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Datum        **11/13/2009**  
Seiten       **3**

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## **KLÖCKNER & CO SE: POSITIVE EBITDA FOR THE THIRD QUARTER OF 2009, FOR THE FIRST TIME SINCE THE BEGINNING OF THE FINANCIAL CRISIS; NET DEBT FULLY ELIMINATED, STILL NO SIGN OF A SUSTAINABLE DEMAND IMPROVEMENT**

- Sales volume, sales and earnings in first nine months of 2009 well below previous year's level, but stabilization continued during third quarter
- 2009 cost-cutting target of €100 million almost fully achieved
- Net debt fully eliminated, net cash position of €139 million
- Acquisition strategy reinitiated – preliminary agreement signed on largest acquisition since IPO
- Demand still fluctuating on low level, but gradual improvement in demand expected next year

After a negative EBITDA (EBITDA - Earnings before interest, taxes, depreciation and amortization) of -€132 million in the first quarter and -€31 million in the second quarter, Klöckner & Co for the first time this fiscal year generated a positive EBITDA of +€11 million in the third quarter. This improvement was primarily due to continued strict cost cutting measures, more stable selling prices and accordingly positive inventory valuation effects. Since the demand is still significantly lower than in the previous year, the earnings continue to be extremely unsatisfactory with a cumulative EBITDA of -€151 million for the first nine months. The Klöckner & Co Group's sales volume of



3.2 million tons by the end of September 2009 was 34.6% below the previous year's level (4.8 million tons). Sales dropped 44.2% to approximately €3.0 billion, compared to €5.4 billion in the prior-year period.

**Recovery in demand not yet sustainable – Company well positioned** First signs of a recovery of demand seen in September cannot yet be regarded as a sustainable trend; the price trend is still volatile, which is affecting customers' buying behavior. After a positive trend in the third quarter, some steel and metal products in Europe and North America have come under price pressure again since October. Taking this and seasonal effects into account, the Management Board expects at best operating income to break even in the second half. "Despite the fact that there is still no evidence of a sustainable recovery in demand yet, we assume that demand has bottomed out and that it will gradually improve next year. The difficult market situation notwithstanding, Klöckner & Co believes that, due to consequent implementation of the measures, it is well positioned to take advantage of the opportunities arising in the crisis," says Gisbert Rühl, Chairman of the Management Board of Klöckner & Co SE.

The significant reduction of working capital, the issuance of a convertible bond in June and the successful rights issue in September 2009 allowed the Group to post a net cash position of €139 million at the end of the third quarter, compared with net financial debt of €571 million at the end of 2008. On the financing side, after restructuring its financing and issuing the convertible bond, the Group has facilities totaling €1.6 billion available. This cash generation resulting from the decrease in working capital led to a significant improvement in cash flow from operating activities to €541 million, compared with €32 million a year earlier. In addition, the Company managed in the first nine months to almost fully achieve this year's targeted personnel and operating cost savings of €100 million net.

**Resumption of the acquisition strategy** Having suspended its acquisition strategy when the economic crisis began last year, Klöckner & Co is now returning to its original growth track. "Safeguarding the financing, including the placement of the convertible bond and the rights issue, provides a solid financial foundation for resuming the acquisition strategy despite the ongoing financial crisis. By signing a preliminary agreement to acquire the Becker Stahl-Service Group in Germany, a steel service center company with sales of about €600 million, we are using an outstanding opportunity to once again accelerate our growth and improve our earnings situation over the long term", explains Gisbert Rühl. The Becker Stahl-Service Group operates one of the world's largest and most modern steel service centers with headquarters in Bönen, North Rhine-Westphalia. The acquisition will enable Klöckner & Co to extend its market position for flat steel significantly while also gaining a greater degree of diversification on the customer side. The Becker Stahl-Service Group takeover will be the biggest acquisition since the IPO in 2006. The transaction is subject to approval by the anti-trust authorities and due diligence



which has not yet been performed. The final purchase agreement is expected to be concluded in the beginning of 2010.

**Other profit figures similar to EBITDA** In line with the EBITDA trend, EBIT (Earnings before interest and taxes) until the end of September 2009 totaled -€204 million (First nine months of 2008: +€686 million) and the Group's EBT (Earnings before taxes) at -€249 million (First nine months of 2008: +€634 million). Due to tax benefits, Klöckner & Co ended the first nine months of 2009 with a consolidated net loss of -€198 million (First nine months of 2008: +€526 million). After taking into account the loss for the first nine months of the fiscal year, the equity ratio is at around 38% on September 30, 2009, compared to 35% at the end of fiscal year

2008.

\*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see Note 2 to the interim financial statements).

\*\*) Working capital = inventories plus trade receivables less trade payables

