

## Press Release

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Date November 3, 2021

Pages 5

### **Klöckner & Co SE increases operating income to new record level and shows strong performance in third quarter of 2021**

- Operating income (EBITDA) of €277 million (Q3 2020: €40 million) before material special effects at new record level since IPO
- Numerous initiatives successfully implemented under “Klöckner & Co 2025: Leveraging Strengths” strategy – taking on the pioneer role in sustainable steel industry
- Record EBITDA of around €800 million before material special effects expected for full year 2021
- Dividend proposal to Annual General Meeting planned in the extraordinary amount of between €0.90 and €1.10 per share
- Positive effect on operating cash flow of over €10 million per year from 2022 onwards from funding pension obligations

**Duisburg, Germany, November 3, 2021** – Klöckner & Co has continued its strong year, with a third quarter in which it once again delivered the highest ever quarterly operating income since the IPO in 2006. Considerably higher prices again led to very significant sales growth of 59.3% to €2 billion in the third quarter of 2021 (Q3 2020: €1.3 billion). Against the backdrop of a substantially improved market environment, operating income (EBITDA) before material special effects increased from €40 million in the prior-year period to €277 million. This puts operating income at the upper end of the €260 million to €280 million revised guidance range. Contributing factors to the positive performance include resolute application of the margin-over-volume strategy and positive effects of the restructuring measures under the Surtsey Project. Net income was likewise extremely strong at €189 million (Q3 2020: net loss of €5 million). Earnings per share consequently came to €1.86 (Q3 2020: loss per share of €0.05). Due to the substantial rise in net working capital with the sharp rise in steel prices, cash flow from operating activities was a negative €15 million (Q3 2020: positive €68 million).

Guido Kerkhoff, CEO of Klöckner & Co SE: “The fact that we are once again able to present record earnings shows that we have set the right strategic course. Thanks to Surtsey Project, we have a strong operational base to successfully implement initial measures under our Klöckner & Co 2025: Leveraging Strengths strategy. We continue to work systematically to accommodate customer and societal needs. As a case in point, with our recent partnership with H2 Green Steel, we have secured early access to “green steel” for our customers and are developing into a pioneer of the sustainable steel industry.”

### **Consistent implementation of “Klöckner & Co 2025: Leveraging Strengths” strategy**

The third quarter brought further progress in implementing the “Klöckner & Co 2025: Leveraging Strengths” strategy. With this strategy, the Group aims to become the leading digital one-stop-shop platform for steel, additional materials and processing services in Europe and the Americas. The new EU-Europe structure initiated in the second quarter has already been successfully implemented and key related measures have been launched. Klöckner & Co is strengthening cross-border and cross-functional collaboration in particular in order to improve its product and service portfolio. In this connection, the new Center of Excellence in Finance & Administration will better harmonize internal administrative processes and align structures more efficiently.

### **Pioneering a sustainable steel industry and expanding the partner network**

As a key element of the Group strategy, Klöckner & Co has most recently focused on expanding its partner network and continues to drive ahead its sustainability activities in this context. The Company sees major opportunities here both societally and operationally. In order to exploit these opportunities, Klöckner & Co has entered into partnership with the Swedish start-up H2 Green Steel, thus becoming one of the first distributors to secure access to significant quantities of virtually CO<sub>2</sub>-emission-free “green steel”. Under the partnership, up to 250,000 tons of “green steel” is initially to be supplied from 2025 onwards, with the possibility of increasing the volume in future years. This cooperation has enabled Klöckner & Co to significantly expand its portfolio of sustainable products and services. At the same time, the Group is supporting customers in establishing an emission-free value chain and is leading the way as a pioneer of the sustainable steel industry.

In addition, the third quarter saw the Group accelerate digitalization and automation in the direction of “zero touch”. The reorganization of kloeckner.i has been successfully completed and a new kloeckner.i hub established in the USA. Further improvements have also been made to the AI-driven Kloeckner Assistant application, which with the measures initiated is expected in the future to be able to digitalize and automate 80% of sales processes. Kloeckner Assistant is also to be deployed in the future in other parts of Klöckner & Co’s value chain. The application has already handled sales of some €750 million over the course of the year. In total, the percentage of sales generated via digital channels rose in the third quarter to 46%, which is four percentage points higher than in the comparable prior-year period (Q3 2020: 42%).

Klöckner & Co anticipates a slight, seasonal decline in shipments and sales in the fourth quarter. For the full year 2021, the Company continues to expect EBITDA of around €800 million before material special effects. This would be the best operating income since the IPO in 2006. In light of the expected record earnings for fiscal year 2021, Klöckner & Co plans to propose a dividend of between €0.90 and €1.10 per share at the Annual General Meeting. Additionally, a project has been launched to improve the coverage of the Group’s pension obligations. For this purpose, the intention is for assets to be transferred to a trustee and thus tied to the purpose of servicing pension obligations. Funding the pension obligations will significantly reduce the pension provisions by over €200 million in the statement of financial position and thus substantially improve Klöckner & Co’s balance sheet structure. This measure also makes for a lasting improvement in the Group’s cash flow from operating activities by over €10 million a year from 2022.

## Key figures

Shipments and income statement		Q3 2021	Q3 2020	Variance	Jan. 1 - Sept. 30, 2021	Jan. 1 - Sept. 30, 2020	Variance
Shipments	Tto	1,190	1,242	- 52	3,772	3,677	95
Sales	€ million	2,038	1,279	759	5,411	3,898	1,513
Gross profit	€ million	540	262	278	1,453	774	679
Gross profit margin	%	26.5	20.5	6.0%p	26.9	19.8	7.1%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	280	38	242	691	- 2	693
EBITDA before material special effects	€ million	277	40	237	678	72	606
EBITDA margin	%	13.7	3.0	10.7%p	12.8	0.0	12.8%p
EBITDA margin before material special effects	%	13.6	3.1	10.5%p	12.5	1.8	10.7%p
Earnings before interest and taxes (EBIT)	€ million	249	4	245	600	- 118	718
Earnings before taxes (EBT)	€ million	244	- 3	247	595	- 141	736
Net income	€ million	189	- 5	194	490	- 136	626
Net income attributable to shareholders of Klöckner & Co SE	€ million	185	- 5	190	483	- 137	620
Earnings per share (basic)	€	1.86	- 0.05	1.91	4.84	- 1.38	6.22
Earnings per share (diluted)	€	1.68	- 0.05	1.73	4.34	- 1.38	5.72
Cash flow statement		Q3 2021	Q3 2020	Variance	Jan. 1 - Sept. 30, 2021	Jan. 1 - Sept. 30, 2020	Variance
Cash flow from operating activities	€ million	- 15	68	- 83	76	68	8
Cash flow from investing activities	€ million	- 18	- 27	9	- 44	- 49	5
Free cash flow <sup>*)</sup>	€ million	- 33	41	- 74	32	19	13
Balance sheet			Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020	Variance Sept. 30, 2021 vs. Dec. 31, 2020	Variance Sept. 30, 2021 vs. Sept. 30, 2020
Net Working Capital <sup>**)</sup>	€ million		1,559	967	1,062	592	497
Net financial debt	€ million		348	351	427	- 3	- 79
Gearing <sup>***)</sup>	%		21.5	33.9	42.1	- 12.4%p	- 20.6%p
Equity	€ million		1,627	1,043	1,022	584	605
Equity ratio	%		44.5	39.9	38.2	4.6%p	6.3%p
Total assets	€ million		3,657	2,613	2,675	1,044	982
Employees			Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020	Variance Sept. 30, 2021 vs. Dec. 31, 2020	Variance Sept. 30, 2021 vs. Sept. 30, 2020
Employees as of the end of the reporting period			7,129	7,274	7,732	- 145	- 603

\*) 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 140 locations in 13 countries, Klöckner & Co supplies more than 100,000 customers. Currently, the Group has around 7,100 employees. Klöckner & Co had sales of some €5.1 billion in fiscal year 2020. As a pioneer of the digital transformation in the steel industry, Klöckner & Co's target is to digitalize and largely automate its supply and service chain and to become the leading digital one-stop-shop platform for steel, other materials, equipment and processing services in Europe and the Americas as well as a pioneer of sustainability – for the benefit of customers, the steel industry and society.

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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