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Press Releases

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KLÖCKNER & CO SE SEES EARNINGS DOWN IN FIRST NINE MONTHS OF 2015

- Sales up by 1.2% compared with prior-year period to €5.0 billion as a result of positive exchange rate effects despite lower prices and quantities
- Gross profit margin at 18.9% due to drop in steel prices, compared with 19.3% in prior-year period
- EBITDA of €22 million additionally impacted by €54 million in restructuring expenses; EBITDA before restructuring expenses correspondingly at €76 million
- Positive free cash flow of €42 million compared with negative €184 million in prior-year period
- Significant progress made in digital transformation with introduction of contract platform in Germany and the USA, entry into attractive segment comprising online sales to craftsmen and private customers in Germany and involvement in internet of things project for automated steel order placement by production machinery
- Further expansion of business in higher value-added products and services with entry into higher value-added steel fabrication segment through acquisition of American Fabricators, USA, and decision to substantially expand aluminum flat products range for the automotive industry in Europe
- EBITDA before restructuring expenses in single-digit millions of euros expected in fourth quarter and correspondingly up to €85 million for full year 2015

Duisburg, Germany, November 3, 2015 – The first nine months of 2015 saw sales increase by 1.2% to €5.0 billion as a result of positive exchange rate effects despite lower prices and quantities. The gross profit margin fell to 18.9% due to the drop in steel prices, compared with



19.3% in the prior-year period. EBITDA before restructuring expenses was correspondingly down from €158 million in the prior-year period to €76 million. Deducting once-only expenditure for the KCO WIN+ restructuring program launched in summer, EBITDA stood at €22 million. The pretax result was a negative €91 million, compared with a positive €43 million in the prior-year period. Adding in tax income of €5 million left a net loss of €85 million. Basic earnings per share thus came to a negative €0.84, compared with a positive €0.26 in the prior-year period.

Gisbert Rühl, CEO of Klöckner & Co SE: “We are responding to another downturn in market conditions by rapidly implementing the restructuring measures we launched in summer as part of the extended KCO WIN+ program. The measures are coming along well within schedule and will make an important contribution to achieving the expected return to positive figures as early as next year.”

Market-driven impacts on earnings in both segments The lower price level meant that Europe segment sales were down despite positive exchange rate effects, dropping 2.0% to €3.1 billion. EBITDA before restructuring expenses came to €57 million, compared with €91 million in the prior-year period. Earnings were notably impacted by price pressure in Switzerland following the appreciation of the Swiss Franc early in the year and the very weak business situation throughout the entire reporting period in France and the United Kingdom.

In contrast, sales in the Americas segment increased by 6.9% to €1.9 billion. A lower price level and falling volumes were more than offset by the higher US dollar/euro exchange rate. EBITDA decreased to €34 million, compared with €80 million in the prior-year period. Earnings were mostly brought down by the falling steel prices as a result of import pressure and collapsing market prices for scrap. Slow demand in anticipation of a further fall in prices had an additional negative effect on earnings.

Digitalization opens door to new market segments Klöckner & Co continues to forge ahead with digitalization. This is reflected among other things in the rollout of a contract platform allowing customers to view all relevant information on their contract status and place call-off orders for products online. The digital integration of some 250 Klöckner & Co customers in Germany has now been followed up with the highly successful launch of the service in the USA. Within a short space of time, the new solution already generated over USD 1 million in sales.

In September, working in harness with Berlin-based online specialist dealer Contorion, Klöckner & Co entered into the attractive segment comprising online sales to craftsmen and private customers in Germany. Dedicated order processing and shipping infrastructure has been put in place at the Company's Frechen location to ensure an efficient delivery service for this segment. Additions are planned to the range of merchandise sold through Contorion along with further online marketing channels under a multi-channel strategy.



Klöckner & Co has now also gained a foothold in the internet of things business segment with an involvement in the AXOOM software project spearheaded by Trumpf, an international high-technology company headquartered in Germany. The Klöckner & Co contract portal has already been integrated into the AXOOM user interface for the purpose. This paves the way for a fully automated requirements quantification, ordering and delivery process for products such as steel for production machinery going forward. The new solution will be presented this week at the Blechexpo trade fair in Stuttgart, Germany, and next week at Fabtech in Chicago, USA, with the market launch planned for April 2016.

Gisbert Rühl: "Our collaboration with Contorion and Trumpf is proof positive that, given our high level of digital expertise, we are now in cross-industry online trading and internet of things projects the partner of choice from the steel industry."

Growth in higher-margin business Klöckner & Co has made tangible progress in expanding its business with higher value-added products and services. The percentage of sales generated in this segment is to be increased through both internal and external growth from 34% in the last fiscal year to 45% in 2017.

A key step in this direction was the acquisition of American Fabricators, Nashville, Tennessee, USA at the start of the fourth quarter. This means that after significantly stepping up its service center activities in the USA, Klöckner & Co has now also moved into the higher value-added steel fabrication segment. American Fabricators specializes in the professional fabrication of complex steel parts for customers from a wide range of different industries. The highly profitable company with an approximately 150-strong workforce generates annual sales of some USD 30 million.

A decision has also been made to build a service center to process aluminum flat products for the automotive and manufacturing industries in Europe at the Company's Bönen location in North Rhine-Westphalia, Germany. Through its subsidiary Becker Stahl-Service, Klöckner & Co is investing a figure in the low to middle double-digit millions of euros, substantially expanding its product range for what is one of the most promising materials for the automotive industry. Completion is scheduled for 2017.

Gisbert Rühl: "Recent business developments show that we need to further increase the percentage of sales we generate with higher value-added products and services in order to reduce the impact that steel price fluctuations have on earnings. The purchase of American Fabricators and the expansion of the aluminum business are two key steps in this direction."

Outlook

In Europe, Klöckner & Co expects real steel demand over the year as a whole to show a slight increase of around 1%, notably driven by growth in the automotive industry. In the USA, the



slump in the oil and gas sector cannot be fully compensated with growth elsewhere and, as a net outcome, a decrease in real steel demand of around 2% is now expected.

The pressure from falling prices and slow demand continued at the beginning of the fourth quarter. For the final quarter, which is in any case traditionally weak, operating income (EBITDA) before restructuring expenses is therefore anticipated to be only in the single-digit millions of euros.

That puts the forecast for operating income (EBITDA) before restructuring expenses for the full 2015 fiscal year at up to €85 million – after €76 million in the first nine months. Despite the impacts reducing earnings, free cash flow is expected to be positive as measured over the year as a whole.

In fiscal year 2016, even if the market environment is no more than stable, operating income (EBITDA) is forecast to increase substantially and net income will consequently be comfortably back into positive figures. Additional stimulus may come from the anti-dumping measures introduced in the USA and Europe primarily against Chinese exports.



About Klöckner & Co: Klöckner & Co is one of the largest producer-independent distributors of steel and metal products and one of the leading steel service center companies worldwide. Based on its distribution and service network of around 220 locations in 15 countries, the Group supplies more than 150,000 customers. In addition to companies in the construction industry as well as machinery and mechanical engineering, Klöckner & Co serves customers in the automotive and chemical industry, in shipbuilding and in fields of household appliances, consumer goods and energy. Currently Klöckner & Co has around 9,600 employees. The Group had sales of around €6.5 billion in fiscal 2014.

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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