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Press Releases

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KLÖCKNER & CO SE: TURNOVER AND SALES INCREASED. EARNINGS DOWN ON PRIOR YEAR. RESTRUCTURING PROGRAM WELL ADVANCED. MARKETS STILL CHALLENGING. EBITDA INCREASE TO APPROX. €200 MILLION EXPECTED IN 2013.

- Turnover up 6.1% to 7.1 million tons and sales up 4.1% to €7.4 billion through growth in USA
- EBITDA at €139 million (incl. restructuring expenditure: €62 million), compared with €227 million (incl. restructuring expenditure: €217 million) in prior year
- Restructuring progress ahead of plan and to be completed by mid-year; activities in Eastern Europe sold
- Net loss €83 million before restructuring and impairments (€-198 million after), compared with €20 million net income in prior year (€10 million after)
- Positive free cash flow of €67 million; net financial debt cut from €471 million to €422 million
- Earnings per share €-1.95 compared with €0.14 in prior year
- EBITDA expected to increase in 2013 due to contributions from restructuring to approx. €200 million with stable turnover and sales, further positive free cash flow and positive net income

All figures relate to fiscal year 2012 relative to the prior year.

Duisburg, March 6, 2013 – Turnover and sales increased significantly in the fiscal year, largely due to the acquisition of Macsteel Service Centers USA and strong organic growth in the USA.

Operating income (EBITDA) before restructuring expenditure, at €139 million, was nonetheless substantially down on the prior-year level (€227 million), mainly as a result of the further steep fall in demand in Europe and ongoing price pressure on steel products from the second quarter.

Gisbert Rühl, Chairman of the Management Board of Klöckner & Co SE: “We responded in a timely fashion to yet another steep drop in steel demand in Europe by significantly stepping up our restructuring program. More than two-thirds of the measures are already implemented, so we can start into the new year with a tailwind despite the ongoing challenges in the market environment.”

Turnover and sales increased, earnings significantly down on prior year Klöckner & Co increased turnover in fiscal 2012, largely as a result of acquisitions, to 7.1 million tons, an increase of 6.1% on the prior year (6.7 million tons).

Turnover in the Europe segment was 6.5% down on the prior year due to the increasing economic slowdown and the ongoing process of discontinuing low-profitability activities, while the market as a whole contracted even further by 9%.

In the Americas segment, by contrast, turnover increased relative to the prior year by 30.8%, driven by the Macsteel acquisition and above-average organic growth. Adjusted for the Macsteel acquisition, turnover went up by 4.9%, significantly outperforming the market (1.3%) and the prior year.

Group sales in the fiscal year came to approximately €7.4 billion, up 4.1% on the prior year. The gross profit margin, at 17.4%, was 1.1 percentage points down on the prior year due to ongoing price pressure. The prior-year figure was almost matched in the fourth quarter, however, at 18.3%. EBITDA before restructuring expenditure consequently fell by 39% from €227 million in 2011 to €139 million. Fourth-quarter EBITDA before restructuring, at €22 million, was in line with guidance and nearly on a par with the €24 million recorded for the prior-year quarter. The Group’s € 198 million net loss (2011: €10 million net income) included €77 million in restructuring expenditure and €55 million in impairments. Without special items, the net loss came to € 83 million. Basic earnings per share stood at €-1.95, compared with €0.14 in the prior year.

Very solid equity base retained Total assets decreased, mainly through improved net working capital management, by 17% to €3.9 billion. The equity ratio thus went up from 39% to 42% despite the large net loss.

The positive free cash flow allowed net financial debt to be cut by € 49 million year on year to €422 million. Gearing (debt to equity) was stabilized at a low level of 28%. Cash and cash equivalents, at €610 million, remained at a high level despite repayment of the convertible bond that matured in July.

Restructuring progress ahead of plan In fall 2012, Klöckner & Co once again considerably stepped up the restructuring program first launched in September 2011 in light of a further steep drop in steel demand in Europe and the uncertain outlook. The restructuring progress is ahead of plan.

Alongside cuts in administration and sales overheads, the restructuring measures focus on closing unprofitable branches and discontinuing insufficiently profitable business activities. In the process, 40 locations have already been cut and the workforce has been reduced by more than 1,200 since September 2011. The announced withdrawal from Eastern Europe is also largely completed.

The Group-wide restructuring and optimization program has contributed €51 million to EBITDA since it started in September 2011, €46 million of this in fiscal 2012. Restructuring costs for measures still pending are already included in the 2012 annual financial statements, so no noteworthy negative impacts on income will result in 2013.

Overall, Klöckner & Co expects the restructuring measures to contribute an extra €60 million to EBITDA in the current fiscal year and another €40 million in 2014. As a result, the number of employees will be reduced in total by more than 1,800 or 16% and the number of sites from 290 to about 230.

Outlook For 2013, Klöckner & Co expects that turnover and sales will remain at around the previous year's level due to additional growth in the US and despite the relinquishment of turnover volumes in Europe through the restructuring. The heightened presence in the USA based on the Macsteel acquisition coupled with organic growth perspectives will lead to another shift in sales share from Europe to the Americas, with significantly more than 40% of turnover already to be generated in the Americas segment in 2013.

For operating income (EBITDA), Klöckner & Co anticipates a significant increase from €139 million in the past fiscal year (before restructuring expenses) to approximately €200 million, mainly due to the €60 million earnings contribution this year as an effect of the Group-wide restructuring program. Driven by the operating performance, the Group also expects to generate net income and again a positive cash flow in 2013.

Gisbert Rühl: "With the three directions of thrust comprising growth in the USA, stabilization of profitable and restructuring of the remaining activities in Europe, we have adapted our strategy to the current challenges. As a result, despite the ongoing difficult environment, we are well equipped to increase our earnings power and to continue growing in the USA."

Stake building of Knauf Interfer Holding GmbH

A meeting was held last Friday between Klöckner & Co and the new shareholder, Interfer Holding GmbH. Interfer Holding, a portfolio company of the Dr. Albrecht Knauf family, is also 100% owner of the Knauf Interfer Group, which likewise operates in the steel sector. Interfer Holding operates independently of the Knauf Gips Group. The meeting took place in a favorable atmosphere. Interfer Holding confirmed its strategic and long-term interest as well as its constructive stance. It firmly believes that
Klöckner & Co is an attractive investment and supports the Klöckner & Co Management Board's strategy of expanding activities in the USA in parallel with systematic restructuring in European markets. The restructuring is seen as a key prerequisite to generating sustained value in Europe. A contribution of Knauf Interfer or any other link-up with Klöckner & Co was not a topic of the meeting. No further meetings are currently planned.

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 160,000 customers are supplied through around 255 locations in 19 countries. Currently Klöckner & Co employs around 10,600 employees. The Group had sales of around €7.4 billion in fiscal 2012.

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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