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Press Releases

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KLÖCKNER & CO SE: HALF-YEAR OPERATING INCOME (EBITDA) SHAPED BY CONTRARY STEEL CYCLES DURING FIRST AND SECOND QUARTER. MAJOR BOOST IN SALES VOLUMES AND SALES. CAPITAL INCREASE SUCCESSFUL.

Outlook of more than 25% sales and sales volume growth confirmed unless fallback to recession occurs.

- Sales volumes increased compared with first half of 2010 by 24.1% to 3.3 million tons (Q2: 1.8 million tons compared with 1.4 million tons in Q2 2010)
- Sales up by 40.8% compared with the prior-year period to approximately €3.5 billion (Q2: €1.9 billion compared with €1.4 billion in Q2 2010)
- Operating income (EBITDA) improved from €129 million in prior-year period to €166 million; however, second-quarter EBITDA, at €62 million, down on €100 million prior-year figure
- Net income at €50 million, compared with €49 million in prior-year period
- Earnings per share at €0.69, compared with €0.71 in comparative prior-year period
- Successful capital increase with net proceeds of €517 million lays foundation for further growth

All figures for first six months compared with same period of prior year

Duisburg, August 10, 2011: After healthy growth in operating income (EBITDA) in the first quarter of 2011, the second quarter brought a visible decrease in earnings momentum with EBITDA of €62 million. This development largely reflected the downtrend in steel prices, which after a sharp rise in the first quarter came under pressure in the second. However, the second quarter also brought a further major boost to sales volumes and sales, notably from the acquisition of Macsteel Service Centers USA ("MSCUSA").

Gisbert Rühl, Chairman of the Management Board of Klöckner & Co SE: “After a first quarter that saw us start the year with a tailwind, the economic recovery visibly lost speed in the second quarter and even slowed right down toward the end, with prices in part dropping sharply. Our customers showed a certain reluctance to make purchases because they expected prices to continue downwards. This also put increasing pressure on margins. Although there is once more considerably greater uncertainty, we confirm our outlook of more than 25% growth in sales volumes and sales in 2011, provided that current developments on the global capital markets do not lead back into a recession.”

Strong growth in sales volumes and sales Sustained robust demand from year to year and notably the two acquisitions enabled Klöckner & Co to generate sales volumes of 3.3 million tons in the first six months of 2011, a substantial 24.1% more than in the prior-year period (2.6 million tons). Sales volumes gained 13.8% in Europe and 62.3% in the Americas segment compared with the prior-year figures. Adjusted for the acquisitions in 2010 and 2011, sales volumes in the Americas segment were up 16.1% on the prior-year period, while adjusted sales volumes for the Group as a whole rose by 8.6%. With a year-on-year rise in average prices despite the current falling price trend, sales grew more strongly than sales volumes. Group sales totaled some €3.5 billion in the first half of 2011, an increase of 40.8% – excluding acquisitions, 26.1% – compared with the first half of 2010.

During the second quarter, falling prices and associated customer reluctance to purchase exerted noticeable pressure on margins. Combined with mainly price-related inventory writedowns toward the end of the reporting period, this led to a gross profit margin that at 19.9% was significantly down on the 23.0% in the prior-year period. Operating income (EBITDA) was increased – mainly as a result of the good business situation in the first quarter of 2011 – from €129 million in the first half of 2010 to €166 million (an increase of 28.5%) in the first half of 2011. This corresponds to an EBITDA margin of 4.8% (HY1/2010: 5.3%). In the second quarter, however, EBITDA was down at €62 million compared with €100 million in the prior-year period, due to a significant extent to €15 million in inventory writedowns. EBIT in the first six months of 2011 came to €122 million (HY1/2010: €89 million) and tracked the trend in EBITDA. Earnings before taxes (EBT) came to €81 million, compared with €57 million in the prior-year period. Klöckner & Co generated net income of €50 million (HY1/2010: €49 million). Basic earnings per share stood at €0.69, compared with €0.71 in the prior-year period.

Strong balance sheet and financing structure maintained The changes in the statement of financial position are mainly shaped by the acquisitions of MSCUSA and Frefer completed in the second quarter and by the capital increase. Total assets increased as a result by 41.4%

to €4,936 million. Acquisition accounting and higher sales volumes increased resources tied up in net working capital to €1,713 million, compared with €1,017 million at the end of fiscal 2010. The inflow of resources from the capital increase was a key factor in maintaining liquid funds at the high level of €1,035 million, compared with €935 million as of December 31, 2010, despite the cash outflow on payment of the purchase price for MSCUSA and Frefer and the higher net working capital. The equity ratio came to some 37% as of June 30, 2011, on a par with the 2010 fiscal year-end. After payment of the purchase price for the two acquisitions and after the share issue, net financial debt stood at €600 million, compared with €137 million at the end of the prior fiscal year.

Milestones in the first half of 2011 in implementation of the strategy "Klöckner & Co 2020" The second quarter saw Klöckner & Co attain three milestones in the strategy "Klöckner & Co 2020" presented in October last year:

1. The acquisition of Macsteel Service Centers USA (“MSCUSA”) was completed at the end of April. MSCUSA is one of the leading flat steel service center companies in the USA, with sales of some USD 1.3 billion in 2010. The acquisition doubles Klöckner & Co’s sales and number of locations in North America. It adds flat products to a product range previously focused on long products and heavy plate. Klöckner & Co is now among the market leaders in all three product segments in the USA and has moved up to become the third largest steel and metal distributor in North America. Integration of the company into the existing US country organization proceeds apace. The potential synergies are estimated to be significantly bigger than initially expected. The US country organization will operate in the future under a single brand and is now the largest in the Group, with 30% of sales.

2. At the end of May, Klöckner & Co acquired a 70% share in the Frefer Group, Brazil (“Frefer”). With approximately 360 employees at 14 locations, the group generated sales of some BRL 340 million (about €150 million) in 2010. The move marks Klöckner & Co’s entry into the fast-growing emerging economies of South America.

3. The 50% capital increase was successfully carried out in June and generated net proceeds of €517 million, which will mainly be used to continue the "Klöckner & Co 2020" growth strategy.

Outlook

Regarding business performance in 2011, despite the global economic slowdown and provided that the current developments on global capital markets do not lead back into a recession, Klöckner & Co continues to anticipate growth of more than 25% in sales volumes and sales, with acquisitions contributing significantly to the increase. The Company projects a slight seasonal reduction in demand in the third quarter. Earnings are consequently expected to be below the second quarter for seasonal reasons. For the fourth quarter, and accordingly for the full year, an earnings forecast is currently subject to great uncertainty. Against this background Klöckner

& Co does not further expect to reach its medium-term target EBITDA margin of 6% already for the current year.

Gisbert Rühl: “In acquiring MSCUSA and Frefer in Brazil, we have systematically pushed ahead our long-term growth strategy “Klöckner & Co 2020” and laid key groundwork for the onward development of Klöckner & Co. The capital increase successfully completed in June additionally lays the foundation for us to continue pursuing our “Klöckner & Co 2020” growth strategy with ambitious targets.”

About Klöckner & Co: Klöckner & Co is the largest producer-independent distributor of steel and metal products and one of the leading steel service center companies in the European and American markets combined. The core business of the Klöckner & Co Group is the warehousing and distribution of steel and non-ferrous metals as well as the operation of steel service centers. More than 170,000 active customers are supplied through around 290 distribution and service locations by around 11,000 employees in 16 countries in Europe and America. The Company had sales of around €5.2 billion in the fiscal year 2010.

The shares of Klöckner & Co SE are admitted to trading on the regulated market segment (Regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with further post-admission obligations (Prime Standard). Klöckner & Co shares are listed in the MDAX®-Index of Deutsche Börse.

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