

Press Release

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Klöckner & Co SE: Sales volumes, sales and operating income (EBITDA) increased with support from acquisitions but developments marked by increasing uncertainty and economic slowdown. Outlook of more than 25% sales and sales volume growth confirmed.

- Sales volumes increased mainly as a result of acquisitions by 25.8% to 5.0 million tons (Q3: 1.8 million tons, compared with 1.4 million tons in Q3 2010)
- Sales 38.6% up to some €5.4 billion (Q3: €1.9 billion, compared with €1.4 billion in Q3 2010)
- Operating income (EBITDA) improved from €190 million in prior year to €203 million (Q3 EBITDA: €37 million, significantly below Q3 2010 figure of €61 million)
- Net income down from €63 million in prior year to €38 million, largely due to higher depreciation and amortization as a result of acquisitions, higher financing charges and higher taxes (Q3: €- 12 million; compared with €15 million in Q3 2010)
- Earnings per share €0.47, compared with €0.92 in the prior-year period

All figures relate to the first nine months of 2011 relative to the same period of the prior year

Duisburg, November 9, 2011: The business situation throughout the year and especially in the third quarter has been visibly affected by the economic slowdown. While cumulative operating income (EBITDA), at €203 million, is up on the prior-year period, the earnings trend is unsatisfactory and remains

negative. After €104 million in the first and €62 million in the second quarter, operating income (EBITDA) fell in the third quarter to €37 million. The drop in operating income partly reflected the customary seasonal softening of demand in the summer months, but partly also the economic slowdown which hasn't resulted in the usual end-of-summer recovery. In addition, producers generally failed in their attempts to stabilize prices, and this put a squeeze on margins. Customers were accordingly more cautious whereby margins came increasingly under pressure.

Gisbert Rühl, Chairman of the Management Board of Klöckner & Co SE: "As expected, we are moving into increasingly choppy economic waters. Risks are increasing, customers are being cautious. That clearly shows through in our earnings performance."

Robust sales volume and sales growth, unsatisfactory earnings trend

Klöckner & Co increased sales volumes by 25.8% from 4.0 million tons in the prior-year period to 5.0 million tons in the first nine months of 2011. Sales volumes gained 8.5% in Europe and 90.5% in the Americas segment compared with the prior-year figures. Adjusted for the business acquisitions in 2010 and 2011, sales volumes were up 16.9% on the prior-year period in the Americas segment and 3.2% in the Europe segment, while adjusted sales volumes for the Group as a whole rose by 6.5%. The third quarter saw only slight organic growth in sales volumes relative to the prior-year period – kept up solely by growth in the USA, while sales volumes in Europe already showed a slight decrease.

Despite a falling price trend, average selling prices were above the prior-year level, as a result of which sales grew more strongly than sales volumes, increasing by 38.6% from €3.9 billion to €5.4 billion. Excluding the effects of the acquisitions, sales increased by 20.7%, likewise with a decreasing trend in the third quarter, when sales growth was down to 10.9%.

The gross profit margin fell continuously through the year. At 18.8%, the figure for the first nine months was significantly down on the 22.3% prior-year level in line with the economic and price situation; the third quarter saw the margin fall to its lowest level for the year at 16.8%. It became ever harder

to keep margins up at adequate levels in the market as increasingly fierce competition chased shrinking market volumes compounded by a backdrop of sinking prices. Operating income (EBITDA) increased – mainly as a result of the good business situation in the first quarter of 2011 – from €190 million in the first nine months of 2010 to €203 million in the first nine months of 2011 (an increase of 6.8%). The consolidation of Macsteel Service Centers USA (MSCUSA) contributed to this increase. EBITDA is on a pronounced downward trend, however, decreasing from €104 million in the first quarter to €62 million in the second and only €37 million in the third.

EBIT came to €129 million in the first nine months, about on a par with the prior-year period figure of €127 million. Higher finance expenses as a result of a rise in debt meant that Group earnings before taxes, at €66 million, was down on the €79 million figure for the prior-year period. Net income decreased to €38 million due to a higher tax burden (2010: €63 million). Basic earnings per share consequently stood at €0.47, compared with €0.92 in the prior-year period.

Total assets increased mainly as a result of the acquisitions and also due to the rights issue by 41.8% to €4,950 million. With an equity ratio of 37%, Klöckner & Co has a sound financial position with a balanced and long-term maturities profile in non-current liabilities.

Profitability action plan

After signs of the economic slowdown accelerated over the course of the third quarter, Klöckner & Co immediately initiated a comprehensive action plan. Alongside cuts in administration costs and overheads, the plan centers on structural changes in the country organizations, including the discontinuation of insufficiently profitable business activities. The plan is expected to deliver an annual contribution to operating income in the mid double-digit millions of euros. The total one-off costs required to achieve this is expected to be in the low double-digit millions of euros and will be financed in full out of disposal proceeds. While potentially discontinuing business activities, the company is holding to its “Klöckner & Co 2020” growth strategy.

Outlook

For fiscal 2011, despite softening demand, Klöckner & Co continues to anticipate year-on-year growth of more than 25% in sales volumes and more than 35% in sales, largely thanks to the contributions made by the acquisitions.

Given the weak demand trend and the sustained price pressure, the Company projects that fourth-quarter operating income (EBITDA) will be down on the third quarter. Restructuring costs in the low double-digit millions of euros will have an additional impact on income.

For 2012, Klöckner & Co currently expects rising demand for steel in North and South America and at best stable demand for steel in Europe, with risks due to the sovereign debt crisis in the euro zone remaining high. In light of this, the 6% long-term EBITDA margin target will not yet be attained in the next year. The initial restructuring measures will, however, contribute to achieving this target as soon as possible thereafter.

Gisbert Rühl: "We confirm our outlook of over 25% sales volume growth and more than 35% sales growth this year. It will not be possible to stop the earnings trend, however, and we expect a further decrease in EBITDA in the fourth quarter. We are nonetheless well equipped to carry ourselves through a potentially sustained lean period and in the process to carve out options for further growth."

Key figures

Income statement			Q3 2011	Q3 2010	Jan. 1 - Sep. 30, 2011	Jan. 1 - Sep. 30, 2010
Sales	€ million		1,885	1,401	5,357	3,866
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million		37	61	203	190
Earnings before interest and taxes (EBIT)	€ million		8	39	129	127
Earnings before taxes (EBT)	€ million		- 15	22	66	79
Net income	€ million		- 12	15	38	63
Net income attributable to shareholders of Klöckner & Co SE	€ million		- 11	14	38	61
Earnings per share (basic)	€		- 0.11	0.21	0.47	0.92
Earnings per share (diluted)	€		- 0.11	0.21	0.47	0.92
Cash flow statement					Jan. 1 - Sep. 30, 2011	Jan. 1 - Sep. 30, 2010
Cash flow from operating activities	€ million				- 148	- 82
Cash flow from investing activities	€ million				- 466	- 148
Balance sheet					September 30, 2011	December 31, 2010
Net working capital ¹⁾	€ million				1,692	1,017
Net financial debt	€ million				580	137
Equity	€ million				1,847	1,290
Balance sheet total	€ million				4,950	3,491
Key figures			Q3 2011	Q3 2010	Jan. 1 - Sep. 30, 2011	Jan. 1 - Sep. 30, 2010
Sales volumes	Tto		1,765	1,368	5,026	3,996
					September 30, 2011	December 31, 2010
Employees at end of period					11,577	9,699

¹⁾ Net working capital: Inventories plus trade receivables minus trade payables.

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 more than 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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