

Press Release

Klöckner & Co SE
Am Silberpalais 1
47057 Duisburg
Germany

www.kloeckner.com

Date October 31, 2023

Pages 5

Klöckner & Co reports solid business performance in continued challenging overall economic environment

- Operating income (EBITDA) increased to €41 million in third quarter of 2023 (Q3 2022: €16 million)
- Significantly positive cash flow from operating activities in third quarter of 2023, at €36 million (Q3 2022: €163 million)
- Further strengthening of market position in North America through completion of acquisition and integration of National Material of Mexico (NMM) with positive earnings contribution (EBITDA before material special effects) of €7 million since August 1, 2023
- EBITDA of €170 million to €200 million before material special effects and strong and significantly positive cash flow from operating activities expected for full year 2023
- Initiation of a European efficiency program to improve operating income by around €25 million per year with planned execution from the fourth quarter of 2023 onwards

Duisburg, Germany, October 31, 2023 – Klöckner & Co's sales amounted to €6.0 billion in the first nine months of 2023 as an outcome of the continued challenging macroeconomic environment and lower steel prices (9M 2022: €7.4 billion). Operating income (EBITDA) adjusted for material special effects was €172 million in the first nine months of the 2023 fiscal year (9M 2022: €439 million). Despite the challenging market environment, EBITDA before material special effects improved significantly compared to the prior-year period to €41 million in the third quarter of 2023 (Q3 2022: €16 million). The result was driven by the continued positive development in North America and Switzerland. Net income was a negative €8 million in the first nine months of 2023 (9M 2022: positive €301 million). Basic earnings per share accordingly came to a negative €0.09 (9M 2022: positive €2.96).

In the third quarter of 2023, through proactive net working capital management, Klöckner & Co once again generated a significantly positive cash flow from operating activities of €36 million (Q3 2022: €163 million). As a result of the acquisition of National

Material of Mexico (NMM), net working capital increased to €1.9 billion (year-end 2022: €1.8 billion) and free cash flow in the first nine months of 2023 was a negative €241 million (9M 2022: positive €148 million).

Guido Kerkhoff, CEO of Klöckner & Co SE: “Klöckner & Co has delivered a solid performance despite the continued challenging overall economic environment. In the past months, we have systematically pushed ahead with the implementation of our “Klöckner & Co 2025: Leveraging Strengths” strategy. Among other things, we successfully completed the acquisitions of National Material of Mexico and Sol Components and are thus steadily expanding our business in North America.”

Strengthening of market position in North America

With the successful completion of the acquisition of NMM through its US subsidiary Kloeckner Metals Corporation (KMC), Klöckner & Co has significantly expanded and lastingly strengthened its market position in North America. Since completion of the acquisition and integration into the Klöckner Group on August 1, 2023, NMM generated EBITDA before material special effects of €7 million. In addition, at the beginning of October 2023, KMC acquired Sol Components, a US market leader in end-to-end structural solutions for the solar industry. The transaction paves the way for KMC to play a key role in the transition to renewable energy sources in North America.

Reassignment of responsibilities on the Management Board and measures to increase efficiency in the European business

In September 2023, the Supervisory Board of Klöckner & Co SE decided to reorganize the responsibilities of the members of the Management Board regarding the European business. Guido Kerkhoff, CEO of Klöckner & Co SE, has additionally assumed responsibility for the Group’s EU activities in Europe.

To support the Company’s further growth, the implementation of the hub structure in France announced at the beginning of the year will be completed in the fourth quarter of 2023. In response to the challenging macroeconomic environment, Klöckner & Co additionally plans to make its European business even more resilient. To this end, target-oriented, efficiency-enhancing measures for the country organizations in the Kloeckner Metals EU and Kloeckner Metals Non-EU segments have been defined as part of a European efficiency program and will be implemented step by step from the fourth quarter of 2023. Following implementation of the measures under the European efficiency program, together with the establishment of the hub structure in France, Klöckner & Co anticipates a 10% workforce reduction in the European distribution business. The aim in introducing the measures is to achieve a recurring annual improvement in operating income by around €25 million by as early as 2024. In addition, the negative special effects resulting from the European efficiency program will be largely offset by positive special effects from associated site sales.

Digitalization and automation of the value chain

Klöckner & Co was able to make significant progress in digitalization and automation over the past months. The Company is consistently building toward “zero touch,” meaning value generation with minimum manual effort. Driven by the AI-based Kloeckner Assistant application, the average number of manual interventions per digital order was reduced significantly by more than 14% in the first nine months of 2023 compared to the prior-year period. In addition, the number of automatically generated quotes more than doubled during the same period.

Outlook

For the fourth quarter, Klöckner & Co anticipates a slight decrease in shipments and sales compared to the previous quarter. For fiscal year 2023, due to the ongoing challenging macroeconomic environment, especially in Europe, the Company expects an EBITDA of €170 million to €200 million before material special effects. Klöckner & Co continues to predict a strong and significantly positive cash flow from operating activities for fiscal year 2023.

Key Figures

Shipments and income statement		Q3 2023	Q3 2022	Variance	Jan. 1 - Sept. 30, 2023	Jan. 1 - Sept. 30, 2022	Variance
Shipments	Tto	1,191	1,148	43	3,562	3,632	-70
Sales	€ million	1,929	2,367	-438	5,972	7,385	-1,413
Gross profit	€ million	314	305	9	1,006	1,295	-289
Gross profit margin	%	16.3	12.9	3.4%p	16.8	17.5	-0.7%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	41	16	25	151	493	-342
EBITDA before material special effects	€ million	41	16	25	172	439	-267
EBITDA margin	%	2.1	0.7	1.4%p	2.5	6.7	-4.2%p
EBITDA margin before material special effects	%	2.1	0.7	1.4%p	2.9	5.9	-3.0%p
Earnings before interest and taxes (EBIT)	€ million	5	-18	23	50	397	-347
Earnings before taxes (EBT)	€ million	-9	-25	16	18	379	-361
Net income	€ million	-12	-22	10	-8	301	-309
Net income attributable to shareholders of Klöckner & Co SE	€ million	-12	-22	10	-9	295	-304
Earnings per share (basic)	€	-0.12	-0.22	0.10	-0.09	2.96	-3.05
Earnings per share (diluted)	€	-0.12	-0.18	0.06	-0.09	2.70	-2.79
Cash flow statement		Q3 2023	Q3 2022	Variance	Jan. 1 - Sept. 30, 2023	Jan. 1 - Sept. 30, 2022	Variance
Cash flow from operating activities	€ million	36	163	-127	131	164	-33
Cash flow from investing activities	€ million	-340	-36	-304	-373	-17	-356
Free cash flow ^{*)}	€ million	-304	128	-432	-241	148	-389
Balance sheet		Sept. 30, 2023	Dec. 31, 2022	Sept. 30, 2022	Sept. 30, 2023 vs. Dec. 31, 2022	Variance Sept. 30, 2023 vs. Dec. 31, 2022	Variance Sept. 30, 2023 vs. Sept. 30, 2022
Net Working Capital ^{**)}	€ million	1,865	1,789	2,185	76	-320	
Net financial debt	€ million	923	584	806	339	117	
Gearing ^{***)}	%	48.8	29.8	38.3	19.0%p	10.5%p	
Equity	€ million	1,953	1,968	2,126	-15	-173	
Equity ratio	%	46.4	51.0	46.3	-4.6%p	0.1%p	
Total assets	€ million	4,214	3,859	4,592	355	-378	
Employees		Sept. 30, 2023	Dec. 31, 2022	Sept. 30, 2022	Sept. 30, 2023 vs. Dec. 31, 2022	Variance Sept. 30, 2023 vs. Dec. 31, 2022	Variance Sept. 30, 2023 vs. Sept. 30, 2022
Employees as of the end of the reporting period		7,774	7,304	7,328	470	446	

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

**) Net Working Capital = Inventories + trade receivables + contract assets + supplier bonus receivables /. trade payables /. non-financial contract liabilities /. advance payments received.

***) Gearing = Net financial debt / (Consolidated 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 sites in 13 countries, Klöckner & Co supplies more than 90,000 customers. Currently, the Group has around 7,800 employees. Klöckner & Co generated sales of some €9.4 billion in fiscal year 2022. With the expansion of its portfolio of CO₂-reduced materials, services and logistics options under the new Nexigen® umbrella brand, the company is underscoring its role as a pioneer of a sustainable steel industry. At the same time, Klöckner & Co leads the way in the steel industry's digital transformation and has set itself the target of digitalizing and largely automating its supply and service chain. In this way, the Company aims to develop into the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas.

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.

Contact Klöckner & Co SE:

Press

Christian Pokropp – Press Spokesperson
Head of Corporate Communications | Head of Group HR
+49 203 307-2050
christian.pokropp@kloeckner.com

Investors

Fabian Joseph
Head of Investor Relations
+49 203 307-2291
fabian.joseph@kloeckner.com