

Press Release

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Klöckner & Co SE optimistic despite lower earnings in first quarter of 2020

- Operating income (EBITDA) of €21 million within projected range
- Sales via digital channels increased at a rapidly accelerating rate to 35% (Q1 2019: 27%)
- Number of vendors and customers on open industry platform XOM Materials more than fourfold within one year
- Negative operating result, but positive cash flow from operating activities expected for the second quarter
- For the year as a whole, considerable burden on earnings, but positive cash flow from operating activities expected
- COVID-19 crisis thus being mastered largely unassisted

Duisburg, Germany, May 4, 2020 – Sales at Klöckner & Co decreased by 14.9% to €1.4 billion in the first quarter of 2020 due to lower volumes and prices. Operating income (EBITDA), at €21 million, was within the guidance range of €20 million to €30 million but significantly below the €34 million prior-year figure. Net income was likewise lower, with a loss of €21 million compared to a loss of €10 million in the prior-year period. As a result, earnings per share came to a loss of €0.21 (Q1 2019: loss of €0.10).

Share of sales generated via digital channels increased at a rapidly accelerating rate by more than 3%-points relative to the fourth quarter of 2019, to 35% (Q1 2019: 27%). At the end of the first quarter, the Kloeckner Assistant, an application for automatically processing incoming quotation requests and orders, was already in deployment with more than 500 customers in Europe and the USA.

Klöckner & Co also made further progress with its open industry platform, XOM Materials. In April, the number of contracted vendors and customers on the platform increased to a total of around 70 and some 1,000, respectively. This represents more than a fourfold increase in both figures over the course of this year. In addition, the new XOM Materials eProcurement solution successfully began automating procurement

for Klöckner & Co from the beginning of April. The application is to be marketed to other companies before the end of this year.

Gisbert Rühl, CEO of Klöckner & Co SE: “Thanks to our highly advanced digitalization, we are now better able to get through the crisis and accelerate the transformation process. Our goal is a business model in which all core processes run almost completely automatically on the basis of Artificial Intelligence.”

Klöckner & Co has already initiated a range of measures to surmount the crisis triggered by the COVID-19 pandemic and is further stepping up efforts in this regard. The company sees the crisis as an opportunity to expedite those restructuring measures that are still necessary and to benefit from the anticipated more rapid industry consolidation.

For the second quarter, Klöckner & Co expects a considerable decline in shipments and sales compared with the first quarter of 2020. Against this background, the company expects a negative EBITDA in the low double-digit million euro range, with cash flow from operating activities being positive due to the reduced net working capital requirement.

No quantitative outlook can currently be given for the fiscal year due to the uncertainties about the further development of the COVID-19 crisis. Nevertheless, depending on the duration of the crisis, a considerable burden on earnings and a positive cash flow from operating activities are to be expected. Due to the solid balance sheet structure, stable financing and extensive liquidity and financial reserves, Klöckner & Co is well positioned to face the crisis. Moreover, the initiated measures will enable the Company to emerge from it stronger. Given Klöckner & Co's sound financial situation, there are no plans to claim state aid with the exception of short-time working.

Key figures

Shipments and income statement		Q1 2020	Q1 2019	Variance
Shipments	Tto	1,365	1,499	-134
Sales	€ million	1,448	1,703	-255
Gross profit	€ million	285	303	-18
Gross profit margin	%	19.7	17.8	+1.9%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	21	34	-13
EBITDA margin	%	1.5	2.0	-0.5%p
Earnings before interest and taxes (EBIT)	€ million	-13	2	-15
Earnings before taxes (EBT)	€ million	-22	-9	-13
Net income	€ million	-21	-10	-11
Net income attributable to shareholders of Klöckner & Co SE	€ million	-21	-10	-11
Earnings per share (basic)	€	-0.21	-0.10	-0.11
Earnings per share (diluted)	€	-0.21	-0.10	-0.11

Cash flow statement		Q1 2020	Q1 2019	Variance
Cash flow from operating activities	€ million	-97	-229	+132
Cash flow from investing activities	€ million	-10	-5	-5
Free cash flow*)	€ million	-107	-234	+127

Balance sheet		Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019	Variance	Variance
					Mar. 31, 2020 vs. Dec. 31, 2019	Mar. 31, 2020 vs. Mar. 31, 2019
Net Working Capital(**))	€ million	1,228	1,119	1,525	+109	-297
Net financial debt	€ million	563	445	820	+118	-257
Gearing(***)	%	46.8	37.9	65.4	+8.9%p	-18.6%p
Equity	€ million	1,211	1,182	1,259	+29	-48
Equity ratio	%	40.7	40.5	37.5	+0.2%p	+3.2%p
Total assets	€ million	2,973	2,916	3,355	+57	-382

Employees		Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019	Variance Q1-FY	Variance Q1-Q1
Employees as of the end of the reporting period		8,179	8,253	8,529	-74	-350

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

**) Net Working Capital = Inventories plus trade receivables including contract assets and supplier bonus receivables less trade payables.

***) 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 8,200 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.

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