

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 ^{*)} | € 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 ^{**)} | € 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 | | 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

| (€ thousand) | 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 |
| Operating result | -12,551 | 1,806 |
| Finance income | 148 | 766 |
| Finance expenses | -9,167 | -11,156 |
| Financial result | -9,019 | -10,390 |
| Income before taxes | -21,570 | -8,584 |
| Income taxes | 738 | -1,177 |
| Net income | -20,832 | -9,761 |
| <i>thereof attributable to</i> | | |
| – shareholders of Klöckner & Co SE | -21,193 | -10,022 |
| – non-controlling interests | 361 | 261 |
| Earnings per share (€/share) | | |
| – basic | -0.21 | -0.10 |
| – diluted | -0.21 | -0.10 |

Statement of comprehensive income

for the three-month period ending March 31, 2020

| (€ thousand) | Q1 2020 | Q1 2019 |
|---|----------------|----------------|
| Net income | -20,832 | -9,761 |
| Other comprehensive income not reclassifiable | | |
| Actuarial gains and losses (IAS 19) | 31,232 | -23,156 |
| Related income tax | 164 | 228 |
| Total | 31,396 | -22,928 |
| Other comprehensive income reclassifiable | | |
| Foreign currency translation | 18,032 | 9,887 |
| Gain/loss from cash flow hedges | - | -16 |
| Total | 18,032 | 9,871 |
| Other comprehensive income | 49,428 | -13,057 |
| Total comprehensive income | 28,596 | -22,818 |
| <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

| (€ thousand) | March 31, 2020 | December 31, 2019 |
|---|------------------|-------------------|
| Non-current assets | | |
| 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 |
| Total non-current assets | 959,928 | 967,562 |
| Current assets | | |
| 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 |
| Total current assets | 2,012,651 | 1,948,678 |
| Total assets | 2,972,579 | 2,916,240 |

Liabilities

| (€ thousand) | March 31, 2020 | December 31, 2019 |
|--|------------------|-------------------|
| Equity | | |
| 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 |
| Equity attributable to shareholders of Klöckner & Co SE | 1,203,863 | 1,175,554 |
| Non-controlling interests | 7,199 | 6,912 |
| Total equity | 1,211,062 | 1,182,466 |
| Non-current liabilities | | |
| 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 |
| Total non-current liabilities | 910,605 | 908,139 |
| Current liabilities | | |
| 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 |
| Total current liabilities | 850,912 | 825,635 |
| Total liabilities | 1,761,517 | 1,733,774 |
| Total equity and liabilities | 2,972,579 | 2,916,240 |

Consolidated statement of cash flows

for the three-month period ending March 31, 2020

| (€ thousand) | 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 |
| Cash flow from operating activities | -96,737 | -228,794 |
| 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 |
| Cash flow from investing activities | -10,602 | -5,362 |
| Net change of financial liabilities | 46,079 | 142,561 |
| Cash flow from financing activities | 46,079 | 142,561 |
| Changes in cash and cash equivalents | -61,260 | -91,595 |
| 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 |
| Cash and cash equivalents at the end of the reporting period as per statement of financial position | 120,664 | 50,805 |

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 "KloECKner Metals US" segment. The metering business is now reported as part of the "KloECKner Metals Distribution Europe" segment. The prior-year figures have been restated accordingly.

| | KloECKner Metals US | | KloECKner Metals Switzerland | | KloECKner Metals Services Europe | | KloECKner Metals Distribution Europe | | Holding and other Group companies | | Total | |
|--|------------------------|------------|---------------------------------|------------|-------------------------------------|------------|--|------------|---|------------|------------|------------|
| (€ million) | Q1 2020 | Q1 2019 | Q1 2020 | Q1 2019 | Q1 2020 | Q1 2019 | Q1 2020 | Q1 2019 | Q1 2020 | Q1 2019 | Q1 2020 | Q1 2019 |
| 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 be- fore interest and taxes (EBIT) | -4 | 2 | 2 | 2 | 4 | 8 | -7 | -2 | -8 | -8 | -13 | 2 |
| Cash flow from operat- ing activities | -14 | -93 | -24 | -24 | 13 | -40 | -59 | -68 | -13 | -4 | -97 | -229 |

| | KloECKner Metals US | | KloECKner Metals Switzerland | | KloECKner Metals Services Europe | | KloECKner Metals Distribution Europe | | Holding and other Group companies | | Total | |
|--|------------------------|------------|---------------------------------|------------|-------------------------------------|------------|--|------------|---|------------|------------|------------|
| (€ million) | Q1 2020 | FY 2019 | Q1 2020 | FY 2019 | Q1 2020 | FY 2019 | Q1 2020 | FY 2019 | Q1 2020 | FY 2019 | Q1 2020 | FY 2019 |
| 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

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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 |

