

Klöckner & Co SE

Am Silberpalais 1
47057 Duisburg
Deutschland

Press Releases

Phone: +49 (0) 203-307-2050

Fax: +49 (0) 203-307-5025

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E-Mail: pr@kloeckner.com

Internet: www.kloeckner.com

KLÖCKNER & CO SE: EARNINGS IMPROVED IN 2013 DESPITE WEAK MARKETS

- Market and restructuring-driven decreases in turnover and sales, with turnover down 8.8% to 6.4 million tons and sales down 13.7% to approximately €6.4 billion.
- Gross profit margin increased through stronger focus on higher-margin business from 17.4% to 18.6%.
- Operating income (EBITDA) improved from €60 million to €124 million.
- EBITDA before restructuring at €150 million– including gain on disposal of real estate of €11 million – better than prior year (€137 million) despite contraction in markets.
- Group net loss reduced from €–203 million in prior-year period to €– 90 million.
- Net financial debt down on prior year, from €422 million to €325 million.
- KCO 6.0 restructuring program successfully completed with annual EBITDA effect of €150 million.
- KCO WIN optimization program successfully started with expected EBITDA contribution of €20 million this year and €50 million from 2015.
- First acquisition since successful completion of restructuring: 75% stake in Swiss reinforcing steel specialist Riedo Bau + Stahl AG acquired.
- EBITDA guidance for Q1: €40 million to €50 million.

Figures relate to fiscal year 2013 relative to prior year.

Duisburg, Germany, March 6, 2014 – Klöckner & Co SE's turnover fell by a total of 8.8% in fiscal year 2013 as a result of the ongoing contraction in the European steel market combined with location closures and the discontinuation of low-margin businesses under the Company's



restructuring program. Sales declined at an even sharper rate due to lower price levels, most of all in the first half year, falling by 13.7% in the year as a whole.

Gross profit went down from €1.3 billion to €1.2 billion in line with the lower volume of business. Focusing on higher-margin business, however, already began to pay off with a 1.2 percentage point improvement in the gross profit margin from 17.4% to 18.6%.

Operating income (EBITDA) stood at €124 million, up from €60 million in the prior-year period. Due to €84 million in cost savings, it was possible to more than offset the market-driven impact on earnings. This also benefited EBITDA adjusted for restructuring expenses, which likewise increased, from €137 million in the prior year to €150 million.

Earnings before interest and taxes (EBIT) picked up even more substantially in fiscal year 2013 from a negative €105 million to a negative € 6 million, mostly because of a reduction in impairments from €55 million in the prior year to €26 million. Partly due to the reduced interest burden, net income improved to a negative €90 million as against a negative €203 million a year earlier. Basic earnings per share went up correspondingly to a negative €0.85 compared with a negative €2.00 in the prior-year period.

Gisbert Rühl, CEO of Klöckner & Co SE: "With our comprehensive restructuring measures, we achieved the turnaround in fiscal year 2013. As early as in the second half year, the boost to earnings from the restructuring program was already substantially bigger than the negative impact from the market contraction."

Earnings hit by tough market in both segments In the Europe segment, turnover went down by 12.5% in 2013 due to the overall weak market as well as location closures as part of the restructuring program. Adjusted for restructuring measures, turnover was down 5.1%. The first quarter of 2013 in Europe was notably affected by the long winter. In addition, overcapacity at every link in the value chain continued to make for strong competitive pressure and, in the first half year, for lower prices. EBITDA of the Europe segment before restructuring expenses, at €102 million, was above the prior-year figure of €85 million. It includes €27 million in one-off income from the sale of a property in France and from the reversal of pension provisions in the Netherlands.

Turnover declined in the Americas segment by 3.7% during 2013, mainly due to a weaker-than-expected market environment and stronger focus on higher-margin business; the decrease in the USA was 2.9%. Business performance was additionally dampened by continuously falling prices in the first half year. The business situation improved markedly during the year, notably in the USA, but it was not possible to fully offset the earnings impact from the first half. In the



end, however, segment EBITDA before restructuring expenses, at €74 million, was only slightly down on the prior-year level of €80 million.

Restructuring finished The KCO 6.0 restructuring program was successfully finished by the end of 2013. Overall, around 70 persistently unprofitable locations were sold or closed down under the program and the workforce was reduced by around 2,200. Lagged effects mean that the program will deliver roughly a €40 million additional boost to operating income (EBITDA) in the current year.

KCO WIN optimization program on track Following successful completion of the KCO 6.0 restructuring program, Klöckner & Co launched the KCO WIN optimization program in the fall of 2013 to further step up earnings potential. Focal points include efficiency improvements in procurement and sales. The program is set to contribute around €20 million to EBITDA as early as 2014. It is expected to make its full annual earnings contribution of around €50 million for the first time in 2015.

“Klöckner & Co 2020” long-term growth strategy adapted Klöckner & Co further developed its “Klöckner & Co 2020” long-term growth strategy in 2013, adapting the strategy in line with altered market conditions. As well as promoting growth and optimization, the main focus of the program is on enhancing differentiation from competitors. This is based on three main thrusts: Supply of a wide range of steel and metal products through the Klöckner & Co network, expansion of higher value-added processing, and an extended service portfolio and innovations.

Klöckner & Co acquires majority of Swiss reinforcing steel specialists Riedo Bau + Stahl AG

Via its Swiss country organization, Debrunner Koenig Holding AG, St. Gallen, Klöckner & Co has purchased 75% of Swiss reinforcing steel specialists Riedo Bau + Stahl AG. Operating from three locations with a workforce of around 180, Riedo Bau + Stahl AG processes and sells reinforcing steel for customers in Switzerland. The company generated sales of just under €140 million in 2013. The acquisition of Riedo is thus an outstanding fit with the “Klöckner & Co 2020” long-term growth strategy, which focuses external growth on companies with higher value-added processing. The company is expected to be consolidated as of the beginning of the second quarter.

The share purchase contract provides for the company to be acquired in full within two years. The transaction is still subject to normal closing conditions but has already been approved, with a different transaction structure, by the Swiss Competition Commission. The modified transaction structure will be subsequently reported to the Competition Commission and is not likely to change the approval decision.



Gisbert Rühl: "In acquiring Riedo, we have strengthened our leading market position in the attractive Swiss market for reinforcing steel. Furthermore, the ability to utilize Riedo's state-of-the-art sites will enable savings on necessary investments in the lower to medium double-digit million euro range, as well as leveraging substantial synergies."

Outlook

Klöckner & Co expects that European steel demand has now bottomed out and will grow again by 1% to 2% in the current year. In the USA, strong demand from automotive and increasingly from the construction sector combined with lower energy costs and the resulting return of energy-intensive industries, ought to make for a 3% to 4% rise in steel demand. The turnover decline due to the discontinuation of low-margin business as part of the restructuring program will presumably be more than compensated for by expected growth in quantities at the remaining locations, notably in the USA. Accordingly, turnover and sales are projected to rise slightly.

Overall, successful completion of the KCO 6.0 restructuring program, the incipient impact of the KCO WIN follow-up program, and the more positive market outlook spell a significant improvement in the earnings situation. A tangible increase in gross profit combined with lower costs means that operating income (EBITDA) before restructuring expenses ought to substantially exceed the €150 million prior-year figure. The main earnings drivers will be the planned incremental contributions to EBITDA of around €40 million from the completed KCO 6.0 restructuring program and of €20 million from the KCO WIN optimization program. Although the earnings boost from the optimization measures will mostly kick in during the second half year, a marked increase in earnings is already expected in the current quarter, with EBITDA of €40 million to €50 million (Q1 2013: €29 million). From second quarter onwards the acquisition of Riedo Bau + Stahl AG will contribute to the expected increase in earnings.

Gisbert Rühl: "In the current year, we plan to generate again a positive pretax result through our own efforts – even if the generally expected market recovery fails to materialize – and from 2015 we once more aim to pay a dividend. Likewise we are optimistic for the years beyond. By continuing to systematically implement our "Klöckner & Co 2020" strategy adapted in line with the shift in market conditions, we will further improve our earnings potential and press ahead with growth once again."



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 Klöckner & Co is the warehousing and distribution of steel and non-ferrous metals as well as the operation of steel service centers. Based on the Group's distribution and service network, more than 146,000 customers are supplied through around 220 locations in 15 countries. Currently Klöckner & Co employs around 9,600 employees. The Group had sales of around €6.4 billion in fiscal 2013.

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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Contact: Christian Pokropp – Press Spokesperson
Head of Investor Relations & Corporate Communications
Telephone: +49 (0) 203-307-2050
Fax: +49 (0) 203-307-5025
Email: Christian.Pokropp@kloeckner.com

