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A SUCCESSFUL YEAR 2007 AND POSITIVE OUTLOOK ON 2008

- Sales move up by over 13%
- Second best operating result
- Expansion strategy continued successfully in 2007
- Ulrich Becker in the Management Board as of April 1, 2008
- Positive outlook on financial year 2008

The international multi metal distribution company, Klöckner & Co, increased sales by over 13% in the last financial year, thus generating the second best operating result in the 100 years of the company's history. At the same time, with the acquisition of twelve companies and the realization of the demanding objectives of the STAR improvement program, all the strategic and operating targets set for 2007 were achieved.

2008 also began in a very promising manner. Supported by the favorable demand situation and the price increases already implemented, an operating result above the level of the previous year is indicated for the first quarter. As of April 1, 2008 the Klöckner & Co Management Board is extended by Ulrich Becker. "For the current financial year, we are well positioned. Due to the current development on the market of steel and metal distribution, we expect a favorable result for the financial year," commented Dr. Thomas Ludwig, Chairman of the Klöckner & Co AG Management Board.

Increased volume and sales

Due primarily to the acquisitions made, the Klöckner & Co Group increased its year-on-year sales volume by 5.7% from 6.1 million tons to approximately 6.5 million tons, despite



streamlining locations. Driven primarily by acquisitions and price increases, Group sales increased from €5.5 billion in 2006 by 13.4% to over €6.3 billion in 2007.

Second-best result in the history of the company

The generally good business trend of the customer industries for steel products in Europe and high demand from the emerging markets kept demand high in the first six months of the year. In the second six months, multi metal distribution came under increasing pressure in Europe as a result of weakening demand, high inventories and price erosion for stainless steel. With declining growth momentum in North America, the overall trend there was weaker than in the previous year. Despite the resulting 6.1% earnings decline to €371 million after €395 million in 2006, Klöckner & Co generated the second-best EBITDA result in the history of the company.

In line with EBITDA, in 2007 Group EBIT moved down from €337 million to €307 million. The decline in earnings before tax from €273 million to €210 million and consolidated net profit from €235 million to €156 million was also due to non-recurring charges of €38.5 million for the repayment of the high-yield bond in the second quarter of 2007.

Dividend €0.80 per share

As in the previous year, the Management Board and Supervisory Board of Klöckner & Co are to propose at the Annual General Meeting the distribution of a dividend of €0.80 per share for financial year 2007. This represents, as promised at the IPO, a payout ratio of 30% of consolidated income after adjustment for non-recurring effects. "Klöckner & Co is thus offering its shareholders an attractive dividend yield," stated Dr. Thomas Ludwig.

Further improvement in Group financing basis

In 2007, key steps were taken towards further optimizing Group financing. A syndicated holding loan of €600 million was successfully placed and a convertible bond of €325 million with a 1.5% coupon issued. Thus, Klöckner & Co AG's Group financing is on a sound footing and offers further potential for the company's growth strategy.

New Management Board member at Klöckner & Co AG

Since April 1, 2008 Ulrich Becker, previously member of the Management Board at Benteler Automobiltechnik GmbH, has joined the Klöckner & Co AG Management Board. He assumes responsibility for the Europe segment and purchasing. "With his many years of experience and extensive expertise, Ulrich Becker will strengthen the Klöckner & Co Management Board. As a result, the management has an optimum positioning for the varied tasks and challenges in the future," declared Dr. Thomas Ludwig

Klöckner & Co AG with successful expansion strategy

By September, the Klöckner & Co Group had already achieved its goal of carrying out ten to twelve acquisitions in 2007. In total, twelve companies with total sales of around €570



million were acquired in Europe and North America in 2007. In addition, the stake in Debrunner Koenig Holding, the very successful Swiss subsidiary, was increased to approximately 98% until the mid of January 2008. In order to reinforce further its position as the largest producer-independent steel and metal distributor in the combined European and North American market, the company is targeting expansion. "In 2008, we will be striving for at least a similar level of external growth as that achieved in 2007. As well as the further expansion of our activities in North America and Western Europe, Eastern Europe in particular will be integrated more intensively into our expansion strategy," elucidated Dr. Thomas Ludwig. In January 2008, the British distribution company Multitube was already aquired.

Strategic objectives for 2008

In 2008, the STAR improvement program that was initiated in 2005 will be entering phase II. In addition to ongoing optimization of the distribution network and inventories, its core feature is the gradual establishment of a European purchasing organization. As part of this intensified, pan-European integration, the proposal will be made to the 2008 Annual General Meeting of Klöckner & Co AG to transform the company from a German stock corporation to a European company (Societas Europaea, SE).

Outlook for 2008

Despite forecasts of a weaker general economic trend in 2008, the outlook for steel distribution is still considered very positive. This is due to a favorable development of supply and demand as well as the price rises which have already been implemented or which are expected. Although the development in the second half of the year cannot yet be foreseen due to global economic risks, current trends indicate another favorable result for 2008 as a whole.

