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EANS-News: Klöckner & Co SE / Turnover and sales up on prior-year period. Earnings trend affected by economic slowdown and ongoing price erosion. Restructuring program continuing to plan and significantly further expanded. Full-year EBITDA forecast of EU

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9-month report

Duisburg (euro adhoc) - - Turnover in the first nine months increased by 9.1% to 5.5 million tons and sales by 7.4% to some EUR5.8 billion through acquisitions and strong organic growth in the USA

- EBITDA for the year to date at EUR117 million (including restructuring expenses: EUR97 million), compared with EUR203 million in first nine months of 2011
- Net income at a negative EUR33 million (including restructuring expenses and impairments: negative EUR 76 million), as against EUR38 million in the previous year
- Earnings per share at minus EUR 0.75, compared with EUR0.47 in the prior-year period
- Restructuring measures significantly expanded with reduction of approximately 60 locations and in the workforce by over 1,800; annual EBITDA contribution expected to be around EUR150 million
- Q4 EBITDA before restructuring expenses expected to be around third-quarter level, with a strong positive cash flow
- For the current year as a whole, turnover expected to increase by about 6.5% and sales by about 5%; EBITDA before restructuring expenses expected to be EUR130-140 million

All figures relate to the first nine months relative to the first nine months of the prior year

Duisburg, November 7, 2012 - Klöckner & Co SE substantially increased turnover and sales in the first nine months, notably due to the acquisition of Macsteel Service Centers USA and strong organic growth in the USA. The EUR117 million EBITDA before restructuring expenses was nonetheless down on the prior-year figure due to the weaker economic trend in Europe and price pressure on steel products that has persisted since the end of the first quarter. As demand also rose less strongly than expected after summer, third-quarter EBITDA, at EUR19 million, was below the prior-year figure.

Gisbert Rühl, Chairman of the Management Board of Klöckner & Co SE: "We once again responded in good time to the strained situation in Europe and launched a comprehensive restructuring program as early as September 2011. This was a key factor in our ability to buffer the negative impacts of a very weak steel market at short notice. We have now significantly expanded the measures once more and have marked up the expected annual EBITDA contribution from the program to around EUR150 million. In contrast to Europe we made further gains in the US market where there is still dynamic growth, among other things thanks to the completed integration of Macsteel."

Turnover and sales increased, earnings below prior year

Klöckner & Co increased turnover in the first nine months of fiscal 2012, primarily driven by acquisitions, by 9.1% to 5.5 million tons, compared with 5.0

million tons in the prior-year period.

In the Europe segment, turnover was down by 5.9% compared with the first nine months of 2011 due to the increasingly difficult economic environment and ongoing discontinuation of underperforming activities; the market as a whole contracted by no less than 9%.

In the Americas segment, by contrast, turnover increased by 41.3% compared with the first nine months of 2011, primarily due to acquisitions. Excluding the acquisition, turnover in the USA showed 6.7% organic growth, significantly better than the market (3.3%) and the prior-year figure.

Group sales in the first three quarters of 2012 came to some EUR5.8 billion, up 7.4% on sales in the first nine months of 2011. The ongoing price pressure meant that the gross profit margin, at 17.2%, fell short of the 18.8% attained in the prior-year period. EBITDA fell as a result from EUR203 million in the first nine months of 2011 to EUR117 million (a decrease of 42.5%) before restructuring expenses (including restructuring expenses: EUR97 million). Third-quarter EBITDA, at EUR19 million, was likewise down on the prior-year figure of EUR37 million.

Overall, Klöckner & Co consequently generated a net loss of EUR33 million (including restructuring expenses and impairments: net loss of EUR76 million), compared with net income of EUR38 million in the prior-year period. Basic earnings per share amounted to a negative EUR 0.75 compared with a positive EUR0.47 in the prior-year period.

Solid equity base retained

The changes in the statement of financial position are dominated by repayment of the convertible bond due in July. Total assets decreased as a result compared with the 2011 year-end by 7.5% to EUR4,354 million. Net working capital, at EUR1,666 million, was slightly down on the preceding quarter, reflecting the absence of the usual seasonal recovery after the summer (Q2: EUR1,685 million). The equity ratio was some 41% as of September 30, 2012, slightly up on the level at the end of fiscal 2011. Net financial debt amounted to EUR596 million. With gearing of 37%, net financial debt was still held low relative to shareholders' equity. Liquidity remained strong at EUR656 million despite repayment of the EUR325 million convertible bond on maturity.

Restructuring continuing to plan and further expanded

In light of the ongoing decline in European steel demand and the uncertain outlook, Klöckner & Co has continued as planned and substantially expanded the restructuring program launched in September 2011.

Besides cutting selling, general and administrative expenses, the restructuring measures focus on closing unprofitable branches and discontinuing insufficiently profitable activities. Since the start of the program in September 2011, this has already led to the reduction of 20 locations and in the workforce by some 800. The Group's announced withdrawal from Eastern Europe is well advanced. The Group-wide restructuring and improvement program has contributed EUR37 million to EBITDA since its launch in September 2011. On a full-year basis, the Group is aiming for a contribution in excess of EUR50 million in the current year. Including the additional measures projected, Klöckner & Co anticipates an annual contribution to EBITDA of around EUR150 million for the Group as a whole from 2014 once all measures have taken full effect. The size of the workforce will be reduced as a result by over 1,800 or 16% and the number of branches from 290 to about 230.

Outlook

Due to the adverse market environment and the usual seasonal slowdown in business activities at year-end, the Group expects EBITDA before restructuring expenses to remain at around the third-quarter level in the fourth quarter of 2012, with a strong positive cash flow. Gradually increasing contributions from the restructuring program will help counter margin pressure deriving from the current economic environment. Klöckner & Co continues to expect that customers will destock inventories due to the downward price trend. Accordingly, the Group anticipates that fourth-quarter turnover will be down on the preceding quarter.

Overall, Klöckner & Co expects in fiscal 2012 to increase turnover by about 6.5% and sales by about 5% compared with the prior year, with operating income (EBITDA) of EUR130-140 million before restructuring expenses. Expenditure for the expansion of the restructuring program is expected to amount to EUR60 million including pull back from Eastern Europe and the announced restructuring of the French country organization, with at minimum two-thirds of this figure to be incurred during the current year. Due to the restructuring program and the

seasonal reduction in working capital toward the year-end, it should be possible to reduce net financial debt below EUR500 million.

Further inquiry note:

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