed by branches in Berlin and Magdeburg (1907), and in Hamburg and Dresden (1909).

1908 | Removal to Otto-Keller-Strasse. The building is owned by the company, and is the first in a long tradition of Klöckner buildings in Duisburg.

1910 | Founding of the Raw Iron Association. Klöckner & Co is allocated the second-largest trading quota in the cartel.

1911 | Establishment of the Mannheim branch, the first in the south-west of Germany.

1913 | Founding of an old iron department for old and new scrap and used iron – much in demand as basic materials for the production of steel by the Siemens-Martin process.

1919 | Peter Klöckner acquires a majority shareholding in the company Wilhelm Alt Nachf. in Hamburg, and thus enters the market for the demolition and disposal of complete industrial plants.

1920 | Klöckner & Co sets up a chemical department and thus enters a trading sector outside of iron and steel for the first time. In the same year the company begins to export steel and establishes domestic steel and foreign steel departments. N.V. Handelsmaatschappij Montan, located in The Hague, becomes the first foreign trading subsidiary company; initially it operates a back-to-back business, acquiring its own warehouse in 1922.

1921 | Founding of Klöckner Reederei und Kohlenhandlung GmbH (KRK) and development of its own inland shipping fleet. In the same year the Duisburg head office is relocated to Mülheimer Strasse. Shortly afterwards, Westfälische Holzhandlungsgesellschaft mbH is founded in Castrop-Rauxel, initially for trading in the sought-after commodity of mining timber.

1923 | Peter Klöckner separates production from trade by setting up Klöckner-Werke AG, which integrates all of Peter Klöckner's manufacturing businesses. Klöckner & Co remains an independent trading company and also functions as a kind of holding company for Klöckner-Werke AG. In the same year the company establishes Klöckner Dünge-Handel GmbH in Berlin as a subsidiary of the chemical department.

1925 | Extension of trading activities into alloys and metals for steel refining.

1926 | Klöckner & Co exports coal for the first time, to Great Britain.

1930 | Establishment of a separate metals department.

1931 | A delegation of leading German businessmen headed by Peter Klöckner travels to Moscow and arranges "Russian business" with a volume of two billion reichsmarks. Klöckner & Co founds its second foreign company, Montan Establecimientos in Buenos Aires.

1934 | Klöckner & Co starts to import motor fuels.

1936 | After the death of Peter Klöckner's only son, Waldemar Klöckner, the Peter Klöckner Family Foundation, established in 1931, is nominated as the heir to the Klöckner companies.

1937 | Dr. Günter Henle, who is married to Peter Klöckner's stepdaughter, joins the management of Klöckner & Co. Altwert Alteisen- und Abbruchverwertung GmbH is founded in the same year.

1938 | Founding of Klöckner-Humboldt-Deutz AG (KHD), extending the Klöckner Group's operations into the field of mechanical engineering. Klöckner & Co takes over Deutzer Oel-Gesellschaft (DOG), which supplies the KHD production facilities at Deutz with fuel and lubricating oils.

1939 | Establishment of the first branch in North America, Central Iron Metal Company in New York. Creation of a railway equipment department for trading in railway materials.

1940 | Peter Klöckner dies at the age of 76. Dr. Günter Henle takes over the management of the group. The Peter Klöckner Family Foundation becomes the main shareholder in Klöckner & Co.

1942 | Dr. Günter Henle is forbidden by the National Socialist leaders to enter the factories or offices of Klöckner-Werke AG. He takes over the management of Klöckner & Co.

1943 | Klöcknerhaus is damaged by bombing. The company administration relocates to Bad Godesberg.

1943 | Founding of a department for industrial plant, which later becomes INA Industriebau GmbH.

1945 | Following the occupation of Germany, Klöckner & Co loses all of its foreign subsidiaries and is placed under allied financial control

1947 | Resumption of steel exports under allied control.

1950 | Klöckner & Co launches the sale of heating oil.

1951 | Construction of a modern seven-storey office tower in Duisburg.

1953 | Allied control comes to an end following the decartelization of the Klöckner Group.

1957 | Stute Verkehrs-GmbH is established to handle the transport activities of the group.

1958 | Founding of Klöckner Heizölhandel GmbH.

1964 | Klöckner & Co issues its first annual report. In the same year the trading company begins the targeted establishment of foreign subsidiaries.

1970 | Rebuilding of the Frankfurt warehouse, serving as a model for the modernization of the other warehouses. Establishment of the first steel service centers in Hanover and in Canada, and

1906

expansion of the range of services offered. In the same year Klöckner & Co reduces the number of its subsidiaries to 30 and sells Klöckner Reederei und Kohlenhandlung GmbH.

1971 | Jörg A. Henle and Christan Peter Henle, the sons of Dr. Günter Henle, join the group management of Klöckner & Co.

1972 | Expansion of the sales program to include special steel, bright steel and stainless steel.

1976 | Dr. Günter Henle retires from corporate management for reasons of age. His responsibilities are assumed by Jörg A. Henle and Christian Peter Henle.

1977 | Reorganization of the group into five trading activities: steel, raw materials/transport, building materials/fuels/chemicals, equipment, and industrial plant.

1978 | Relocation to Silberpalais, the new company head office in Duisburg.

1981 | 75 years after its foundation, the sales of Klöckner & Co exceed ten billion marks for the first time. The company employs some 10,000 staff and is present in 80 countries around the globe with 200 representative offices, delegations and subsidiaries. In its anniversary year Klöckner & Co establishes an additional field of business, trading in aluminum.

1985 | Establishment of an office in Shanghai, the first representation in China, after 20,000 tons of rails had previously been sold to the People's Republic.

1988 | Dramatic losses due to risky speculation in crude oil futures threaten the existence of the company. Deutsche Bank AG takes over Klöckner & Co and converts it into a joint stock company (Aktiengesellschaft).

1990 | The VIAG/Bayernwerk Group acquires Klöckner & Co.

1992 | Jörg A. Henle retires from the group management.

1993 | The new chairman of the board of management is Dr. Helmut Burmester.

1995 | After its restructuring as an international distribution group Klöckner & Co makes a substantial profit of 178 million marks and achieves sales of 15 billion marks with nearly 12,000 employees. With the sale of the machine tool, raw materials/recycling/environment and industrial plant units, and the acquisition of Röder Zeltsysteme und Service AG and of Computer 2000 AG in the mid-1990s, the focus of the group's operations shifts to steel, PC products, chemicals and tent systems. The steel trading business continues to pursue its internationalization with the acquisition of distribution companies in Europe, and remains the core

business of Klöckner & Co with more than 50 per cent of sales.

1997 | Klöckner & Co decides to focus its activities on its core business of steel and metal distribution, and sells its other trading operations. Expansion of the international steel trading business continues. The Klöckner dog becomes the company's new worldwide corporate symbol.

1998 | Founding of Klöckner Information Services GmbH for the coordination and unification of the group's worldwide data processing operations.

2000 | Sale of Klöckner Steel Trade GmbH to the British-Iranian Balli Group, and with it the separation from the back-to-back trading business.

2001 | Establishment of a machining center at Velten near Berlin. Klöckner & Co becomes a systems supplier. In

the same year Klöckner & Co is sold by VIAG to the Balli Group.

2003 | After a series of obscure financial transactions by the new owners, WestLB AG becomes majority shareholder in Klöckner & Co. Dr. Thomas Ludwig is the new chairman of the group's board of management.

2004 | On account of the steel boom, Klöckner & Co achieves the best result in its history. The company establishes Klöckner Global Sourcing GmbH for the coordination and optimization of international procurement.

2005 | Klöckner & Co passes into the ownership of the investment group Lindsay Goldberg & Bessemer.

2006 | On June 28, 100 years to the day after its foundation, Klöckner & Co launches an IPO on the stock market.

Milestones | 1906 – 2006

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