

# Q1 Quarterly Statement 2020

January 1, 2020 – March 31, 2020

- Operating income (EBITDA) of €21 million, within guidance range of between €20 million and €30 million
- Shipments down 8.9% year on year to 1.4 million tons, mainly due to the weak automotive and machinery engineering sectors; sales down by a greater 14.9% year on year to €1.4 billion due to lower prices
- Share of sales via digital channels raised more than 3%-points relative to fourth quarter of 2019, to 35% (Q1 2019: 27%)
- Considerable decline in shipments and sales in the second quarter of 2020 compared with previous quarter, negative EBITDA in the low double-digit million euro range, but positive cash flow from operating activities expected. No quantitative outlook can currently be given for the fiscal year due to uncertainty as a result of the COVID-19 pandemic

## SHIPMENTS AND SALES DOWN

At 1.4 million tons, shipments were down on the 1.5 million tons recorded in the prior-year quarter (by 8.9%). The decrease cut across all operating segments. The Kloeckner Metals Services Europe segment (down 6.9%) and the Kloeckner Metals Distribution Europe segment (down 16.9%) were particularly impacted due to the ongoing weakness of the automotive and machinery sectors as well as the first noticeable effects of the COVID-19 pandemic toward the end of the quarter. Sales were down 14.9%, marking a sharper decrease than in shipments. This was largely due to the lower price levels compared with the prior-year period.

## EBITDA WITHIN GUIDANCE RANGE BUT BELOW PRIOR-YEAR LEVEL

Operating income (EBITDA), at €21 million in the first quarter, was within the guidance range of between €20 million and €30 million (Q1 2019: €34 million). The main cause of the year on year decrease is the primarily volume-related fall in gross profit (by 5.7%), which was not able to be fully offset by the cost structure measures initiated in the prior year. Windfall losses due to lower market prices also had a negative effect, impacting notably the Kloeckner Metals US segment.

Net income was €-21 million in the first quarter, compared with €-10 million in the first three months of 2019. As a result, earnings per share were €-0.21 (Q1 2019: €-0.10).

## EARNINGS BY OPERATING SEGMENT

Operating income in the Kloeckner Metals US segment amounted to €9 million, compared with €14 million in the prior-year period. Besides the windfall losses, the decrease mainly related to lower volumes, mostly in the automotive and energy sectors. In addition, there was the initial negative impact of the COVID-19 pandemic. These effects were only partially offset by reduced personnel expenses.

EBITDA in the Kloeckner Metals Switzerland segment came to €10 million, which was slightly up on the prior-year quarter. Earnings continue to be driven by sales of reinforcing steel. In addition, earnings were positively affected by exchange rate effects, continuous improvement measures and the resulting decrease in OPEX.

On the basis of ongoing weak demand in the automotive sector and the resulting pressure on margins, EBITDA in the Kloeckner Metals Services Europe segment went down from €9 million in the comparative period to €5 million in the first quarter of 2020.

The operating environment for Kloeckner Metals Distribution Europe remains challenging. EBITDA was €3 million, down from €6 million in the prior year. This was mainly due to the negative trend in shipments in the machinery and automotive sectors. The positive price effects only partly offset the negative volume effects.

### **VERY SOLID FINANCIAL POSITION MAINTAINED**

Net working capital went up relative to the year-end 2019 by €0.1 billion to €1.2 billion. Correspondingly, net debt rose from €445 million at the prior year-end to €563 million at the end of the quarter, although this figure was substantially below the €820 million at the end of the prior-year quarter.

At approximately €1.2 billion, equity was at a similar level to December 31, 2019, reflecting the solid balance sheet. The equity ratio, at 40.7%, was consequently slightly higher than the figure as of December 31, 2019 (40.5%), despite higher net working capital.

This increase in net working capital resulted in a cash outflow from operating activities of €97 million in the first quarter of 2020, although this was considerably less than in the prior-year quarter (a cash outflow of €229 million). Deducting cash flow from investing activities (€-10 million) gives a free cash flow of €-107 million (Q1 2019: €-234 million).

### **STABLE FINANCING WITH IMPROVED MATURITY PROFILE**

In April 2020, Klöckner & Co, together with the core banks, extended the syndicated loan in the amount of €278 million until May 2023. This transaction made it possible to further improve the maturity profile despite the COVID-19 crisis. The core instruments used to finance working capital currently have a volume-weighted remaining term of approximately two years. We also plan to extend the European ABS program as well as our two US working capital facilities ahead of time in the course of the year.

Our financing instruments covering a total amount of some €1.4 billion (excluding leases) continue to provide us with generous financial headroom also to meet the challenges posed by a potentially prolonged crisis.

## ACCELERATION OF DIGITAL TRANSFORMATION

Our well-advanced level of digitalization has so far proven a distinct advantage in the crisis triggered by COVID-19. Firstly, in contrast to many of our competitors, we were able to switch to home office across the board right from the outset of the crisis. Secondly, customers made greater use of our digital sales channels, increasing the share of sales made via such channels by 3%-points compared with the fourth quarter of 2019 to 35% in the first quarter of 2020. With regard to digitalization especially, we therefore see the crisis as an opportunity to progress even faster than before. The core element comprises the artificial intelligence-driven Kloeckner Assistant and XOM eProcurement applications, as these will ultimately allow us to almost fully automate our core sales and purchasing processes. The reporting period saw the Kloeckner Assistant already pass the 500 mark in terms of customers at the country organizations in Germany, the Netherlands and the US as well as at Becker Stahl-Service. Launch of the application in Belgium, France, Austria and the UK is planned for the second quarter. We have also made significant progress with our open industry platform, XOM Materials. For instance, we have increased the number of contracted distributors on the platform to around 70 and the number of customers to some 1,000.

## OUTLOOK FOR REMAINDER OF YEAR

We have already launched a number of countermeasures to surmount the crisis triggered by COVID-19 and these are currently being further stepped up. Here, too, we see the crisis as an opportunity to expedite those restructuring measures that are still necessary and benefit from what we anticipate will be a more rapid industry consolidation. For the second quarter, we expect a considerable decline in shipments and sales compared with the first quarter of 2020. Against this background, we expect 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, a considerable burden on earnings and a positive cash flow from operating activities are to be expected. Due to our solid balance sheet structure, stable financing and extensive liquidity reserves, we are well positioned to face the crisis. Moreover, our measures will enable us to emerge from it stronger.

# Klöckner & Co SE

## Financial information

for the three-month period ending March 31, 2020

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 <sup>*)</sup>	€ million	-107	-234	+127

Balance sheet		March 31, 2020	Dec. 31, 2019	March 31, 2019	Variance March 31, 2020 vs Dec. 31, 2019	Variance March 31, 2020 vs March 31, 2019
Net Working Capital <sup>**)</sup>	€ million	1,228	1,119	1,525	+109	-297
Net financial debt	€ million	563	445	820	+118	-257
Gearing <sup>***)</sup>	%	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		March 31, 2020	Dec. 31, 2019	March 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).

# Klöckner & Co SE

## Consolidated statement of income

for the three-month period ending March 31, 2020

<i>(€ thousand)</i>	Q1 2020	Q1 2019
Sales	1,448,199	1,702,692
Changes in inventory	-5,980	-7,053
Other operating income	5,671	6,249
Cost of materials	-1,156,810	-1,393,134
Personnel expenses	-149,750	-152,408
Depreciation and amortization	-33,824	-31,697
Other operating expenses	-119,769	-122,836
Impairment losses trade receivables	-288	-7
<b>Operating result</b>	<b>-12,551</b>	<b>1,806</b>
Finance income	148	766
Finance expenses	-9,167	-11,156
<b>Financial result</b>	<b>-9,019</b>	<b>-10,390</b>
<b>Income before taxes</b>	<b>-21,570</b>	<b>-8,584</b>
Income taxes	738	-1,177
<b>Net income</b>	<b>-20,832</b>	<b>-9,761</b>
<i>thereof attributable to</i>		
– shareholders of Klöckner & Co SE	-21,193	-10,022
– non-controlling interests	361	261
<b>Earnings per share (€/share)</b>		
– basic	-0.21	-0.10
– diluted	-0.21	-0.10

# Statement of comprehensive income

for the three-month period ending March 31, 2020

<i>(€ thousand)</i>	<b>Q1 2020</b>	Q1 2019
<b>Net income</b>	<b>-20,832</b>	<b>-9,761</b>
Other comprehensive income not reclassifiable		
Actuarial gains and losses (IAS 19)	31,232	-23,156
Related income tax	164	228
<b>Total</b>	<b>31,396</b>	<b>-22,928</b>
Other comprehensive income reclassifiable		
Foreign currency translation	18,032	9,887
Gain/loss from cash flow hedges	-	-16
<b>Total</b>	<b>18,032</b>	<b>9,871</b>
<b>Other comprehensive income</b>	<b>49,428</b>	<b>-13,057</b>
<b>Total comprehensive income</b>	<b>28,596</b>	<b>-22,818</b>
<i>thereof attributable to</i>		
– shareholders of Klöckner & Co SE	28,220	-23,095
– non-controlling interests	376	277

# Consolidated statement of financial position

as of March 31, 2020

## Assets

<i>(€ thousand)</i>	March 31, 2020	December 31, 2019
<b>Non-current assets</b>		
Intangible assets	127,801	130,507
Property, plant and equipment	798,313	801,861
Other financial assets	14,205	14,987
Other non-financial assets	9,727	9,523
Current income tax receivable	4,150	4,150
Deferred tax assets	5,732	6,534
<b>Total non-current assets</b>	<b>959,928</b>	<b>967,562</b>
<b>Current assets</b>		
Inventories	1,026,085	1,042,651
Trade receivables	725,388	579,825
Contract assets	33,852	31,607
Commissions, discounts and rebate receivables	40,322	63,827
Current income tax receivable	14,325	10,583
Other financial assets	12,863	11,935
Other non-financial assets	39,152	25,730
Cash and cash equivalents	120,664	182,520
<b>Total current assets</b>	<b>2,012,651</b>	<b>1,948,678</b>
<b>Total assets</b>	<b>2,972,579</b>	<b>2,916,240</b>

## Liabilities

<i>(€ thousand)</i>	<b>March 31, 2020</b>	December 31, 2019
<b>Equity</b>		
Subscribed capital	249,375	249,375
Capital reserves	575,060	575,060
Retained earnings	324,592	345,569
Accumulated other comprehensive income	54,836	5,550
<b>Equity attributable to shareholders of Klöckner &amp; Co SE</b>	<b>1,203,863</b>	<b>1,175,554</b>
Non-controlling interests	7,199	6,912
<b>Total equity</b>	<b>1,211,062</b>	<b>1,182,466</b>
<b>Non-current liabilities</b>		
Provisions for pensions and similar obligations	250,143	284,558
Other provisions and accrued liabilities	17,397	17,313
Financial liabilities	600,109	563,961
Other financial liabilities	139	144
Deferred tax liabilities	42,817	42,163
<b>Total non-current liabilities</b>	<b>910,605</b>	<b>908,139</b>
<b>Current liabilities</b>		
Other provisions and accrued liabilities	89,080	96,954
Income tax liabilities	8,473	10,400
Financial liabilities	81,206	60,742
Trade payables	597,508	599,248
Other financial liabilities	19,799	24,431
Other non-financial liabilities	54,846	33,860
<b>Total current liabilities</b>	<b>850,912</b>	<b>825,635</b>
<b>Total liabilities</b>	<b>1,761,517</b>	<b>1,733,774</b>
<b>Total equity and liabilities</b>	<b>2,972,579</b>	<b>2,916,240</b>



# Consolidated statement of cash flows

for the three-month period ending March 31, 2020

<i>(€ thousand)</i>	Q1 2020	Q1 2019
Net income	-20,832	-9,761
Income taxes	-738	1,177
Financial result	9,019	10,390
Depreciation and amortization	33,824	31,697
Other non-cash income/expenses	558	-505
Gain on disposal of non-current assets	-333	-661
Change in net working capital		
Inventories	28,947	-14,398
Trade receivables	-118,577	-164,628
Trade payables	-6,297	-55,388
Change in other operating assets and liabilities	-11,043	-10,349
Interest paid	-7,378	-9,653
Interest received	216	297
Income taxes paid	-4,103	-7,012
<b>Cash flow from operating activities</b>	<b>-96,737</b>	<b>-228,794</b>
Proceeds from the sale of non-current assets and assets held for sale	478	1,288
Payments for intangible assets, property, plant and equipment (incl. financial assets)	-11,080	-6,650
<b>Cash flow from investing activities</b>	<b>-10,602</b>	<b>-5,362</b>
Net change of financial liabilities	46,079	142,561
<b>Cash flow from financing activities</b>	<b>46,079</b>	<b>142,561</b>
<b>Changes in cash and cash equivalents</b>	<b>-61,260</b>	<b>-91,595</b>
Effect of foreign exchange rates on cash and cash equivalents	-596	1,056
Cash and cash equivalents at the beginning of the period	182,520	141,344
<b>Cash and cash equivalents at the end of the reporting period as per statement of financial position</b>	<b>120,664</b>	<b>50,805</b>

## Segment reporting

As of the beginning of the 2020 fiscal year, the segmental structure was modified in line with internal management. In the course of this, the Brazilian distribution activities reported in the prior year within the "Holding and Other Group Companies" segment were reassigned to the "Kloekner Metals US" segment. The metering business is now reported as part of the "Kloekner Metals Distribution Europe" segment. The prior-year figures have been restated accordingly.

	Kloekner Metals US		Kloekner Metals Switzerland		Kloekner Metals Services Europe		Kloekner Metals Distribution Europe		Holding and other Group companies		Total	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
(€ million)												
Shipments (Tto)	649	688	127	134	247	265	342	412	-	-	1,365	1,499
External sales	601	727	215	221	186	211	446	544	-	-	1,448	1,703
Gross Profit	104	112	64	61	25	30	92	100	-	-	285	303
Gross profit margin (%)	17.5	15.4	29.6	27.4	13.4	14.2	20.5	18.3	-	-	19.7	17.8
EBITDA (segment result)	9	14	10	10	5	9	3	6	-6	-5	21	34
Earnings before interest and taxes (EBIT)	-4	2	2	2	4	8	-7	-2	-8	-8	-13	2
Cash flow from operating activities	-14	-93	-24	-24	13	-40	-59	-68	-13	-4	-97	-229

	Kloekner Metals US		Kloekner Metals Switzerland		Kloekner Metals Services Europe		Kloekner Metals Distribution Europe		Holding and other Group companies		Total	
	Q1 2020	FY 2019	Q1 2020	FY 2019	Q1 2020	FY 2019	Q1 2020	FY 2019	Q1 2020	FY 2019	Q1 2020	FY 2019
(€ million)												
Net working capital as of closing date	449	429	255	219	156	161	377	323	-9	-13	1,228	1,119
Employees as of closing date	2,434	2,452	1,604	1,626	569	588	3,365	3,373	207	214	8,179	8,253

## Financial calendar 2020

**May 20, 2020** Annual General Meeting 2020 (virtual)

**August 14, 2020** Half-yearly financial report 2020  
Conference call with journalists  
Conference call with analysts

**November 3, 2020** Q3 quarterly statement 2020  
Conference call with journalists  
Conference call with analysts

Subject to subsequent changes.

### Klöckner & Co SE

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## Disclaimer

This statement contains forward-looking statements that are based on the current estimates of the Klöckner & Co SE management with respect to future events. They are generally identified by the words "expect", "anticipate", "assume", "intend", "estimate", "target", "aim", "plan", "will", "endeavor", "outlook" and comparable expressions, and generally contain information that relates to expectations or targets for economic conditions, sales or other performance measures. Forward-looking statements are based on currently valid plans, estimates and projections and are therefore only valid on the day on which they are made. You should consider them with caution. Such statements are subject to numerous risks and uncertainties (e.g. those described in publications), most of which are difficult to predict and are generally beyond the control of Klöckner & Co SE. The relevant factors include the effects of significant strategic and operational initiatives, including the acquisition or disposal of companies or other assets. If these or other risks or uncertainties materialize or if the assumptions underlying any of the statements turn out to be incorrect, the actual results of Klöckner & Co SE may be materially different from those stated or implied by such statements. Klöckner & Co SE can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing legal obligations, Klöckner & Co SE does not assume any obligation to update forward-looking statements to take information or future events into account or otherwise. In addition to the figures prepared in line with IFRS or HGB (Handelsgesetzbuch – German Commercial Code), Klöckner & Co SE presents non-GAAP financial performance measures, e.g. EBITDA, EBIT, net working capital and net financial debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS or HGB. Non-GAAP key figures are not subject to IFRS or HGB, or to other generally applicable accounting regulations. In assessing the net assets, financial position and results of operations of Klöckner & Co SE, these supplementary figures should not be used in isolation or as an alternative to the key figures presented in the consolidated financial statements and interim management statement and calculated in accordance with the relevant accounting principles. Other companies may define these terms in different ways. Please refer to the definitions in the annual report.

## Rounding

There may be rounding differences with respect to the percentages and figures in this report.

## Variances to the German version

Variances may arise for technical reasons (e.g., conversion of electronic formats) between the accounting documents contained in this Annual Report and the format submitted to the Federal Gazette (Bundesanzeiger). In this case, the version submitted to the Federal Gazette shall be binding.

This English version of the interim management statement is a courtesy translation of the original German version; in the event of variances, the German version shall prevail over the English translation.

Evaluating statements are unified and are presented as follows:

+/- 0-1%	+/- >1-5%	+/- >5%
stable	slight	considerable

