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Press Releases

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OPERATING RESULT FURTHER IMPROVED AT KLÖCKNER & CO AG

- Operating result up on previous year
- Expansion strategy successfully continued
- Group financing optimized further
- Positive outlook for the full-year 2007

Klöckner & Co Aktiengesellschaft has enjoyed a successful first half of 2007. In the first six months of 2007, the Company further improved its operating result. Expansion at the Klöckner & Co Group continued in line with planning with the purchase of eight steel and multi-metal distribution companies. At the same time, Group financing was further optimized on the basis of a syndicated holding facility and the successful placement of a convertible bond. Thus all the estimates for the first half-year 2007 were met and the prospects for the full-year 2007 are also positive.

"In the first six months, a sound basis for a successful fiscal year 2007 was established. We are confident to generate in 2007 a result at the high level of the previous year," stated Dr. Thomas Ludwig, Chairman of the Klöckner & Co AG Management Board.

Further improvement of the key operating figures

In Europe, the demand trend for multi-metal distribution remained high in the first half-year. As in 2006, the reason were the favorable conditions in the construction industry and in the machinery and mechanical engineering industries. However, in the first six months of 2007, in North America general conditions for multi-metal distribution developed less favorable than in the previous year.



Alongside the very good development in Europe, the Klöckner & Co Group benefited from the extensive measures to improve efficiency in the context of the STAR performance program and its successful expansion strategy. Overall, in the first six months of 2007, the Klöckner & Co Group increased its volume by 2.7% year-on-year to 3.3 million tons. In the first half-year of 2007, Group sales rose by 16.7% to €3.2 billion, primarily driven by higher prices. In the same period, gross profit increased by 5.6% to €634.9 million.

In the first half-year of 2007, EBITDA improved by 6.4% to €194.6 million and EBIT by 7.7% to €165.7 million compared to the respective figures for the previous year. In the Europe segment in particular, full advantage was taken of the favorable conditions in the reporting period with EBITDA improving from €169.0 million in the previous year to €178.4 million. In the North American segment, difficult general economic conditions combined with the ongoing crisis of the North American automotive industry led to EBITDA declining from €38.9 million in the first half of 2006 to €32.6 million in the first six months of the current year.

While all operating earning figures improved year-on-year, in some cases considerably, income before taxes and consolidated net profits were adversely impacted by one-off charges of approximately €38 million for the redemption of the high-yield bond. The financial result declined to €-62.8 million. This resulted in income before taxes being 18.2% lower at €102.8 million and consolidated net profit sliding 23.4% to €69.7 million.

Total assets and debt increased

Approximately half of the increase in total assets from €2,551.7 million at the end of 2006 to €3,233.7 million at the end of the first half of 2007 is due to acquisitions. Additional factors are the good business trend and the increased price level. Due to the good business trend and price increases, net working capital – the difference between inventories receivables from customers and trade payables – increased by €396.8 million as against the end of 2006 to €1,531.3 million at June 30, 2007.

In the first half of 2007, the equity ratio declined from 31.3% to 22.1%, largely the result of buying the minorities position in Switzerland, increased total assets and the dividend distribution.

In the first six months of 2007, approximately €360 million were paid for acquisitions, including increasing the shareholding in Swiss Debrunner König Holding AG. These expenses and higher net working capital resulted in net liabilities increasing to €996.1 million as at 30 June 2007 after €364.8 million at the end of 2006.

Expansion strategy continued

In the first six months of 2007, the Klöckner & Co Group successfully continued its expansion strategy. In total, eight companies with total sales of approximately €500 million have been acquired in Europe and North America so far in 2007. In addition, in June 2007, the majority



interest in the highly profitable Swiss company Debrunner Koenig Holding AG was boosted by approximately 18% to roughly 78%. The target of acquire ten to twelve companies in 2007 has thus almost been achieved already.

In Europe, the distribution company Tournier Holding SAS was acquired in France at the beginning of the year. In April 2007, the Dutch stainless steel distributor Teuling Staal B.V. was acquired. In Germany, Klöckner & Co bought up three companies in May 2007: Edeltahlservice Verkaufsgesellschaft mbH, headquartered in Frankfurt/Main, the steel distribution of Coburg-based Max Carl GmbH & Co KG and Zweggart Fachhandelsgruppe GmbH & Co. KG, Stuttgart. In June, the British company Westok Ltd. was acquired. It specializes in the manufacture and distribution of special steel beams for ceiling, roof and bridge constructions.

In North America, a deal was signed in April 2007 for the acquisition of Primary Steel LLC, including its seven subsidiaries in the US. In addition, as a regional supplement, the distribution company Premier Steel Inc. headquartered in Louisiana was acquired in May. "For the Klöckner & Co Group, the two acquisitions mean expanding sales by around 70% in the US and moving up into the Top 10 of the North American steel and metal distributors," stated Dr. Thomas Ludwig.

Further optimization of Group finance

To support the expansion strategy, further important steps were made to optimize Group financing in the first six months of 2007. The first improvements were made with the placement of a syndicated holding credit facility of €600 million at the beginning of the second quarter of 2007. Furthermore, on the basis of an Annual General Meeting resolution adopted in June 2007, a convertible bond of €325 million was issued a Luxembourg subsidiary of Klöckner & Co AG on July 18, 2007. "The major advantage of the new financing measures is the greater flexibility. As a result, we have gained further scope, especially for our expansion strategy," explained Dr. Thomas Ludwig.

Positive share price performance/100% free float

The very good performance of the Klöckner & Co share in Q1 2007 continued into the second quarter. The share price was €53.85 at the end of the first half-year, an increase of 64% against the end of 2006. Since the end of January 2007, Klöckner & Co shares are included in the Deutsche Börse MDAX® Index.

Former Klöckner & Co majority shareholder Multi Metal Investment S.à.r.l. ("MMI"), a fund company run by investment firm Lindsay Goldberg & Bessemer, sold its remaining shares in Klöckner & Co in two tranches in the first half of 2007. The free float is thus now 100%.

Outlook



The general economic conditions for metal distribution remained good overall in the first half-year of 2007. Utilization levels and order books of major customer industries such as the construction sector and the machinery and mechanical engineering sector remain at a high level, particularly in Europe. For the further trend in 2007, there are currently no signs of an end to this positive development. On the other hand, the forecasts for North America are relatively uncertain and less positive. However, it is not likely that the economy will slump in 2007.

Klöckner & Co thus expects business to remain robust over the remainder of 2007. The implemented financial measures offer scope for further strategic expansion, something which will be continued systematically. Klöckner & Co thus continues to expect that it will generate an operating result above the level of the previous year in 2007.

