

## Press Release

Klöckner & Co SE  
Am Silberpalais 1  
47057 Duisburg  
Germany

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### **Klöckner & Co SE reports strong earnings and cash flow in fiscal year 2022 despite challenging economic environment**

- Strong operating income (EBITDA) of €417 million before material special effects (2021: €848 million)
- Exceptionally high operating cash flow of €405 million due to consistent net working capital management (2021: negative cash flow of €306 million)
- Sales increased by 26% to €9.4 billion (2021: €7.4 billion)
- Strengthened role as pioneer of a sustainable steel and metal industry with launch of Nexigen® brand and expansion of related product and service portfolio
- Leading position in North America extended with agreed acquisition of National Material of Mexico by Kloeckner Metals Corporation
- Dividend of €0.40 per share (2021: €1.00) to be proposed to Annual General Meeting
- EBITDA before material special effects in Q1 2023 expected to be very considerably higher than in the preceding quarter at €40 million to €90 million; positive outlook for fiscal year 2023

**Duisburg, Germany, March 9, 2023** – Despite the challenging economic environment, Klöckner & Co generated strong operating income (EBITDA) of €417 million before material special effects in 2022 (2021: €848 million). Driven by higher average price levels, Group sales increased significantly year-on-year from €7.4 billion in 2021 to €9.4 billion. Based on the positive net income of €259 million (2021: €629 million) and earnings per share of €2.54 (2021: €6.21), Klöckner & Co will propose a dividend of €0.40 (2021: €1.00) per share to shareholders at the Annual General Meeting.

As forecast, consistent net working capital management and an actively enforced inventory reduction in the second half of 2022 resulted in an exceptionally positive cash flow from operating activities of €405 million (2021: negative cash flow of €306 million). The equity ratio increased over the prior year's level to 51% at the end of the year (2021: 47%).

Guido Kerkhoff, CEO of Klöckner & Co SE: “Despite the challenging macroeconomic environment, we continued to successfully execute our corporate strategy in fiscal year 2022. We made significant progress toward our goal of becoming the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas. In addition, with Nexigen® and the Product Carbon Footprint, we have further strengthened our role as pioneer of a sustainable steel industry.”

### **Further strengthening of role as sustainability pioneer**

Klöckner & Co further expanded its range of sustainable products and services in the past year, thus strengthening its role as a pioneer in this regard. The Company brought together its CO<sub>2</sub>-reduced products and services under the Nexigen® brand launched in fiscal year 2022. This marked an important step in execution of the Group’s “Klöckner & Co 2025: Leveraging Strengths” strategy, in which sustainability plays a pivotal role as a strategic growth driver. With the new brand, the Company enables customers to reliably procure CO<sub>2</sub>-reduced steel and metal products, providing them with full transparency about their CO<sub>2</sub>-footprint. The past year saw Klöckner & Co already deliver the first quantities of CO<sub>2</sub>-reduced steel to longstanding customers such as Mercedes-Benz and Siemens. Thanks to a partnership launched in 2022 with Outokumpu, the world’s leading supplier of sustainable stainless steel, Klöckner & Co now also supplies CO<sub>2</sub>-reduced stainless steel in a further addition to the range of emission-reduced metals.

### **CO<sub>2</sub>-categorization and Product Carbon Footprint for transparency on emissions**

Combined with a comprehensive range of logistics solutions, circularity solutions and Sustainability Advisory Services (SAS), the Company supports customers in building sustainable value chains. To this end, Klöckner & Co further added to its CO<sub>2</sub>-categorization offerings. From the beginning of 2023, in addition to the established five-category classification of CO<sub>2</sub>-reduced steel, stainless steel and aluminum, customers can now have the individual Product Carbon Footprint (PCF) calculated for nearly all of the around 200,000 Klöckner products. The PCF reflects a product’s cumulative CO<sub>2</sub>-emissions across the entire value chain, from resource extraction to production and delivery at the customer’s factory gate (“cradle to customer entry gate”) and is determined using the Nexigen® PCF Algorithm, which has been certified by TÜV SÜD.

The Company’s wide-ranging sustainability activities have also been recognized by external sources. December 2022 saw Klöckner & Co win the German Sustainability Award 2023 in the Climate Transformation category. In addition, in April 2022, Klöckner & Co became the first company in the world to have all of its net zero carbon targets, including its decarbonization path, recognized as science-based in the standard validation process in accordance with the latest Science Based Targets initiative (SBTi) standards.

## **Expansion of product portfolio with acquisitions in North America and Europe**

With the acquisition of National Material of Mexico (NMM) by the US subsidiary Kloeckner Metals Corporation (KMC) announced at the end of 2022, Klöckner & Co is strengthening its leading position in steel and metals distribution and the steel service business in North America. Customers stand to benefit from the transaction with improved access to steel, aluminum and stainless steel in Mexico. NMM and KMC notably complement each other in terms of regional coverage, customer segments and in view of NMM's strong position in the automotive sector. In addition, the acquisition represents an attractive opportunity to enter the exclusive electrical steel market, which has considerable growth potential. Mexico is also highly attractive for KMC due to its proximity to the US and to the highly qualified local labor market. All of the world's major automotive manufacturers produce in the country and the number of vehicles made there is expected to increase significantly in the future. As a combined player, Klöckner & Co will be ideally positioned to meet the resulting demand. The transaction is subject to the necessary antitrust approvals and is expected to close before summer 2023.

In addition, Klöckner & Co has further strengthened its partnership with US steel producer Nucor and is investing in a heavy plate processing plant on the site of the new Nucor steel mill in Brandenburg, Kentucky. Nucor Steel Brandenburg is a state-of-the-art electric steel mill where scrap is recycled into new heavy plate for offshore wind turbines and other infrastructure projects. With this investment, Klöckner & Co is driving ahead the development of sustainable, innovative and complex solutions for the entire supply chain and extending its portfolio of higher value-added services.

The Company has also made selective acquisitions to expand its product and service range in Europe. The acquisition of Hernandez Stainless GmbH and RSC Rostfrei Coil Center GmbH by the German subsidiary Becker Stahl-Service marked Klöckner & Co's entry into stainless steel processing in a further addition to its product and service portfolio.

## **Focus on internal process digitalization**

Klöckner & Co also continued to forge ahead in the strategic focus areas of digitalization and automation. In fiscal year 2022, the Company launched additional initiatives to streamline, harmonize and modernize the Group IT landscape. These initiatives lay the groundwork for further digitalization and automation of processes between sales and processing and enhance internal operational efficiency. By improving supply chain transparency, Klöckner & Co is also enhancing the shopping experience for customers, for example with real-time order tracking. This gives Klöckner & Co a competitive edge over smaller competitors. In order to continue developing innovative digital solutions in the future, the digital innovation hub kloeckner.i is to be tied in even more closely with the operating business and will intensify internal collaboration with other units.

## **Outlook**

Although the economic environment remains challenging, the Company expects that the global steel market will increasingly normalize this year. A stronger demand trend in the Company's key European and US markets is thus expected to bring a considerable increase in shipments compared to fiscal year 2022. Despite the rise in steel prices at the beginning of 2023, Klöckner & Co expects a lower price level overall compared to the prior-year period and correspondingly lower sales. Given the overall considerable improvement in the Company's operational positioning, substance and profitability base, Klöckner & Co is targeting EBITDA before material special effects at a strong level, albeit below the prior-year figure, which was significantly positively impacted by price effects.

Due to a strong improvement in the macroeconomic environment, a positive price trend and very rigorous net working capital management, the Company expects that first-quarter EBITDA before material special effects will be very considerably higher than in the preceding quarter, at €40 million to €90 million.

## Key figures

Shipments and income statement		Q4 2022	Q4 2021	Variance	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Variance
Shipments	Tto	1,047	1,108	-61	4,679	4,881	-201
Sales	€ million	1,993	2,030	-37	9,379	7,441	1,938
Gross profit	€ million	269	440	-171	1,563	1,893	-329
Gross profit margin	%	13.5	21.7	-8.2%p	16.7	25.4	-8.7%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	-12	188	-200	481	879	-398
EBITDA before material special effects	€ million	-22	171	-193	417	848	-432
EBITDA margin	%	-0.6	9.3	-9.9%p	5.1	11.8	-6.7%p
EBITDA margin before material special effects	%	-1.1	8.4	-9.5%p	4.4	11.4	-7.0%p
Earnings before interest and taxes (EBIT)	€ million	-49	154	-203	348	754	-406
Earnings before taxes (EBT)	€ million	-60	153	-213	319	748	-429
Net income	€ million	-42	139	-181	259	629	-370
Net income attributable to shareholders of Klöckner & Co SE	€ million	-42	136	-178	253	619	-366
Earnings per share (basic)	€	-0.42	1.37	-1.79	2.54	6.21	-3.67
Earnings per share (diluted)	€	-0.39	1.24	-1.63	2.32	5.58	-3.26
Cash flow statement		Q4 2022	Q4 2021	Variance	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Variance
Cash flow from operating activities	€ million	241	-382	623	405	-306	711
Cash flow from investing activities	€ million	-17	-16	-1	-34	-60	26
Free cash flow <sup>*)</sup>	€ million	223	-398	621	371	-366	737
Balance sheet					December 31, 2022	December 31, 2021	Variance
Net working capital <sup>**)</sup>	€ million				1,789	1,813	-24
Net financial debt	€ million				584	762	-179
Gearing <sup>***)</sup>	%				30	42	-12%p
Equity	€ million				1,968	1,827	141
Equity ratio	%				51.0	47.1	3.9%p
Total assets	€ million				3,859	3,878	-19
Employees					December 31, 2022	December 31, 2021	Variance
Employees as of the end of the reporting period					7,304	7,153	151

\*) 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 including contract liabilities and advance payments received.

\*\*\*) 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 150 sites in 13 countries, Klöckner & Co supplies more than 90,000 customers. Currently, the Group has around 7,300 employees. Klöckner & Co had sales of some €9.4 billion in fiscal year 2022. With the expansion of its portfolio of CO<sub>2</sub>-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.

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## **Contact Klöckner & Co SE:**

### **Press**

Christian Pokropp - Press spokesman  
Head of Corporate Communications | Head of Group HR  
Phone: +49 203 307-2050  
Email: christian.pokropp@kloeckner.com

### **Investors**

Felix Schmitz  
Head of Investor Relations | Head of Strategic Sustainability  
Phone: +49 203 307-2295  
Email: felix.schmitz@kloeckner.com