

Q1 Quarterly Statement 2022

January 1, 2022 – March 31, 2022

- Very strong operating income (EBITDA) of €201 million before material special effects compared to €130 million in the prior-year period; EBITDA including material special effects of €254 million
- Shipments slightly down year-on-year at 1.3 million tons but significantly higher than previous quarter despite consistent application of margin-over-volume strategy (Q4 2021: 1.1 million tons)
- Sales considerably higher than in prior-year quarter due to increased prices, rising by 59.8% to €2.4 billion
- Strong net income of €172 million, compared with €86 million in prior year
- Proportion of sales generated via digital channels over 46% (Q1 2021: 45%)
- EBITDA before material special effects of €180 million to €240 million and strong and significantly positive cash flow from operating activities expected for the second quarter

CONSIDERABLE SALES GROWTH AND SHIPMENTS SLIGHTLY BELOW PRIOR YEAR

At 1.3 million tons in the first quarter of 2022, shipments were slightly down (by 2.3%) on the prior-year quarter. Despite consistent application of the margin-over-volume strategy, however, shipments showed a significant seasonal increase on the preceding quarter (Q4 2021: 1.1 million tons, an increase of 13.4%). The positive price development – especially in Europe, but also in the USA – in connection with the renewed supply tightness caused sales to rise from €1.5 billion in the first quarter of 2021 to €2.4 billion in the first quarter of 2022.

VERY CONSIDERABLE INCREASE IN OPERATING INCOME

Operating income (EBITDA) adjusted for material special effects, at €201 million in the first quarter, was very considerably higher than in the comparable prior-year period (Q1 2021: €130 million) and also higher than in the preceding quarter (Q4 2021: €171 million). Due to the renewed supply tightness, steel prices rose significantly again in our core markets of Europe and the USA, with the result that – mainly due to prices but also in connection with a consistent margin-over-volume strategy and disciplined net working capital management – gross profit increased from €388 million in the prior-year period to €482 million in the first quarter of 2022 (gross profit margin: 19.8%). Including material special effects of €53 million – primarily from the sale of properties at closed sites in Switzerland and France – EBITDA came to €254 million (Q1 2021: €141 million).

Net income was extremely strong in the first quarter at €172 million, compared with €86 million in the first three months of 2021. Earnings per share consequently came to €1.68 (Q1 2021: €0.85).

EARNINGS BY OPERATING SEGMENT

Adjusted operating income in the Kloeckner Metals EU segment has developed in a particularly positive way, increasing from €52 million to €101 million. With shipments constant, we benefited in this segment from disproportionately large price increases. While our biggest earnings increase was at the German country organizations, EBITDA at the remaining country organizations was also higher than in the prior year. Including the proceeds from the sale of a site, EBITDA after special effects was €105 million.

EBITDA before material special effects in the Kloeckner Metals US segment, at €72 million in the first quarter of 2022, was at a similar level to the prior-year figure of €75 million. The slight decrease resulted from customers temporarily postponing purchases in view of falling prices on the American market at the beginning of the year. With the renewed supply tightness, this price trend reversed and steel prices went up sharply. After negative material special effects in the amount of €1 million, EBITDA came to €71 million.

Operating income in the Kloeckner Metals Non-EU segment developed very positively, too. EBITDA before material special effects increased from €15 million in the prior-year period to €29 million. Demand for rebar in particular and higher prices overall led to a slight rise in shipments and substantial sales growth in this segment. The sale of a property in Switzerland resulted in a material special effect of €50 million, putting EBITDA after special effects at €79 million.

VERY SOLID FINANCIAL POSITION

Mainly driven by prices, net working capital increased relative to the 2021 year-end by €445 million to €2,258 million. Due to the cash outflows from operating activities, net financial debt increased from €762 million to €999 million and was thus higher than at the end of the prior-year quarter (€363 million).

Equity went up as a result of the net income from €1,827 million as of December 31, 2021 to €1,963 million, thus reflecting the solid balance sheet. Due to higher net working capital, the equity ratio of 44.4% was below the figure as of December 31, 2021 (47.1%).

Due to the price-driven increase in net working capital, the first quarter of 2022 saw a net cash outflow from operating activities of €261 million, compared with a net cash inflow of €18 million in the prior-year period. Taking into account the cash inflow from investing activities (€39 million), free cash flow was €- 222 million (Q1 2021: €7 million).

STABLE FINANCING PORTFOLIO WITH INCREASED HEADROOM

The Klöckner & Co Group continues to possess a diversified financing portfolio with a total volume of €1.3 billion (excluding leases). In March 2022, together with our core US banks, we increased the US ABL facility by USD 120 million to USD 450 million. After the end of the reporting period, we additionally expanded the European ABS program by €80 million to €300 million. The remaining contractual terms for the facilities continue to apply unaltered in both cases. As a result of these two measures, Klöckner & Co has increased its financing volume by around €190 million and created additional leeway for the sharp global rise in steel and metal prices. The core instruments have a volume-weighted remaining term of over two years.

PROGRESS IN IMPLEMENTATION OF THE GROUP STRATEGY

In the same way as it already leads in digitalization, Klöckner & Co is also leading the way in the establishment of sustainable business models in the steel industry. During the quarter under review, we became the first company in the world to have net zero carbon reduction targets that have been recognized by the Science Based Targets initiative (SBTi), in the standard validation process, as science-based and valid targets. This means that we take responsibility for our emissions along our entire value chain. However, we primarily recognize business opportunities in the establishment of sustainable supply chains. In the quarter under review, we therefore introduced a rating scale for green and low-carbon steel to provide customers with a means of assessing and comparing the carbon footprint of green steel. So that our customers can already start building sustainable value chains during 2022, we have entered into further partnerships in the first quarter for the procurement of low-carbon steel.

We also continued to systematically implement the digitalization and automation of our internal value chain. In total, the percentage of sales generated via digital channels, at more than 46%, is slightly higher than in the comparable prior-year period (Q1 2021: 45%). Kloeckner Assistant processed sales of some €390 million in the reporting period, almost double the figure for the same period of the prior year (Q1 2021: €200 million). This brings the total sales volume handled by Kloeckner Assistant to around €1.8 billion since its launch.

The sale of the Wettingen site in Switzerland, comprising a building and land, was completed for €50 million in the reporting period. The operating business was transferred to other sites ahead of the transaction. A site in France, likewise consisting of a building and land, was also sold for €4 million. Primarily as a result of sales of sites, material special effects were generated in a total amount of €53 million.

OUTLOOK

Despite the challenging economic environment, we are optimistic about the operating business. We expect stable to slightly increasing development in shipments in the second quarter compared with the first quarter of 2022. Based on the steel price dynamics and significantly supported by our consistently executed margin-over-volume strategy and our disciplined inventory management, we anticipate a considerable increase in sales in the second quarter of 2022 compared with the previous quarter. In addition, we forecast EBITDA of €180 million to €240 million before material special effects for the current second quarter as well as a strong and significantly positive cash flow from operating activities.

Klöckner & Co SE

Financial information

for the three-month period ending March 31, 2022

Shipments and income statement		Q1 2022	Q1 2021	Variance		
Shipments	Tto	1,257	1,287	-30		
Sales	€ million	2,438	1,525	912		
Gross profit	€ million	482	388	94		
Gross profit margin	%	19.8	25.4	-5.6%p		
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	254	141	113		
EBITDA before material special effects	€ million	201	130	71		
EBITDA margin	%	10.4	9.2	1.2%p		
EBITDA margin before material special effects	%	8.2	8.5	-0.3%p		
Earnings before interest and taxes (EBIT)	€ million	223	111	113		
Earnings before taxes (EBT)	€ million	216	105	111		
EBT before material special effects	€ million	163	94	69		
Net income	€ million	172	86	86		
Net income attributable to shareholders of Klöckner & Co SE	€ million	168	85	83		
Earnings per share (basic)	€	1.68	0.85	0.83		
Earnings per share (diluted)	€	1.53	0.78	0.75		
Cash flow statement		Q1 2022	Q1 2021	Variance		
Cash flow from operating activities	€ million	-261	18	-278		
Cash flow from investing activities	€ million	39	-11	50		
Free cash flow ^{*)}	€ million	-222	7	-228		
Balance sheet		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021	Variance Mar. 31, 2022 vs. Dec. 31, 2021	Variance Mar. 31, 2022 vs. Dec. 31, 2021
Net Working Capital ^{**)}	€ million	2,258	1,813	1,107	445	1,151
Net financial debt	€ million	999	762	363	237	636
Gearing ^{***)}	%	51.4	42.1	31.2	9.3%p	20.2%p
Equity	€ million	1,963	1,827	1,170	136	793
Equity ratio	%	44.4	47.1	40.1	-2.8%p	4.2%p
Total assets	€ million	4,426	3,878	2,916	548	1,510
Employees		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021	Variance Mar. 31, 2022 vs. Dec. 31, 2021	Variance Mar. 31, 2022 vs. Dec. 31, 2021
Employees as of the end of the reporting period		7,180	7,153	7,113	27	67

^{*)} Free cash flow = Cash flow from operating activities plus cash flow from investing activities.

^{**)} Net Working Capital = Inventories + trade receivables + contract assets + supplier bonus receivables /. trade liabilities /. contract liabilities /. advance payments received.

^{***)} 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, 2022

<i>(€ thousand)</i>	Q1 2022	Q1 2021
Sales	2,437,548	1,525,434
Changes in inventory	18,997	6,627
Own work capitalized	-	398
Other operating income	62,552	17,342
Cost of materials	- 1,974,909	- 1,144,396
Personnel expenses	- 151,386	- 149,117
Depreciation and amortization	- 30,373	- 30,245
Other operating expenses	- 138,967	- 115,315
Operating result	223,462	110,728
Income from investments	31	-
Finance income	442	16
Finance expenses	- 7,801	- 5,985
Financial result	- 7,359	- 5,969
Income before taxes	216,134	104,759
Income taxes	- 43,856	- 18,581
Net income	172,278	86,179
<i>thereof attributable to</i>		
<i>- shareholders of Klöckner & Co SE</i>	167,981	85,012
<i>- non-controlling interests</i>	4,297	1,167
Earnings per share (€/share)		
- basic	1.68	0.85
- diluted	1.53	0.78

Statement of comprehensive income

for the three-month period ending March 31, 2022

<i>(€ thousand)</i>	Q1 2022	Q1 2021
Net income	172,278	86,179
Other comprehensive income not reclassifiable		
Actuarial gains and losses (IAS 19)	- 68,712	43,691
Related income tax	15,129	- 7,506
Total	- 53,583	36,185
Other comprehensive income reclassifiable		
Foreign currency translation	17,418	4,481
Total	17,418	4,481
Other comprehensive income	- 36,165	40,666
Total comprehensive income	136,113	126,845
<i>thereof attributable to</i>		
– shareholders of Klöckner & Co SE	131,804	125,677
– non-controlling interests	4,309	1,168

Consolidated statement of financial position

as of March 31, 2022

Assets

<i>(€ thousand)</i>	March 31, 2022	December 31, 2021
Non-current assets		
Intangible assets	96,077	97,389
Property, plant and equipment	765,753	760,354
Other financial assets	28,487	27,622
Other non-financial assets	92,521	172,917
Current income tax receivable	-	5,429
Deferred tax assets	25,150	35,578
Total non-current assets	1,007,988	1,099,287
Current assets		
Inventories	1,929,628	1,715,723
Trade receivables	1,243,619	843,284
Contract assets	52,904	41,861
Commissions, discounts and rebate receivables	25,084	55,543
Current income tax receivable	6,095	1,225
Other financial assets	26,172	20,875
Other non-financial assets	52,051	38,182
Cash and cash equivalents	81,663	57,628
Assets held for sale	534	4,154
Total current assets	3,417,750	2,778,475
Total assets	4,425,738	3,877,762

Liabilities

<i>(€ thousand)</i>	March 31, 2022	December 31, 2021
Equity		
Subscribed capital	249,375	249,375
Capital reserves	568,729	568,729
Retained earnings	1,022,808	854,894
Accumulated other comprehensive income	102,507	138,619
Equity attributable to shareholders of Klöckner & Co SE	1,943,419	1,811,616
Non-controlling interests	20,040	15,731
Total equity	1,963,460	1,827,348
Non-current liabilities		
Provisions for pensions and similar obligations	42,174	50,024
Other provisions and accrued liabilities	17,843	17,352
Non-current financial liabilities	763,713	556,446
Other financial liabilities	624	137
Deferred tax liabilities	43,173	63,140
Total non-current liabilities	867,528	687,099
Current liabilities		
Other provisions and accrued liabilities	125,867	148,022
Income tax liabilities	37,076	29,690
Current financial liabilities	314,074	260,649
Trade payables	985,587	838,149
Other financial liabilities	33,243	32,625
Contract liabilities	6,196	5,099
Advance payments received	1,286	939
Other non-financial liabilities	91,423	48,141
Total current liabilities	1,594,751	1,363,315
Total liabilities	2,462,279	2,050,414
Total equity and liabilities	4,425,738	3,877,762

Consolidated statement of cash flows

for the three-month period ending March 31, 2022

<i>(€ thousand)</i>	Q1 2022	Q1 2021
Net income	172,278	86,179
Income taxes	43,856	18,581
Financial result	7,359	5,969
Income from investments	- 31	-
Depreciation and amortization of non-current assets	30,373	30,245
Other non-cash income/expenses	- 455	- 3
Gain on disposal of non-current assets	- 54,298	- 11,539
Change in net working capital		
Inventories	- 193,711	- 77,547
Trade receivables incl. contract assets and commissions, discounts and rebates receivables	- 368,732	- 223,173
Trade payables incl. contract liabilities and advance payments	136,998	174,261
Change in other operating assets and liabilities	2,528	21,532
Interest paid	- 7,158	- 5,234
Interest received	1,362	61
Income taxes paid	- 31,114	- 1,757
Cash flow from operating activities	- 260,745	17,575
Proceeds from the sale of non-current assets and assets held for sale	63,144	5,717
Dividends received	23	-
Payments for intangible assets, property, plant and equipment (incl. financial assets)	- 20,593	- 16,473
Acquisition of subsidiaries	- 3,387	-
Cash flow from investing activities	39,187	- 10,756
Net change of financial liabilities	243,923	- 47,571
Cash flow from financing activities	243,923	- 47,571
Changes in cash and cash equivalents	22,365	- 40,752
Effect of foreign exchange rates on cash and cash equivalents	1,670	1,669
Cash and cash equivalents at the beginning of the period	57,628	172,566
Cash and cash equivalents at the end of the reporting period as per statement of financial position	81,663	133,483

Segment reporting

(€ million)	Kloeckner Metals US		Kloeckner Metals EU		Kloeckner Metals Non-EU		Holding and other Group companies ^{*)}		Total	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Shipments (Tto)	586	619	482	486	190	182	-	-	1,257	1,287
External sales	1,148	662	895	585	394	278	-	-	2,438	1,525
Gross profit	182	166	196	138	103	84	-	-	482	388
Gross profit margin (%)	15.9	25.1	21.9	23.6	26.2	30.0	-	-	19.8	25.4
Segment result (EBITDA)**)	71	75	105	62	79	15	-1	-11	254	141
EBITDA before material special effects	72	75	101	52	29	15	-1	-11	201	130
Earnings before interest and taxes (EBIT)	59	63	97	54	70	6	-2	-13	223	111
Cash flow from operating activities	-65	25	-148	22	-33	-15	-14	-14	-261	18

*) Including consolidation.

***) EBITDA = Earnings before interest, taxes, depreciation and amortization and reversals of impairments on intangible assets and property, plant and equipment.

(€ million)	Kloeckner Metals US		Kloeckner Metals EU		Kloeckner Metals Non-EU		Holding and other Group companies ^{*)}		Total	
	Q1 2022	FY 2021	Q1 2022	FY 2021	Q1 2022	FY 2021	Q1 2022	FY 2021	Q1 2022	FY 2021
Net working capital as of closing date**)	941	831	910	645	402	341	5	-5	2,258	1,813
Employees as of closing date	2,219	2,198	2,496	2,517	2,199	2,178	266	260	7,180	7,153

*) Including consolidation.

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

Financial calendar 2022

June 1, 2022	Annual General Meeting 2022 (virtual)
August 3, 2022	Half-yearly financial report 2022 Conference call with journalists Conference call with analysts
November 3, 2022	Q3 quarterly statement 2022 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

Rounding differences may occur with respect to percentages and figures.

Variances for technical reasons

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

The English translation of the quarterly statement are also available, in case of deviations the German versions shall prevail.

Evaluating statements are unified and are presented as follows:

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

