

Klöckner & Co SE

Am Silberpalais 1
47057 Duisburg
Deutschland

Press Releases

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Phone: +49 (0) 203-307-2050
Fax: +49 (0) 203-307-5025

E-Mail: pr@kloeckner.com
Internet: www.kloeckner.com

KLÖCKNER & CO SE WITH POSITIVE NET INCOME IN FIRST QUARTER OF 2014

- Turnover of 1.6 million tons at prior-year level despite reduction of low-margin business
- Sales down by 3.2% to around €1.6 billion due to lower price level in Europe and weaker US dollar
- Gross profit margin up from 18.6% to 19.2% through focus on higher-margin business
- Operating income (EBITDA) improved from €29 million to €45 million and EBIT from €2 million to €23 million
- Positive net income of €3 million, compared with net loss of €16 million in prior-year period
- Leverage reduced from 4.1x to 2.4x EBITDA
- Projected further increase in EBITDA to between €50 million and €60 million in the second quarter
- Positive net income and resumption of dividends targeted for fiscal year 2014

Figures relate to first three months of 2014 relative to first three months of prior year.

Duisburg, Germany, May 8, 2014 – At 1.6 million tons turnover in the first three months of 2014 was on prior-year level despite restructuring-related cutbacks in low-margin business. Sales nonetheless went down by 3.2% to €1.6 billion due to the lower price level in Europe and the weaker US dollar. Due to an improvement in the gross profit margin from 18.6% to 19.2% as a result of focusing on higher-margin business meant that gross profit, at €302 million (Q1 2013: €303 million), was broadly level with the prior year despite the lower sales. Operating income (EBITDA) came to €45 million, up from €29 million in the prior-year period. The main driver of the improvement in earnings was the €17 million reduction in costs delivered by the



restructuring. Lower acquisition-related amortization made for an even stronger increase in earnings before interest and taxes (EBIT), from €2 million to €23 million. Net income, too, was significantly improved and back in positive figures at €3 million, compared with a net loss of €16 million in the prior-year period. Basic earnings per share went up accordingly from a negative €0.16 in the prior-year period to a positive €0.03.

Gisbert Rühl, CEO of Klöckner & Co SE: “By successfully completing our restructuring measures, we have regained profitability through our own efforts. Now we are working full steam to further boost earnings by consequently implementing our KCO WIN optimization program.”

First-quarter earnings higher in both segments Favored by the mild winter, the Europe segment increased turnover by 2.8% compared with the first three months of 2013. Mainly through completion of the restructuring measures, operating income went up from €14 million to €26 million.

Due to the long winter in the USA, the site consolidation and the reduction in low-margin business, turnover in the Americas segment during the first three months declined by 5.3% compared with a year earlier. Thanks to an improvement in the gross profit margin from 17.0% to 18.0%, it was nonetheless possible to improve segmental EBITDA by €3 million to €24 million despite the lower turnover in the USA.

Initial measures implemented in KCO WIN optimization program Implementation of the KCO WIN optimization program continues fully to plan. Focal points include efficiency improvements in procurement and sales. Successful implementation of initial measures will make a noticeable contribution toward the targeted earnings boost as early as the second quarter. The program is slated to contribute a total of €20 million to EBITDA in the current year before delivering its full €50 million impact on operating income in 2015.

Ambitious target set for digitalization of supply chain As part of its “Klöckner & Co 2020” growth strategy, Klöckner & Co expands the sale of steel and other metals via the internet. Following successful initiated installation of the new Klöckner webshop in the Netherlands, the roll-out across all remaining country organizations (starting with Germany) is due for completion by the end of next year.

Gisbert Rühl: “We want to pioneer this channel in our industry and have set ourselves the ambitious target of generating half of all sales online in five years.”

Outlook Klöckner & Co expects that European steel demand will rise by about 2% in the current year. Demand growth is anticipated most of all from machinery and mechanical engineering as well as from the automotive industry. In the USA, the long drawn-out winter at first put the



brakes on demand recovery in the first quarter. Despite this, the still very robust state of the automotive industry and the anticipated upturn in commercial construction mean that growth of 3% to 4% should be attained for the year as a whole.

Klöckner & Co SE expects to see a seasonal increase in turnover in the second quarter. As a result, operating income (EBITDA) is projected to further improve to between €50 million and €60 million. The increasing positive impact from the KCO WIN optimization program coupled with the first-time consolidation of the Swiss acquisition will also contribute to the forecast increase in earnings.

The prior-year figure of €150 million for EBITDA before restructuring expenses is expected to be clearly surpassed in the year as a whole. The main drivers of the anticipated improvement in earnings will be the incremental contributions to EBITDA from the completed KCO 6.0 restructuring program, the KCO WIN optimization program and the acquisition in Switzerland.

Gisbert Rühl: "With completion of our restructuring program and the optimization measures now underway, we have attained turnaround. Accordingly, we also aim to achieve positive net income on a full-year basis and to pay our shareholders a dividend from it."



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 9,500 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

