

Klöckner & Co SE

Am Silberpalais 1
47057 Duisburg
Deutschland

Press Releases

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Phone: +49 (0) 203-307-2050
Fax: +49 (0) 203-307-5025

E-Mail: pr@kloeckner.com
Internet: www.kloeckner.com

KLÖCKNER & CO SE: SIGNIFICANT IMPROVEMENT IN SALES VOLUMES, SALES AND EARNINGS; FULL-YEAR GUIDANCE REAFFIRMED; STRATEGY KLÖCKNER & CO 2020 PRESENTED

- Sales volumes increased 26.7% to 4.0 million tons*
- Sales reached €3.9 billion, an increase of about 29.4%*
- Operating income (EBITDA) increased by €341 million to €190 million*
- Net income increased by €261 million to €63 million*
- Earnings per share of €0.92 compared to – €4.16*
- Guidance for 2010 reaffirmed: EBITDA of more than €200 million and sales growth higher than 25% including acquisitions
- Strategy Klöckner & Co 2020 presented with targets of doubling sales volumes in five years and tripling or quadrupling them by 2020

* Figures are for the first nine months compared to the prior year period

In the first nine months, Klöckner & Co benefited significantly from the economic recovery, cost-cutting measures and the completion of its acquisitions. In the first nine months sales increased by 29.4% to around €3.9 billion, while sales volumes increased by 26.7% to 4.0 million tons and operating profit (EDITDA) improved by €341 million to €190 million, compared to the previous year.

Gisbert Rühl, Chairman of the Management Board of Klöckner & Co SE: "Even though the economic recovery has slowed somewhat since the summer, we continue to benefit from the continuing strong capacity utilization in the automotive industry, and the pickup of demand from



the machinery and mechanical engineering industry. Whereas for the construction industry there are no signs for a substantial recovery yet. Against a background of a cumulative operating profit of €190 million, we can also confirm our full-year EBITDA guidance of more than €200 million, along with sales growth of 25% including acquisitions. This will be then also the base for resuming dividend payments."

Sales volumes, sales and earnings improved significantly compared to the prior year
Sales volumes rose overall by 26.7% to 4.0 million tons in the first three quarters. Sales volumes in Europe rose by 30.1% supported by two acquisitions and sales volumes in North America increased by 15.5%.

Sales in the first nine months of 2010 amounted to around €3.9 billion, a 29.4% increase over the period for the previous year.

Nine-month EBITDA improved significantly, increasing from -€151 million to +€190 million, mainly driven by higher gross profits and ongoing cost cutting measures. Earnings before interest and taxes (EBIT) showed a similar improvement to €127 million, and consolidated earnings before taxes (EBT) rose to €79 million. Overall nine-month net income of €63 million was achieved after a loss of -€198 million in the previous year. The basic earnings per share were €0.92, compared to a loss of -€4.16 in the previous year.

Balance sheet still solid despite acquisitions and increased net working capital

Net financial debt at the end of the third quarter rose to €233 million (2009: -€150 million) due to acquisitions of the Becker Stahl-Service Group in Germany and the Bläsi AG in Switzerland at the beginning of 2010 and the business related buildup of net working capital. The equity ratio stood at 37% vs. 41%, and the net financial debt to equity ratio (gearing) was 19% after -14% at the end of 2009.

Strategy Klöckner & Co 2020 with ambitious growth targets presented

The Company presented its new growth strategy Klöckner & Co 2020 in October. The upheaval created by the financial crisis and the resulting changes in economic conditions made it necessary to adjust the strategy.

The altered situation results in steel consumption rates which will be significantly below their pre-crisis levels in industrialized countries for years after the drastic collapse in 2009, while emerging markets have been able to continue along at their robust growth rates with no noticeable drop. The updated strategy is based on the following four strategic focus areas and highlights prospects and guidelines for the next ten years:

1. External growth: Klöckner & Co responds to weak growth in its European core market by focusing on companies whose products, services and customer segments have higher margins. The Company will significantly expand its market share in North America also through



larger acquisitions. Long term, the high growth rate shall be ensured by entering into emerging markets.

2. Organic growth: The basic economic conditions in core markets of Europe and North America have changed considerably. Klöckner & Co is going to face tough competition for its share of a considerably smaller market, which requires an increased focus on customer needs to help gain market share with tailor-made solutions. In addition, the product portfolio will be further expanded to include higher-margin products and also processing services are going to be increased.

3. Business optimization: For a global distributor such as Klöckner & Co, optimized, harmonized processes are a decisive success factor and a way of differentiating from the competition. Therefore, highly efficient procurement, logistics and IT will continue to be developed and given high priority.

4. Personnel and management development: As a service company, one of the main prerequisites for implementing the growth ambitions will be to develop its employees and its management. Therefore, the area will be re-established currently.

Gisbert Rühl: "By focusing on these four main areas, we want to develop Klöckner & Co into the first global multi metal distributor. Our ambitious growth targets include doubling sales volumes in the next five years and tripling or quadrupling them by the year 2020."

Outlook for the full-year 2010

The significant rise in second-quarter steel demand was driven mostly by restocking and declined during the third quarter as the inventory effect failed to recur. Demand trends among key customer industries still remained inconsistent. The automotive related business, especially via Becker Stahl-Service is benefiting significantly from advanced orders from the automotive industry indicating a solid utilization at least until year's end. The situation in machinery and mechanical engineering industry is similar. No substantial recovery can be seen yet in the construction sector.

Overall the Company anticipates - also due to seasonality - a slight weakening of sales volumes in the fourth quarter compared to the previous quarter.

Despite uncertainties on the price-side and customer reluctance to make purchases, the Management Board reaffirms its full-year guidance of an operating margin above 4%, an EBITDA of more than €200 million and thus significantly positive net income. This would also allow to resume dividend payments in line with the general dividend policy.

Klöckner & Co in Zahlen



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

