

Press Release

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multi metal distribution

Klöckner & Co SE: weak first half of 2009, marked improvement in earnings expected during the second half

- Sales volume, sales and earnings in the first half of the year far below previous year's levels
- Operating earnings climbed considerably from the first quarter to the second quarter, while remaining negative
- Cash flow increased, net financial debt lowered considerably
- Cost-cutting and capacity-reducing measures further successfully realized
- Significant improvement expected in the second half of year assuming stabilization of demand following the nearly completed destocking along the value chain, bottoming of prices and cost savings

Duisburg, August 13, 2009 – The steep drop in sales volume and earnings that began last year continued during the first six months of 2009. In the second quarter of 2009, however, Klöckner & Co was able to make a significant recovery from other early losses, even though its results for the second quarter and the six month period remained negative. The company finished the second quarter with EBITDA (earnings before interest, taxes, depreciation and amortization) of - €31 million, compared with - €132 million in the first quarter. This improvement was generated in particular by stabilizing sales prices as well as cost reductions produced by the Company's timely program of business measures. For the entire six-month period, EBITDA totaled - €163 million compared with + €321 million in the same period last year. During the second half of the year, the Management Board expects earnings to considerably improve, buttressed by stabilizing prices and volumes as well as the successful introduction of cost-cutting steps. However, these expected improved earnings will be unable to offset the negative result from the first half of the year.

In contrast to the Company's negative earnings performance, Klöckner & Co increased cash flow from operating activities to €468 million by systematically reducing net working capital during the first half of 2009. As a result, net financial debt was cut by 79.3%, falling from €571 million at the end of the year to €118 million at the end of the first half of 2009.

"After the dramatic drop in earnings during the first quarter, we were able to significantly improve the situation in the second quarter and, in particular, to continue lowering our net financial debt. We are cautiously optimistic about the second half of the year and expect a significant improvement in earnings so long as prices and volumes continue to firm up," says Dr. Thomas Ludwig, Chairman of the Management Board of Klöckner & Co SE.

During the first six months of the year, sales volume at the Klöckner & Co Group totaled 2.1 million tons, a drop of 38.9% below the previous year's level (H1/2008: 3.5 million tons). The decrease in sales volume resulted from the extremely weak macroeconomic



conditions and the loss of sales volume that followed the sale of the Canadian subsidiary Namasco Ltd. in July 2008. Excluding Namasco Ltd., the drop in sales volume totaled 33.0%. As a result, consolidated sales, including the effects of divestments, fell 42.7% compared to the first half-year period last year to €2.1 billion (H1/2008: €3.6 billion). Mirroring EBITDA performance, EBIT (earnings before interest and taxes) totaled - €197 million in the first half of the year (H1/2008: + €290 million). Consolidated income before taxes was - €228 million (H1/2008: + €257 million). As a result of positive tax effects, Klöckner & Co completed the first half of 2009 with a consolidated net loss of - €175 million (H1/2008: consolidated net profit of + €178 million).

Despite the negative results in the first half of 2009, the Company's equity share decreased only slightly, from 35% to 34%. In another step, the Company's workforce was adjusted in response to the negative volume trends within the context of its immediate action programs. As a result, the workforce has been reduced by 1,300 employees, including people with short-term contracts and temporary workers, since October 2008. Ultimately, the workforce will be cut by about 1,500 employees as part of the programs.

Further steps to improve the market position of Klöckner & Co were introduced at the beginning of the third quarter. "The focus of these new measures is the optimization of product portfolio, customer segmentation and value added services services. The aim is to use the structural changes arising from the crisis as opportunities and further improve our market position against competitors," Dr. Thomas Ludwig said.

After Klöckner & Co successfully completed the restructuring of its financing in May by modifying its syndicated loan and the European ABS program, an additional convertible bond with a volume of €97.9 million, a maturity of five years and a coupon of 6% was issued in June 2009. As a result, Klöckner & Co has more than €1.6 billion in financing facilities that are largely free of performance-based covenants.

Key Figures

		Q2 2009	Q2 2008*)	HY1 2009	HY1 2008*)
Income Statement					
Sales	€ million	959	1,922	2,054	3,582
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	-31	212	-163	321
Earnings before interest and taxes (EBIT)	€ million	-48	197	-197	290
Earnings before taxes (EBT)	€ million	-63	180	-228	257
Earnings after taxes (EAT)	€ million	-47	126	-175	178
Earnings per share (basic)	€	-1.04	2.63	-3.74	3.72
Earnings per share (diluted)	€	-0.85	2.48	-3.28	3.54
Cash flow Statement					
Cash flow from operating activities	€ million			468	3
Cash flow from investing activities	€ million			-2	-274



Balance Sheet				June 30, 2009	June 30, 2008*)
Working capital **)	€ million			779	1,407
Net financial debt	€ million			118	571
Equity	€ million			938	1,081
Balance sheet total	€ million			2,759	3,084
Key Figures		Q2 2009	Q2 2008	HY1 2009	HY1 2008
Sales volume	to'000	1,053	1,755	2,121	3,475
				June 30, 2009	June 30, 2008
Employees at the end of Period				9,500	10,282

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14

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

About Klöckner & Co

Klöckner & Co is the largest producer-independent distributor of steel and metal products in the European and North American markets combined. The core business of the Klöckner & Co Group is the storage and distribution of steel and non-ferrous metals. About 185,000 active customers are supplied through around 250 distribution locations by around 9,500 employees in 15 countries in Europe and North America. During the financial year 2008, the Company achieved sales of approximately €6.7 billion.

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 simultaneous admission to the sub-segment to the regulated market with further post-admission obligations (Prime Standard). Klöckner & Co shares are listed in the MDax® Index of Deutsche Börse.

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Disclaimer

This press release contains certain forward-looking statements. Forward-looking statements are based on current estimates and assumptions that we make to the best of our present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including our financial condition and results of operations, to differ materially and more negatively from the results that we have expressly or implicitly assumed or described in these forward-looking statements. Our business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction to become inaccurate. In light of these risks, uncertainties and assumptions, future events described in this press release may also not occur.

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