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Press Releases

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KLÖCKNER & CO SE POSTS SIGNIFICANT INCREASE IN EARNINGS IN THE FIRST HALF OF 2014

- Shipments up 0.5% to 3.4 million tons despite restructuring and scaling-back of low-margin business
- Sales marginally down by 2.1% to around €3.3 billion due to weaker US dollar and lower price level in Europe
- Focus on higher-margin business lifts gross profit margin from 18.3% to 19.3%
- EBITDA improves by 41% from €72 million to €101 million and EBIT nearly tripled from €19 million to €56 million
- Positive net income of €13 million posted compared with a loss of €20 million in the prior-year period
- KCO 6.0 and KCO WIN self-help measures contribute €27 million to EBITDA
- Swiss reinforcing steel specialist Riedo fully acquired
- Third-quarter EBITDA expected to be on a par with the prior quarter at €50 million to €60 million
- Significant increase in EBITDA to between €190 million and €210 million targeted for the current fiscal year
- Resumption of dividend payments planned for the fiscal year 2014

Figures relate to the first half of 2014 relative to the prior-year period.

Duisburg, Germany, August 7, 2014 – At 3.4 million tons, shipments in the first half of 2014 were up 0.5% on the prior-year figure despite the scaling-back of low-margin business. Sales declined by 2.1% to €3.3 billion due to the deterioration in the USD/€ exchange rate and lower steel prices in Europe.

The focus on higher-margin business enabled the gross profit margin to be lifted from 18.3% to 19.3%. As a result, gross profit rose by 3.1% to €627 million despite the decline in sales (previous year: €608 million). EBITDA improved by 41% from €72 million to €101 million. The main drivers behind the rise in earnings were the contributions from the KCO 6.0 and KCO WIN restructuring and optimization programs totaling €27 million. EBIT nearly tripled from €19 million to €56 million. Net income returned to positive figures, with an amount of €13 million being posted compared with a loss of €20 million in the prior-year period. Basic earnings per share rose accordingly from a negative €0.19 to a positive €0.13.

Gisbert Rühl, CEO of Klöckner & Co SE: “After returning to profit in the first quarter, we sustained the upward trend in the second quarter too, despite conditions in Europe remaining difficult. This shows that the expansion of our activities in the USA and the very comprehensive restructuring measures are already proving increasingly effective.”

Earnings rise in both segments Helped by the mild winter in the first quarter and the first-time consolidation of Swiss acquisition Riedo in the second quarter, shipments in the Europe segment rose by 3.9% compared with the first six months of 2013. EBITDA was up by 39%, from €42 million to €58 million, thanks mainly to the completion of the restructuring measures. In the Americas segment, shipments declined by 3.8% year-on-year in the first half of 2014, due to the long winter in the USA, the consolidation of sites and the scaling-back of low-margin business. Segment EBITDA improved by 27% from €41 million to €52 million thanks to operational improvements and the focus on higher-margin business.

“Klöckner & Co 2020” growth strategy continues to make headway In the first half of 2014, Klöckner & Co continued to press ahead with its “Klöckner & Co 2020” long-term growth strategy comprising the three core elements growth, optimization and differentiation.

Through internal and external growth, the percentage of sales from higher value-added products and services is to be increased from a total of 30% currently to 45% by 2017. With this in mind, Swiss reinforcing steel specialist Riedo was fully acquired in two steps and in the second quarter made a tangible contribution to the improvement in the European segment’s earnings.

Having made an initial contribution to EBITDA of €5 million in the second quarter, the KCO WIN optimization program launched at the beginning of the year is on schedule. Focal points include efficiency improvements in procurement and sales. The program is set to contribute

€20 million to EBITDA over the year as a whole, before making its full contribution to operating income of around €50 million in 2015.

To achieve even greater differentiation from competitors, the broad and increasingly higher-value product and service portfolio will be fully available online in future. Following the successful implementation of the new webshop in the Netherlands, roll-out at the other country organizations is scheduled to be completed by the end of 2015. In five years, the Group intends to generate over 50% of its sales over the Internet.

Gisbert Rühl: “We are working at great speed to digitalize the entire supply chain. We see considerable potential on this front, as the traditional supply chain in steel and metal distribution is still extremely inefficient due to the industry’s tendency to resist innovation.”

Outlook

Klöckner & Co expects European steel demand to rise by 2% to 3% in the current year, driven primarily by growth in machinery and mechanical engineering as well as the automotive industry. In the USA, steel demand should increase by 4% to 5% over the year as a whole, due to the still very robust state of the automotive industry and the upturn in commercial construction of which signs are apparent.

Third-quarter shipments are expected to decrease slightly compared with the second quarter due to seasonal factors. The impact on earnings should be offset by increasing contributions to earnings from the KCO WIN optimization program. All in all, therefore, EBITDA is anticipated to be on a par with the prior quarter at €50 million to €60 million. Assuming that the Company’s current estimates regarding the trend in the steel markets prove to be largely correct, Klöckner & Co is expecting a significant increase in EBITDA for full-year 2014 to between €190 million and €210 million, compared with EBITDA before restructuring expenses of €150 million in the previous year. The main drivers of the targeted improvement in earnings will be the incremental contributions to EBITDA from the completed KCO 6.0 restructuring program and the KCO WIN optimization program. Riedo, the reinforcing steel specialist acquired in Switzerland, will also make the anticipated contribution.

Based on this, the overall aim for the current fiscal year is to once again post positive net income, in which shareholders will participate in the form of a dividend.

Gisbert Rühl: “Our objective is to further increase the EBITDA margin from the 3.1% achieved in the first half of 2014 to over 5% by 2017. We expect our KCO WIN optimization program to contribute to this along with new procurement structures, the expansion of the higher-margin services and products business, and the digitalization of our business processes."

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 9,700 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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