

## Press Release

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Date August 14, 2020

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### **Klöckner & Co SE with positive operating income before material special effects in second quarter of 2020, spurred by digitalization**

- Operating income (EBITDA) before material special effects €11 million (Q2 2019: €51 million), slightly above the raised guidance range of €0 million to €10 million
- Positive cash flow from operating activities €98 million (Q2 2019: €140 million)
- Proportion of Group sales generated via digital channels increased to 38% (Q2 2019: 29%)
- Full-year expectation for EBITDA before material special effects in a range of €50 million to €70 million, with positive cash flow from operating activities

**Duisburg, Germany, August 14, 2020** – Spurred by its well-advanced level of digitalization and despite the impact on earnings resulting from the COVID-19 pandemic, Klöckner & Co achieved second-quarter operating income (EBITDA) before material special effects of €11 million. Restructuring expenses of €72 million associated with the project Surtsey transformation program led to negative EBITDA of €61 million (Q2 2019: positive EBITDA of €82 million). Compared with net income of €28 million in the prior-year quarter, the Group recorded a net loss of €111 million in the second quarter of 2020. This resulted in a loss per share of €1.11 (Q2 2019: earnings per share of €0.28). Despite the substantial negative impact on earnings, strict net working capital management enabled the Group to achieve a positive cash flow from operating activities of €98 million (Q2 2019: €140 million).

By way of project Surtsey, which was initiated at the start of the pandemic, Klöckner & Co has increased the automation of core processes to accelerate its transformation into a platform company and implement restructuring measures. The goal of the implemented measures is to achieve an overall improvement in earnings of more than €100 million by the end of 2021 and simultaneously increase the share of sales generated via digital channels to over 50%.

Gisbert Rühl, CEO of Klöckner & Co SE: “Our transformation strategy is taking effect. Thanks in particular to our Kloeckner Assistant, we have succeeded in further accelerating the growth of our sales via digital channels. Through the implementation of project Surtsey, we are also strengthening the profitability of the entire Group in a challenging environment and paving the way for future growth.”

Klöckner & Co has continued to drive its digital transformation and grew the share of sales generated via digital channels at a much faster pace to 38% (Q2 2019: 29%). Kloeckner Assistant delivered a significantly increasing contribution to this development. This artificial intelligence-driven application shortens what was previously a complex ordering process for both buyers and sellers – from quotation request to offer preparation and order input – from several days to just a few minutes.

Additional important progress was also made with the open industry platform XOM Materials. The new AI-driven XOM eProcurement solution will almost fully automate the procurement process for XOM customers. Klöckner & Co is already using the application for a large proportion of its procurement activities in Europe, with its main suppliers now connected to the XOM Materials platform in this way.

In light of the global pandemic, Klöckner & Co is anticipating a substantial decline in steel demand in the relevant key European and US markets for 2020. Depending on the future course of the COVID-19 pandemic, the Group expects operating income (EBITDA) before material special effects of between €50 million and €70 million for the 2020 fiscal year. For the third quarter, EBITDA before material special effects is expected to come to between €15 million and €25 million. The expected ranges for both the third quarter and the full year are based on various scenarios and subject to great uncertainty due to the dynamic evolution of the pandemic. Moreover, Klöckner & Co is expecting a positive cash flow from operating activities that will, however, be considerably below the prior-year level.

## Key figures

Shipments and income statement		Q2 2020	Q2 2019	Variance	HY1 2020	HY1 2019	Variance
Shipments	Tto	1,070	1,479	-409	2,435	2,978	-543
Sales	€ million	1,171	1,682	-511	2,619	3,384	-765
Gross profit	€ million	226	304	-78	511	606	-95
Gross profit margin	%	19.3	18.1	+1.2%p	19.5	17.9	+1.6%p
Earnings before, interest, taxes, depreciation and amortization (EBITDA)	€ million	-61	82	-143	-40	115	-155
EBITDA before material special effects	€ million	11	51	-40	32	85	-53
EBITDA margin	%	-5.2	4.9	-10.1%p	-1.5	3.4	-4.9%p
EBITDA margin before material special effects	%	0.9	3.0	-2.1%p	1.2	2.5	-1.3%p
Earnings before interest and taxes (EBIT)	€ million	-109	49	-158	-122	51	-173
Earnings before taxes (EBT)	€ million	-116	37	-153	-138	29	-167
Net income	€ million	-111	28	-139	-132	19	-151
Net income attributable to shareholders of Klöckner & Co SE	€ million	-111	28	-139	-132	18	-150
Earnings per share (basic)	€	-1.11	0.28	-1.39	-1.32	0.18	-1.50
Earnings per share (diluted)	€	-1.11	0.27	-1.38	-1.32	0.18	-1.50

  

Cash flow statement		Q2 2020	Q2 2019	Variance	HY1 2020	HY1 2019	Variance
Cash flow from operating activities	€ million	98	140	-42	1	-88	+89
Cash flow from investing activities	€ million	-13	33	-46	-23	27	-50
Free cash flow <sup>*)</sup>	€ million	85	173	-88	-22	-61	+39

  

Balance sheet		June 30, 2020	December 31, 2019	Variance	June 30, 2020	June 30, 2019	Variance
Net working capital <sup>**)</sup>	€ million	1,135	1,119	+16	1,135	1,407	-272
Net financial debt	€ million	476	445	+31	476	684	-208
Gearing <sup>***)</sup>	%	46	38	+8%p	46	55	-9%p
Equity	€ million	1,048	1,182	-134	1,048	1,244	-196
Equity ratio	%	38.8	40.5	-1.7%p	38.8	37.4	+1.4%p
Total assets	€ million	2,699	2,916	-217	2,699	3,330	-631

  

Employees		June 30, 2020	December 31, 2019	Variance	June 30, 2020	June 30, 2019	Variance
Employees as of the end of the reporting period		7,915	8,253	-338	7,915	8,461	-546

\*) Free cash flow: Cash flow from operating activities plus cash flow from investing activities.

\*\*) Net working capital = Inventories plus trade receivables (including contract assets) plus supplier bonus receivables less trade liabilities.

\*\*\*) Gearing = Net financial debt / (Equity / . non-controlling interests / . goodwill resulting from acquisitions subsequent to May 23, 2019).

**About Klöckner & Co:**

Klöckner & Co is one of the largest producer-independent distributors of steel and metal products and one of the leading steel service companies worldwide. Based on its distribution and service network of around 160 locations in 13 countries, Klöckner & Co supplies more than 100,000 customers. Currently, the Group has around 7,900 employees. Klöckner & Co had sales of some €6.3 billion in fiscal 2019. As a pioneer of change in the steel industry, Klöckner & Co is in the process of digitalizing its entire supply and value chain. XOM Materials, an independent venture launched by the Klöckner & Co Group, is geared to develop into the leading industry platform for steel, metal and related products.

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 SDAX® index of Deutsche Börse.

ISIN: DE000KC01000; WKN: KC0100; Common Code: 025808576.

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