

ElringKlinger AG

EANS-Adhoc: ElringKlinger buoyed by upturn in sales and cost reductions in Q3 2009

02.11.2009 - 08:05 Uhr, ElringKlinger AG

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quarterly
report

02.11.2009

Dettingen / Erms, November 2, 2009 +++ Against the backdrop of the severe slump in car sales within the international vehicle industry, the ElringKlinger Group was faced with a decline in consolidated sales revenue by 20.0% to EUR 419.2 (524.0) million in the first nine months of 2009. Despite this situation, the Group managed to keep earnings well within positive territory, generating EBIT of EUR 42.9 (78.4) million. Net income after minority interests amounted to EUR 21.6 (46.8) million. The decline in sales slowed considerably over the course of the third quarter. Up 15.3% on the figure for the same period last year, which had been adversely affected by exceptional factors, third quarter EBIT totaled EUR 20.3 (17.6) million.

Demand picks up over course of the year The decline in car production figures during the first nine months of 2009 by 42.9% in the United States and 21.1% in Europe as a whole prompted a tangible downturn in industry demand within these regions. By contrast, the ElringKlinger Group succeeded in maintaining its forward momentum in Asia with an expansion of sales, particularly in China. The Group also commenced work on the construction of two new production facilities in China.

From the second quarter onwards the market as a whole showed signs of a slight upturn in demand. Despite the protracted weakness of the commercial vehicle sector and the downturn in demand recorded by ElringKlinger Kunststofftechnik GmbH in the field of mechanical and plant engineering, compared with the second quarter Group sales revenue grew by EUR 13.1 million to EUR 151.3 (173.8) million in Q3 2009. By contrast, sales revenue was still down 12.9% on the third quarter of 2008.

In the first nine months of 2009, the ElringKlinger Group channeled EUR 28.7 (25.2) million into research and development projects such as fuel cells and battery components as well as its diesel particulate filter activities, thus expanding R&D expenses by 13.9% year on year. Capital expenditure in property plant and equipment stood at EUR 60.5 (85.5) million, the focus being on operational streamlining and business expansion within Asia.

Break-even point lowered through cost savings In response to the dramatic collapse of the market, the ElringKlinger Group initiated an extensive cost-reduction program as early as the end of fall 2008. The attendant cost savings took increasing effect over the course of the first nine months of 2009. Benefiting also from more moderate commodity prices and price hedging in connection with alloy surcharges within the area of high-grade steel, the Group's gross profit margin gradually improved during the reporting period, rising from 22.6% in the first quarter to 29.5% (30.0%) in the third quarter of 2009.

As a result of settlement payments associated with commodity price hedging, material expenses increased by an additional EUR 3.7 million in the second quarter and an additional EUR 1.3 million in the third quarter of 2009. Due to the rise in the price of nickel and the concomitant changes to the fair value of commodity-related derivatives, the Group was in a position to reverse the majority of provisions recognized in 2008 under IFRS. Consequently, other operating income increased by another EUR 9.5 million in the second quarter of 2009 and by EUR 2.9 million in the third quarter. In the second quarter, the balance between the reduction of provisions and settlement payments had a positive effect on pre-tax earnings equivalent to EUR 5.8 million. In the third quarter, the positive effect on earnings was EUR 1.6 million, which included income from the sale of a contract initially entered into for the purpose of hedging purchasing prices for raw materials.

Third-quarter EBIT increases year on year Despite the significant drop in unit output and the associated decline in capacity utilization within the area of production, EBIT remained well above break-even in the first nine months of 2009. In the first nine months of 2009,

ElringKlinger achieved EBIT of EUR 42.9 (78.0) million - which includes positive foreign-currency effects of EUR 0.9 million. In the third quarter, negative foreign-currency effects of EUR 1.1 million impacted adversely on EBIT. Despite this, the ElringKlinger Group managed to post EBIT totaling EUR 20.3 (17.6) million in the third quarter of 2009. Compared to the same period a year ago, which had been impacted by non-recurring expenses of EUR 7.0 million in connection with the recognition of provisions for commodity price hedging, this corresponds to EBIT growth of 15.3%. Within this context, the improvement in revenue as well as cost-streamlining measures and the contribution from the reversal of provisions for commodity-related hedging had a positive effect. In the third quarter, the EBIT margin - adjusted for the effect on earnings of the reversal of provisions for commodity-related hedging as well as government grants of EUR 2.0 million for development projects - was 11.1%.

Generating net cash from operating activities of EUR 96.2 (59.3) million in the first nine months of 2009, the ElringKlinger Group exceeded last year's nine-month figure by 62.2%, thus revealing its financial capabilities in times of economic crisis.

At EUR 32.1 (69.8) million, earnings before taxes for the first nine months of 2009 remained 54.0% down on the figure posted for the same period a year ago. By contrast, the third quarter of 2009 saw pre-tax profit increase by 18.3% year on year to EUR 16.8 (14.2) million.

The tax rate for the first nine months of 2009 stood at 28.7%, which was slightly lower than the tax rate of 29.1% for the same period a year ago. Thus, net income for the first nine months of 2009 totaled EUR 22.9 (49.5) million. With income tax expense remaining low in the third quarter of 2009, net income after minority interests increased at a more pronounced rate than pre-tax profit, up 24.7% to EUR 12.1 million, compared to EUR 9.7 million in the same period a year ago.

Excluding minority interests, in the first nine months of 2009 profit attributable to the owners of ElringKlinger AG was down 53.9% on last year's nine-month figure and stood at EUR 21.6 (46.8) million. By contrast, the Group managed to lift this figure by 34.5% year on year in the third quarter of 2009 to EUR 11.6 (8.6) million.

In the first nine months of 2009, basic and diluted earnings per share, calculated in accordance with IFRS, contracted from EUR 0.81 to EUR 0.37. In the third quarter of 2009, ElringKlinger recorded earnings per share of EUR 0.20 (0.15).

Order intake rises for third consecutive quarter In the first nine months of 2009, order intake reached EUR 440.1 (515.2) million, thus falling 14.6% short of the figure recorded for the same period a year ago. By contrast, in the third quarter of 2009, incoming quarterly orders have risen for the third time in a row to EUR 165.9 (160.1) million. Compared to the previous quarter, order intake increased by EUR 17.1 million.

The direction of future sales trends became more discernible in the nine months just ended, but, regardless of this, the automotive markets still finds itself in a situation that makes planning ahead very difficult. ElringKlinger anticipates that - calculated on the basis of car production figures - the European vehicle market will shrink by 15% to 20% in 2009 as a whole, despite the expected forward momentum in the fourth quarter. In North America, vehicle production in 2009 as a whole is likely to remain 25% to 30% down on last year's figure and is not expected to rebound at a more significant pace until 2010.

In the light of this market assessment and assuming that the economy continues to stabilize during the remainder of the year, within the current climate the ElringKlinger Group anticipates that it will generate consolidated sales of between EUR 540 and 580 million in 2009 as a whole. The EBIT margin is projected to be 8 to 10%. The current Group-wide program aimed at reducing costs will continue to make a significant contribution in terms of partially offsetting the downturn in demand. ElringKlinger anticipates that it will, at the very least, achieve the target of EUR 10 million in savings planned for 2009.

Ende der Mitteilung

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inquiry note:

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ISIN: DE0007856023
WKN: 785602
Index: MDAX, Classic All Share, Prime All Share
Börsen: Frankfurt / regulated dealing/prime standard
Berlin / free trade
Düsseldorf / free trade

München / free trade
Stuttgart / regulated dealing

Originaltext:

ElringKlinger AG

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