Q1 2020 Results

Analysts’ and Investors’ Conference

May 4, 2020

Gisbert Rühl | CEO
Dr. Oliver Falk | CFO
John Ganem | Member of the Management Board
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Rounding differences may occur with respect to percentages and figures.

The English translation of the Annual Report and the Interim Statement are also available, in case of deviations the German versions shall prevail.

Evaluating statements are unified and are presented as follows:

<table>
<thead>
<tr>
<th>+/-</th>
<th>Description</th>
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<tbody>
<tr>
<td>0-1%</td>
<td>constant</td>
</tr>
<tr>
<td>&gt;1-5%</td>
<td>slight</td>
</tr>
<tr>
<td>&gt;5%</td>
<td>considerable</td>
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</table>
Agenda

1. Highlights and update on strategy
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## Details of Q1 2020

<table>
<thead>
<tr>
<th></th>
<th>Q1 2020 (T to)</th>
<th>Q1 2019 (T to)</th>
<th>Delta</th>
</tr>
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<tbody>
<tr>
<td>Shipments</td>
<td>1,365</td>
<td>1,499</td>
<td>-8.9%</td>
</tr>
<tr>
<td>Sales (€m)</td>
<td>1,448</td>
<td>1,703</td>
<td>-14.9%</td>
</tr>
<tr>
<td>Gross profit (€m)</td>
<td>285</td>
<td>303</td>
<td>-5.7%</td>
</tr>
<tr>
<td>EBITDA (€m)</td>
<td>21</td>
<td>34</td>
<td>-36.5%</td>
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<tr>
<td>Oper. CF (€m)</td>
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<td>-229</td>
<td>+132</td>
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<td>Net financial debt (€m)</td>
<td>563</td>
<td>820</td>
<td>-31.3%</td>
</tr>
<tr>
<td>Digital sales in Q1</td>
<td>35%</td>
<td>27%</td>
<td>+8% pts</td>
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</table>

**Weakness of automotive, machinery and energy sectors, first tangible effects of the COVID-19 pandemic**

**Volume driven yoy and lower price level**

**Gross profit decline less pronounced due to higher margins**

**Volume driven yoy and windfall losses in the US mitigated by lower OPEX**

**Substantial increase yoy due to strict NWC management**

**Net debt significantly below Q1 2019 due to relatively less NWC build-up**

**Increased use of our digital tools and applications especially since beginning of the crisis**

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*Digital sales in Q1:* Increased use of our digital tools and applications especially since beginning of the crisis.
01 COVID-19 pandemic as huge opportunity

**Impact**

- Demand started to decline in the second half of March
- Slump in demand of about 30% in April, currently not worsening
- Minor impact on the supply side in Europe
- 90% of branches still operational, major closures only in France
- Negative impact on result, but strong cash flow from operating activities through strict NWC-management

**Opportunity**

- Additional restructuring measures with further consolidation of sites initiated to support €100m efficiency target
- Accelerating speed to digitally transform Klöckner & Co into an AI-driven platform business with fully automated core-processes
- Increasing investments to scale XOM Materials
- Evaluation of increasing consolidation opportunities
01 Digitalization with accelerating speed

- Advanced digitalization clear advantage in COVID-19 crisis
  - Digital share of sales expanded with increasing speed to 35% (Q1 2019: 27%)
  - Immediate switch to home office and ability to collaborate digitally created leading edge over competition
- AI-driven application Kloeckner Assistant to fully automate sales process
  - Threshold of 500 customers reached
  - Successful launch in Germany, Netherlands, USA and Becker Stahl-Service in Q1
  - Rollout in Austria, Belgium and UK in Q2
- Scaling from the sell-side progressing fast:
  - Already around 70 suppliers under contract, approximately 25,000 products live and about 1,000 customers registered
  - Onboarding of eShops continuously increasing, vendors strongly demanding to go live
- Scaling from the buy-side started:
  - XOM eProcurement solution to automate procurement processes initially went live and first RFQs successfully processed
01 Value creation through increasing returns and platform growth

The AI-driven Kloeckner Assistant and XOM eProcurement and all other new applications make up the operating core of Kloeckner & Co, replacing a large part of our current organization. Based on this digital foundation Kloeckner & Co will be capable of generating increasing returns and growth potential through consolidation.

XOM Materials has the potential to create significant value by connecting players from across the industry on a single digital platform. Buyers can access more sellers and products, sellers can access more buyers, and both can access value-added services ranging from financing and insurance to materials modifications and logistics.
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02 Shipments, Sales and Gross profit

Shipments (Tto) & Sales (€m)

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
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<tr>
<td>Shipments</td>
<td>1,703</td>
<td>1,682</td>
<td>1,565</td>
<td>1,365</td>
<td>1,448</td>
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<tr>
<td>Sales</td>
<td>1,499</td>
<td>1,479</td>
<td>1,420</td>
<td>1,250</td>
<td>1,365</td>
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Gross profit (€m) & Gross margin (%)

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
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</thead>
<tbody>
<tr>
<td>Gross profit (€m)</td>
<td>303</td>
<td>304</td>
<td>284</td>
<td>268</td>
<td>285</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>17.8</td>
<td>18.1</td>
<td>18.1</td>
<td>19.6</td>
<td>19.7</td>
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### EBITDA (€m) in Q1 2020

<table>
<thead>
<tr>
<th>Volume effect</th>
<th>Price effect</th>
<th>OPEX &amp; other</th>
<th>EBITDA Q1 2020</th>
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<tbody>
<tr>
<td>-27</td>
<td>3</td>
<td>11</td>
<td>21</td>
</tr>
<tr>
<td>34</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

- Strong negative **volume effect** mainly due to continued weakness of automotive, machinery and energy sectors, especially in Germany and the USA.
- First noticeable impact of **COVID-19 pandemic** at the end of the quarter.
- Minor positive **price effect** due to margin over volume strategy at Kloeckner Metals Distribution Europe, partly offset by negative windfall effects in the USA.
- **OPEX** decreased mainly driven by lower personnel expenses and shipping cost.
02 Cash flow and net debt development

Cash flow Q1 2020 (£m)

- Net working capital seasonally increased by £96m
- Other (£-11m) includes changes in other operating assets and liabilities, e.g. accrued employee bonuses, etc.
- Cash flow from operating activities of £-97m
- Free cash flow of £-107m

Net financial debt 12.2019 vs. 03.2020 (£m)

- Net financial debt increased driven by NWC build-up from £445m to £563m
## Maturity profile – well-balanced & diversified funding portfolio

<table>
<thead>
<tr>
<th>Facility</th>
<th>Committed (€m)</th>
<th>Drawn amount (€m, IFRS*)</th>
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<tr>
<td><strong>Syndicated Loan</strong></td>
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<td><strong>ABS Europe</strong></td>
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<td>136</td>
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<td><strong>ABS/ABL USA</strong></td>
<td>502</td>
<td>143</td>
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<td>Convertible 2016 1)</td>
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<td>142</td>
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<td>Bilateral Facilities 2)</td>
<td>174</td>
<td>64</td>
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<td><strong>Leases</strong></td>
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<td>199</td>
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<td><strong>Total Debt</strong></td>
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<tr>
<td><strong>Cash</strong></td>
<td>121</td>
<td>183</td>
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<td><strong>Net Debt</strong></td>
<td>563</td>
<td>445</td>
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**€m**

<table>
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<tr>
<th><strong>Q1 2020</strong></th>
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<tr>
<td>Adjusted equity</td>
</tr>
<tr>
<td>Net debt</td>
</tr>
<tr>
<td>Gearing 3)</td>
</tr>
</tbody>
</table>

*Maturity profile of financial instruments (excl. leasing) in €m*

1) Principal €148m, equity component €18m at issuance (September 8, 2016).
2) Mainly Switzerland.
3) Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.

*) Including interest accrued, excluding deferred transaction costs.
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03 Outlook

• Considerable decline in shipments and sales qoq
• EBITDA expected to be negative (low double-digit million euro range), but cash flow from operating activities expected to be positive

• Considerable burden on earnings foreseeable
• However, positive cash flow from operating activities expected
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## Quarterly and FY results

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<tbody>
<tr>
<td><strong>Shipments (Tto)</strong></td>
<td>1,365</td>
<td>1,250</td>
<td>1,420</td>
<td>1,479</td>
<td>1,499</td>
<td>1,398</td>
<td>1,519</td>
<td>1,605</td>
<td>1,684</td>
<td>1,443</td>
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<td>6,135</td>
<td>6,149</td>
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<td><strong>Sales</strong></td>
<td>1,448</td>
<td>1,365</td>
<td>1,565</td>
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<td>1,703</td>
<td>1,619</td>
<td>1,754</td>
<td>1,789</td>
<td>1,628</td>
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<td>19</td>
<td>173</td>
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<tr>
<td><strong>Gross profit</strong></td>
<td>285</td>
<td>268</td>
<td>284</td>
<td>304</td>
<td>303</td>
<td>301</td>
<td>332</td>
<td>364</td>
<td>331</td>
<td>300</td>
<td>310</td>
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<td>1,328</td>
<td>1,315</td>
<td>1,315</td>
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<tr>
<td><strong>% margin</strong></td>
<td>19.7</td>
<td>19.6</td>
<td>18.1</td>
<td>18.1</td>
<td>17.8</td>
<td>18.6</td>
<td>18.9</td>
<td>20.3</td>
<td>20.4</td>
<td>20.2</td>
<td>19.8</td>
<td>20.6</td>
<td>22.9</td>
<td>18.3</td>
<td>19.6</td>
<td>20.9</td>
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<td>21</td>
<td>82</td>
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<td>-7</td>
<td>31</td>
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<td>34</td>
<td>30</td>
<td>59</td>
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<td>63</td>
<td>77</td>
<td>139</td>
<td>227</td>
<td>220</td>
<td>196</td>
<td>24</td>
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<tr>
<td><strong>% margin</strong></td>
<td>1.5</td>
<td>0.2</td>
<td>1.3</td>
<td>4.9</td>
<td>2.0</td>
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<td>3.5</td>
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<td>1</td>
<td>5</td>
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<td>-2</td>
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<td>50</td>
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<td><strong>Net income</strong></td>
<td>-21</td>
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<td>-23</td>
<td>28</td>
<td>-10</td>
<td>-7</td>
<td>22</td>
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<td>-55</td>
<td>69</td>
<td>102</td>
<td>38</td>
<td>-349</td>
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<td><strong>Minority interests</strong></td>
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<td>0</td>
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<td>1</td>
<td>1</td>
<td>-2</td>
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<td><strong>Net income KCO</strong></td>
<td>-21</td>
<td>-51</td>
<td>-23</td>
<td>28</td>
<td>-10</td>
<td>-7</td>
<td>22</td>
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<td>23</td>
<td>36</td>
<td>-56</td>
<td>69</td>
<td>101</td>
<td>37</td>
<td>-347</td>
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<tr>
<td><strong>EPS basic (£)</strong></td>
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<td>-0.51</td>
<td>-0.23</td>
<td>0.28</td>
<td>-0.10</td>
<td>-0.07</td>
<td>0.22</td>
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<td>0.30</td>
<td>0.12</td>
<td>0.23</td>
<td>0.36</td>
<td>-0.56</td>
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<td>1.01</td>
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<td><strong>EPS diluted (£)</strong></td>
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<td>0.27</td>
<td>-0.10</td>
<td>-0.07</td>
<td>0.21</td>
<td>0.31</td>
<td>0.20</td>
<td>0.28</td>
<td>0.12</td>
<td>0.22</td>
<td>0.34</td>
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<td>0.66</td>
<td>0.95</td>
<td>0.37</td>
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<td><strong>NWC(1)</strong></td>
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<td>1,406</td>
<td>1,525</td>
<td>1,277</td>
<td>1,495</td>
<td>1,446</td>
<td>1,344</td>
<td>1,132</td>
<td>1,282</td>
<td>1,306</td>
<td>1,296</td>
<td>1,119</td>
<td>1,277</td>
<td>1,132</td>
<td>1,120</td>
<td>1,128</td>
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</tbody>
</table>

*) Since 2018 including supplier bonus receivables and contract assets.
04 Segment performance

**Shipments (Tto)**

- **KM US**
  - Q1 2019: 688
  - Q2 2019: 698
  - Q3 2019: 670
  - Q4 2019: 649
  - Q1 2020: 604

- **KM Switzerland**
  - Q1 2019: 134
  - Q2 2019: 156
  - Q3 2019: 148
  - Q4 2019: 136
  - Q1 2020: 127

**Sales (€m)**

- **Q1 2019**
  - KM US: 727
  - KM Switzerland: 221

- **Q2 2019**
  - KM US: 716
  - KM Switzerland: 259

- **Q3 2019**
  - KM US: 657
  - KM Switzerland: 259

- **Q4 2019**
  - KM US: 559
  - KM Switzerland: 232

- **Q1 2020**
  - KM US: 601
  - KM Switzerland: 215

**EBITDA adj. (€m)**

- **Q1 2019**
  - KM US: 14
  - KM Switzerland: 10

- **Q2 2019**
  - KM US: 21
  - KM Switzerland: 17

- **Q3 2019**
  - KM US: 12
  - KM Switzerland: 17

- **Q4 2019**
  - KM US: 9
  - KM Switzerland: 11

- **Q1 2020**
  - KM US: -1
  - KM Switzerland: 10

*) adjusted in Q4 2019 by the gain on sale of the site in Switzerland.

Minor adjustments in segment reporting: New structure of the segment "Holding and other group companies" (previously including other activities such as the Brazilian distribution business, XOM Materials, kloeckner.i, kloeckner.v and the Dutch metering business). As of January 1, 2020, the Brazilian distribution business is assigned to the segment "Kloeckner Metals US" and the metering business to the segment "Kloeckner Metals Distribution Europe".
**04 Segment performance**

**Shipments (Tto)**

<table>
<thead>
<tr>
<th>KM Services</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>KM Services</td>
<td>265</td>
<td>241</td>
<td>228</td>
<td>214</td>
<td>247</td>
</tr>
<tr>
<td>KM Distribution</td>
<td>412</td>
<td>384</td>
<td>374</td>
<td>297</td>
<td>342</td>
</tr>
</tbody>
</table>

-6.9%

-16.9%

**Sales (€m)**

<table>
<thead>
<tr>
<th>KM Services</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>KM Services</td>
<td>211</td>
<td>195</td>
<td>178</td>
<td>165</td>
<td>186</td>
</tr>
<tr>
<td>KM Distribution</td>
<td>544</td>
<td>512</td>
<td>471</td>
<td>408</td>
<td>446</td>
</tr>
</tbody>
</table>

-11.6%

-18.0%

**EBITDA adj (€m)**

<table>
<thead>
<tr>
<th>KM Services</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
<th>Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>KM Services</td>
<td>9</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>KM Distribution</td>
<td>6</td>
<td>12</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Minor adjustments in segment reporting: New structure of the segment "Holding and other group companies" (previously including other activities such as the Brazilian distribution business, XOM Materials, kloeckner.i, kloeckner.v and the Dutch metering business). As of January 1, 2020, the Brazilian distribution business is assigned to the segment "Kloeckner Metals US" and the metering business to the segment "Kloeckner Metals Distribution Europe".

*) adjusted for restructuring expenses in Q2, Q3 and in Q4 2019 and for a gain on the sale of a site in London in Q2 2019.
04 Strong balance sheet

- **Equity ratio** further healthy at 41%
- **Net debt** of €563m
- **Gearing***) at 47%
- **NWC** at €1,228m (FY 2019: €1,119m)

*) Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.

**) incl. contract assets and supplier bonuses
04 Sales by markets, products and industries

As of December 31, 2019.

Sales by markets
- 41% USA
- 28% Germany/Austria
- 15% Switzerland
- 7% France
- 4% Benelux
- 1% Brazil

Sales by industries
- 39% Construction industry
- 25% Machinery/Mechanical engineering
- 9% Household appl./Consumer goods
- 7% Miscellaneous
- 13% Automotive industry
- 7% Local dealers

Sales by products
- 48% Flat products
- 18% Long products
- 9% Quality steel/Stainless steel
- 9% Aluminum
- 5% Tubes
- 11% Others
- 4% Benelux
- 4% UK
- 7% France
- 15% Switzerland
- 4% Benelux
- 1% Brazil
Geographical breakdown of identified institutional investors

- Identified institutional investors account for 62%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 49%
- Retail shareholders represent 27%

As of December 2019.
• Klöckner & Co share moved sideways at the beginning of Q1 2020, reaching its high of €6.45 on February 17
• The share price then dropped sharply with escalation of COVID-19 crisis and reached its lowest level of €2.74 on March 18
• In the second half of March the share price moved sideways while recovering slightly
• The share closed at €3.25 on March 30
In general, Klöckner & Co SE follows a **dividend policy** of distributing **30% of net income** before special items.

Given the **volatility** of our business model, a sustainable **dividend payment** can not be guaranteed. If there is a **possibility of dividend distribution**, we would pay it for the **benefit of our investors**.

- Compliance with the dividend policy of €0.80 per share for the years 2006 and 2007
- Suspension of the dividend policy for the financial year 2008 in view of the beginning of the **Euro crisis** and no dividend payment
- **Due to earnings** no dividend payment in 2009
- **Inclusion** of our general dividend policy in financial year 2010 with a dividend of €0.30 per share
- **Due to earnings** no dividend payment in 2011, 2012 and 2013 as well as in 2015
- **Full distribution** of net profit for the financial year 2014 (€0.20 per share)
- Dividend payment of €0.20 per share in 2016 and **€0.30 per share for the 2017 and 2018 fiscal year**
- **Proposal to the Annual General Meeting (virtual): No dividend payment due to earnings in 2019**)
04 Sustainability strategy

A qualified and motivated workforce is vital to our success. Our working environment is characterized by long-term security, supportiveness, professionalism and mutual respect.

Compliance constitutes the basis of corporate responsibility. Integral part of our corporate culture is compliance on the part of our employees and business partners.

We contribute to protecting the environment. We consider it our duty to counter climate change and its related risks.

We are advancing the internal cultural change. Our measures aim at anchoring modern, digital ways of working and thinking in the company.

We prioritize high levels of customer satisfaction and enhancement of our customer focus. We always conceptualize products and services, sales channels and innovations from the customer perspective.

As one of the very first companies in Germany, Klöckner & Co steps up to global frontrunners of climate change engagement and aligns its business to the UN Global Compact “Business Ambition for 1.5°C”. We intend to act even more responsibly and take appropriate measures helping to limit the global temperature rise to 1.5°C by reducing its greenhouse gas emissions.
Contact details

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Financial calendar

May 20, 2020 Virtual Annual General Meeting 2020
August 14, 2020 Half-yearly financial report 2020
November 3, 2020 Q3 quarterly statement 2020