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Press Releases

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KLÖCKNER & CO SE ACHIEVES EARNINGS TURNAROUND DESPITE SUSTAINED WEAK MARKET TREND. RESTRUCTURING PROGRAM DELIVERING RESULTS. MARKED REDUCTION IN COSTS. INCREASE IN GROSS MARGIN.

- Market and restructuring-driven decreases in turnover and sales, with turnover down 9.7% to 5.0 million tons and sales down 14.5% to approximately €4.9 billion.
- Gross margin increased through stronger focus on higher-margin business from 17.2% to 18.4%.
- Operating income (EBITDA) raised from €95 million to €108 million; despite negative price and volume effect trend, cost savings mean that EBITDA before restructuring expenses, at €110 million, is only slightly down on prior-year period (€115million).
- Group net loss reduced from €80 million in prior-year period to €31 million.
- Net debt down on prior-year quarter, from €596 million to €462 million.
- Full-year EBITDA guidance confirmed with EBITDA around prior-year level at €140 million (before restructuring expenses).
- KCO 6.0 restructuring program to be completed by year-end, delivering €160 million EBITDA effect as a result of 2,200 jobs (19%) cut from the workforce and closure or sale of 71 sites (24%).
- KCO WIN optimization program launched for €50 million total positive impact on EBITDA.

Figures relate to first nine months of 2013 compared with first nine months of prior year.

Duisburg, November 6, 2013 – Klöckner & Co SE's turnover fell by a total of 9.7% in the first nine months of 2013 due to the ongoing contraction of the European steel market, site closures

as part of the restructuring process and the discontinuation of low-margin businesses. As a result of the lower price level relative to the prior year, sales declined by 14.5%.

Operating income (EBITDA) stood at €108 million, compared with €95 million in the prior-year period. Despite the sharp fall in turnover, EBITDA after adjustment for restructuring expenses, at €110 million, was down only slightly on the prior-year figure of €115 million. Key factors in this positive development were extensive cost-cutting measures and the discontinuation of low-margin businesses, as was also reflected in the increase in the gross margin from 17.2% to 18.4%. Largely due to successive increases in contributions from the restructuring program, EBITDA for the quarter under review, at €36 million, was up on the prior-year figure (€18million) for the first time this year. Adjusted for restructuring expenses, EBITDA even more than doubled to €39 million. It was thus within the guided range of €30 million to €40 million, even without the €6 million boost to earnings from the reversal of pension provisions included in the total figure.

Earnings before interest and taxes (EBIT) for the first nine months of fiscal 2013 was €30 million compared with minus €15 million in the previous year. In the prior-year period, EBIT was reduced by impairments totaling €30 million. Due to the reduced interest burden, net income improved even more strongly to a negative €31 million as against a negative €80 million a year earlier. Basic earnings per share was a negative €0.31 compared with a negative €0.78 in the prior-year period.

Gisbert Rühl, CEO of Klöckner & Co SE: “The third quarter shows that we have made the turnaround by own means, bucking the market trend. Our comprehensive restructuring measures are now more than making up for the adverse market trend. As a result, for the first time this year and despite the ongoing steel crisis in Europe, we significantly boosted quarterly operating income relative to the prior-year period.”

Third-quarter operating income up on prior year in both segments In the Europe segment, turnover went down by 13.9% in the first nine months due to the weak overall market and the closure of sites as part of the restructuring process. Adjusted for restructuring measures, turnover was down 6.3%. Before restructuring expenses, segment EBITDA for the first nine months, at €68 million, was roughly on a par with the prior-year figure of €69 million. Third-quarter EBITDA, at €26 million, was well up on the prior-year figure of €12 million, even without a €6 million once-only boost to income from the reversal of pension provisions. Turnover in the Americas segment declined by 3.7% in the first three quarters, mainly due to consolidation measures, and in the USA by 2.6%. Additionally affected by the further decrease in steel prices in the first half year, segment EBITDA before restructuring expenses, at €60 million, was slightly down on the prior-year figure of €64 million. In contrast, despite the continued weak demand, third-quarter EBITDA, at €20 million, showed a marked improvement compared with €12 million a year earlier.

Outlook In response to the unsatisfactory market situation, especially in Europe, Klöckner & Co has launched KCO WIN, another package of measures with the primary aim of delivering short-term improvements in earnings. Focal points include efficiency improvements in procurement and sales. The package of measures is set to contribute around €20 million to EBITDA as early as next year. It is then expected to make its full annual contribution to EBITDA of around €50 million for the first time in 2015.

Klöckner & Co expects the ongoing restructuring measures to have an increasing effect in the fourth quarter. Operating income (EBITDA) should therefore reach around €30 million before restructuring expenses in the final quarter of the year, despite the usual seasonal fall in demand in December. Accordingly, the forecast for full-year operating income (EBITDA before restructuring expenses) of some €140 million is confirmed.

Gisbert Rühl: “The completion of our restructuring measures as of year-end as well as the extra contribution to earnings from our additional improvement measures will enable us from 2014 on to once again generate a positive pretax result by own means, i.e., even if the generally expected recovery of the steel markets fails to materialize. This is tied to the clear objective of once again being in a position to pay dividends.”

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 230 locations in 15 countries. Currently Klöckner & Co employs around 9,800 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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