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Press Releases

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KLÖCKNER & CO SE: WEAK FIRST HALF OF 2009, MARKED IMPROVEMENT IN EARNINGS EXPECTED DURING THE SECOND HALF

- Sales volume, sales and earnings in the first half of the year far below previous year's levels
- Operating earnings climbed considerably from the first quarter to the second quarter, while remaining negative
- Cash flow increased, net financial debt lowered considerably
- Cost-cutting and capacity-reducing measures further successfully realized
- Significant improvement expected in the second half of year assuming stabilization of demand following the nearly completed destocking along the value chain, bottoming of prices and cost savings

The steep drop in sales volume and earnings that began last year continued during the first six months of 2009. In the second quarter of 2009, however, Klöckner & Co was able to make a significant recovery from other early losses, even though its results for the second quarter and the six month period remained negative. The company finished the second quarter with EBITDA (earnings before interest, taxes, depreciation and amortization) of - €31 million, compared with - €132 million in the first quarter. This improvement was generated in particular by stabilizing sales prices as well as cost reductions produced by the Company's timely program of business measures. For the entire six-month period, EBITDA totaled - €163 million compared with + €321 million in the same period last year. During the second half of the year, the Management Board expects earnings to considerably improve, buttressed by stabilizing prices and volumes as well as the successful introduction of cost-cutting steps. However, these expected improved earnings will be unable to offset the negative result from the first half of the year.

In contrast to the Company's negative earnings performance, Klöckner & Co increased cash flow from operating activities to €468 million by systematically reducing net working capital during the first half of 2009. As a result, net financial debt was cut by 79.3%, falling from €571 million at the end of the year to €118 million at the end of the first half of 2009.

"After the dramatic drop in earnings during the first quarter, we were able to significantly improve the situation in the second quarter and, in particular, to continue lowering our net financial debt. We are cautiously optimistic about the second half of the year and expect a significant improvement in earnings so long as prices and volumes continue to firm up," says Dr. Thomas Ludwig, Chairman of the Management Board of Klöckner & Co SE.

During the first six months of the year, sales volume at the Klöckner & Co Group totaled 2.1 million tons, a drop of 38.9% below the previous year's level (H1/2008: 3.5 million tons). The decrease in sales volume resulted from the extremely weak macroeconomic conditions and the loss of sales volume that followed the sale of the Canadian subsidiary Namasco Ltd. in July 2008. Excluding Namasco Ltd., the drop in sales volume totaled 33.0%. As a result, consolidated sales, including the effects of divestments, fell 42.7% compared to the first half-year period last year to €2.1 billion (H1/2008: €3.6 billion). Mirroring EBITDA performance, EBIT (earnings before interest and taxes) totaled - €197 million in the first half of the year (H1/2008: + €290 million). Consolidated income before taxes was - €228 million (H1/2008: + €257 million). As a result of positive tax effects, Klöckner & Co completed the first half of 2009 with a consolidated net loss of - €175 million (H1/2008: consolidated net profit of + €178 million). Despite the negative results in the first half of 2009, the Company's equity share decreased only slightly, from 35% to 34%. In another step, the Company's workforce was adjusted in response to the negative volume trends within the context of its immediate action programs. As a result, the workforce has been reduced by 1,300 employees, including people with short-term contracts and temporary workers, since October 2008. Ultimately, the workforce will be cut by about 1,500 employees as part of the programs.

Further steps to improve the market position of Klöckner & Co were introduced at the beginning of the third quarter. "The focus of these new measures is the optimization of product portfolio, customer segmentation and value added services. The aim is to use the structural changes arising from the crisis as opportunities and further improve our market position against competitors," Dr. Thomas Ludwig said.

After Klöckner & Co successfully completed the restructuring of its financing in May by modifying its syndicated loan and the European ABS program, an additional convertible bond with a volume of €97.9 million, a maturity of five years and a coupon of 6% was issued in June

2009. As a result, Klöckner & Co has more than €1.6 billion in financing facilities that are largely free of performance-based covenants.

*)Comparative amounts for 2008 restated due to initial application of IFRIC 14
**)Working capital = Inventories plus trade receivables less trade payables

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