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Press Releases

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KLÖCKNER & CO SE: WEAK OPERATIVE START IN Q1 2009, BUT DEBTS RECUELED, FINANCING SECURED AND OUTLOOK IMPROVED

- Sales volume and sales decline markedly
- Operating loss (EBITDA) reaches - €132 million
- Net debt reduced by €249 million
- Successful restructuring of syndicated loan and European ABS program
- Earnings situation expected to improve in Q2 2009

The adverse business trend that started in the fourth quarter of 2008 continued into the first quarter of 2009. In the first three months of the year, sales volume at the Klöckner & Co Group declined by 37.9% year-to-year to 1.1 million tons (Q1/2008: 1.7 million tons). Compared with the first quarter of 2008, Group sales fell by 34.0% to about €1.1 billion (Q1/2008: €1.7 billion). The collapse in demand and continued price erosion, which entailed further price-related inventory write-downs of about €35 million, resulted in negative EBITDA (earnings before interest, taxes, depreciation and amortization) of - €132 million. EBIT (earnings before interest and taxes) developed in line with EBITDA and amounted to - €149 million in the first quarter. Group earnings before taxes stood at - €165 million. As a result of a positive tax effect, Klöckner & Co recorded a consolidated net loss of - €127 million in the first quarter of 2009 (Q1/2008: €52 million).

In contrast to negative earnings developments, Klöckner & Co generated a high cash flow from operating activities of €261 million in the first quarter thanks to the rigorous reduction of net working capital. As a result, net financial debt was reduced markedly from €571 million at year's end to €322 million at the end of the first quarter of 2009. Since then, the Group has



reduced its net debt further to about €270 million. In addition, roughly two-thirds of the planned reduction of 1,500 people in the global workforce, a step that is part of the Group's immediate action programs, has been implemented or initiated. Despite the Group's loss, the equity ratio declined only slightly from 35% to 33% in the first quarter of 2009.

"The reduction of operative costs and inventories, the improvement in net working capital and the substantial reduction of net financial debt show that our immediate actions are already bearing fruit and underscore the stability of our business model which allows significant positive cash flows during times of crisis," says Dr. Thomas Ludwig, Chairman of the Management Board of Klöckner & Co SE.

The continued optimization of the Group's financing structure was successfully completed in May with the restructuring of the syndicated loan and the European ABS program. Klöckner & Co can now draw on a total of €1.5 billion credit facilities free of performance-based covenants. "The new non-performance-based covenants are aligned even better with the economically fluctuating capital requirements of Klöckner & Co as a stock-keeping multi metal distributor. This prepares us even better for phases of economic weakness," Dr. Thomas Ludwig says.

The first signs of economic stabilization have emerged in recent weeks, although at a very low level. Demand seems to have bottomed out. At the same time, prices of some products are beginning to recover. As a result, Klöckner & Co expects earnings to improve markedly in the second quarter of 2009 compared with the first quarter. Nonetheless, results will be negative as well. In view of the persistently difficult economic conditions, Klöckner & Co cannot issue a forecast for the full year of 2009 at this time. However, the company expects full-year earnings for 2009 to remain markedly below the previous year's result and cannot preclude a net loss.

"Despite the difficult market environment, Klöckner & Co believes that its immediate action programs, its strong balance sheet and the restructuring of its financing structure put it in a good position to successfully overcome even a drawn-out crisis. Our financial leeway will allow us to return to our acquisition strategy in due course and to profit from the consolidation opportunities arising from this crisis," Dr. Thomas Ludwig notes.

*)Prior year amounts restated due to initial application of IFRIC 14

**)Working capital = Inventories plus trade receivables less trade payables

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