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Press Releases

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KLÖCKNER & CO SE: SIGNIFICANT IMPROVEMENT IN SALES AND EARNINGS IN THE FIRST HALF OF THE YEAR, FULL-YEAR GUIDANCE RAISED

- Sales of approximately €2.5 billion: up 20.0% on the previous year's figure
- Operating result (EBITDA) increased by €292 million to €129 million
- Consolidated net income increased by €224 million to €49 million
- Full-year sales growth forecast exceeding 25% confirmed
- Expected operating income (EBITDA) for 2010 at least €200 million

Klöckner & Co benefited significantly in the first half of the year from the recovering economy, its cost-cutting measures and its acquisitions. Sales rose by 20% to approximately €2.5 billion, sales volumes by 24% to 2.6 million tons, and the operating result (EBITDA) by €292 million to €129 million. Second-quarter performance was predominant, generating EBITDA of approximately €100 million.

Gisbert Rühl, Chairman of the Management Board of Klöckner & Co SE: "Whereas performance in the construction industry was still very muted, the automotive industry developed surprisingly well and the same was increasingly true for machinery and mechanical engineering. In addition to our traditional strengths in machinery and mechanical engineering, we also benefited significantly from growth in the automotive industry with our acquisition of Becker Stahl-Service Group. In addition, our sustained cost cutting measures contributed to the significant improvement. We have already forecasted that sales will grow by more than 25%

this year, and we now expect an EBITDA of at least €200 million and accordingly, a significantly positive net income."

Sales and earnings significantly ahead of the previous year's figure

Consolidated sales in the first half of 2010 totaled approximately €2.5 billion, 20.0% ahead of the figure for the same period in the previous year. Second-quarter sales were up even more, by 35.0% in comparison with the first-quarter figure.

Sales volumes rose by 23.9% to 2.6 million tons. Supported by two acquisitions, the increase in Europe was 26.1%, while in North America it was 16.3%.

The sharp rise in gross profit combined with sustained cost reductions created a significant improvement in operating results (EBITDA) for the first half of the year, from €–163 million to €+129 million. Similar increases were made in earnings before interest and tax (EBIT), to €89 million, and in earnings before tax (EBT), to €57 million. Overall, for the first half of the year, net income of €49 million was reported, after the previous year's loss of €175 million. Basic earnings per share stood at €0.71, compared with the previous year's figure of €–3.74.

The balance sheet remains strong despite acquisitions and inventory build-up

Due to the acquisitions of the Becker Stahl-Service Group in Germany and of Bläsi AG in Switzerland at the beginning of 2010, combined with the business-related increase in net working capital, net financial debt increased to €245 million at the end of the second quarter (2009: €–150 million). The equity ratio was 35%, declining from 41% at the end of 2009. The ratio of net financial debt to shareholders' equity (Gearing) is about 21%, after being –14% at the end of 2009.

The issue of promissory notes totaling €145 million in the second quarter, and the extension of the syndicated loan, which was also expanded from €300 million to €500 million, further increased the Company's financing facilities to approximately €2.0 billion. At the same time, the maturity profile has been extended from 1.7 to 3.2 years. Klöckner & Co thus has a solid financial base, with over €500 million earmarked solely for future acquisitions.

Full-year outlook for 2010

Klöckner & Co expects to generate sales growth of more than 25% over the full financial year, driven predominantly by acquisitions and by customers normalizing their inventories. As before, 2010 is not expected to bring any significant improvement in real steel consumption on the European and North American markets, which are most relevant for the Company; even though the automotive industry, and increasingly the machinery and mechanical engineering industry, are currently performing better than expected.

As Klöckner & Co predicted, steel prices came increasingly under pressure since the end of the second quarter, because of producers bringing back idled capacity too fast. Especially for flat products an increase after stabilization can be achieved, if at least currently idled capacity will not be brought back immediately after the summer months.

Despite uncertainties on the price side, the Management Board expects due to the successful integration of the acquisitions and the strict cost management along with an operating margin above 4% an EBITDA of at least €200 million and accordingly, a significantly positive net income. It would also enable Klöckner & Co to achieve its objective of resuming dividend payments.

A weakened banking system and a slackening of economic performance due to high levels of sovereign debt in Western countries are risk factors that could endanger the achievement of this objective.

Klöckner & Co key figures

*) Net working capital = Inventories plus trade accounts receivable minus trade accounts payable