

Q1 Quarterly Statement 2023

January 1, 2023 – March 31, 2023

- Operating income (EBITDA) of €69 million before material special effects considerably above preceding quarter (Q4 2022: €– 22 million) after significant positive price effects in the prior-year period's income (Q1 2022: €201 million)
- Shipments slightly down year on year at 1.2 million tons (Q1 2022: 1.3 million tons) but very considerably higher than preceding quarter (Q4 2022: 1.0 million tons)
- Sales down on prior-year quarter to €2.1 billion, mainly price-driven (Q1 2022: €2.4 billion)
- Cash flow from operating activities considerably positive in first three months at €64 million (Q1 2022: €– 261 million)
- EBITDA before material special effects of €60 million to €110 million in second quarter expected

DEVELOPMENT OF SHIPMENTS AND SALES

Despite exceptionally strong demand in the prior-year quarter, shipments in the first quarter of 2023, at 1.2 million tons, were only slightly down year on year (Q1 2022: 1.3 million tons, a decrease of 3.6%). Relative to the preceding quarter, shipments showed a considerable seasonal increase (Q4 2022: 1.0 million tons, an increase of 15.9%). The sales of €2.1 billion in the first quarter of 2023 were lower than the sales of €2.4 billion in the first quarter of 2022, mainly due to the lower overall price level.

STRONG OPERATING INCOME

In the first quarter, despite the challenging environment, operating income (EBITDA) before material special effects amounted to €69 million, considerably higher than in the preceding quarter (Q4 2022: €– 22 million). Operating income in the comparable prior-year period (Q1 2022: €201 million) had benefited in particular from significant positive price effects. Including negative material special effects of €21 million, mainly relating to the implementation of a hub structure in France to support further growth, EBITDA amounted to €48 million (Q1 2022: €254 million). Net income was a negative €8 million due to the material special effects, and was consequently down on the net income of €172 million in the prior-year quarter. Earnings per share came to a negative €0.08 (Q1 2022: €1.68).

EARNINGS BY OPERATING SEGMENT

Operating income before special effects in the Kloeckner Metals US segment was €46 million in the first quarter of 2023, compared to €72 million in the prior-year period. Overall, shipments were slightly higher in the first quarter of 2023 than in the prior-year quarter, mainly due to a strong increase in demand in March 2023. Due to the higher demand, the gross profit margin also improved noticeably in the course of the quarter.

Operating income before material special effects in the Kloeckner Metals EU segment was €10 million, down from €101 million in the first quarter of 2022 as a result of changes in the market and price environment. Whereas our gross profit margin was disproportionately high in the prior-year quarter due to exceptionally positive price dynamics, the gross profit margin in the first quarter of 2023 was lower by comparison because of lower shipments and price corrections with higher average inventory prices. After accounting for negative material special effects of €26 million related to the initiative to implement the hub structure in France, and positive material special effects of €5 million from the sale of a business operation in Germany, EBITDA after material special effects in this segment was a negative €11 million.

In the Kloeckner Metals Non-EU segment, EBITDA before material special effects was €12 million in the first quarter of 2023, compared to €29 million in the prior-year period. Due to a slower start to the year in the construction sector, our shipments in this segment were lower than in the prior-year period. The gross profit margin decreased year on year, mainly price-driven.

SIGNIFICANTLY POSITIVE CASH FLOW FROM OPERATING ACTIVITIES

In the first quarter of 2023, proactive net working capital management resulted in a significantly positive cash flow from operating activities of €64 million, compared with a cash outflow of €261 million in the prior-year quarter. Net working capital decreased relative to March 31, 2022 from €2.3 billion to €1.7 billion. After €8 million in payments for capital expenditure, free cash flow amounted to €56 million in the first three months of the year, compared to a negative free cash flow of €222 million in the comparative period.

Due to the cash inflows from operating activities, net financial debt decreased from €584 million (December 31, 2022) to €539 million and was thus significantly lower than at the end of the prior-year quarter (€999 million).

Equity of €1,945 million remained at the same level as at the end of 2022 (December 31, 2022: €1,968 million), reflecting the solid balance sheet. At 51.6%, the equity ratio remained stable at the level of December 31, 2022 (51.0%).

STABLE FINANCING PORTFOLIO WITH IMPROVED MATURITY PROFILE

The Klöckner & Co Group has a diversified financing portfolio with a total volume of €1.5 billion (excluding leases). In December 2022, Klöckner & Co secured an extension of the European ABS program on unchanged terms, with the volume remaining at €300 million. The extension became effective in January 2023 and is for three years until January 2026. In April 2023, Klöckner & Co extended the €250 million syndicated loan with its core banks by another year to January 2026. These two transactions made it possible to further improve the maturity profile. The core instruments of Group financing have a volume-weighted remaining term to maturity of around three years.

PROGRESS IN IMPLEMENTATION OF THE GROUP STRATEGY

We made further significant progress in the implementation of our “Klöckner & Co 2025: Leveraging Strengths” strategy in the first quarter of this year, particularly in the establishment of sustainable business models. With the introduction of our proprietary “Nexigen® PCF Algorithm”, based on a calculation method that is certified by TÜV SÜD and complies with internationally recognized standards, we are now able to calculate the Product Carbon Footprint (PCF) for almost all of our approximately 200,000 products. This enables our customers to make informed purchase decisions based on scientifically established emissions data (cradle to customer entry gate) that is comparable across producers, supporting them to achieve their decarbonization goals. With this new service we respond to increasing customer demand for CO₂-reduced solutions and transparent information on the carbon footprint of our products. In the reporting period, we successfully provided the first PCF calculations in conjunction with product deliveries, among others for major Klöckner & Co customers such as Siemens Smart Infrastructure and ZF.

We offer our customers a growing range of CO₂-reduced solutions to support the establishment of sustainable value chains, ranging from CO₂-reduced products to logistics services. In the first quarter of 2023, we took our first all-electric truck from Daimler Truck into service, enabling us to provide virtually emission-free deliveries to Klöckner & Co customers and addressing the last mile of the logistics process.

A further focus of our Group strategy consists of digitalizing and automating our value chains. Sales handled by Kloeckner Assistant, our proprietary AI solution, remained at a strong level with more than €280 million in the first quarter of 2023.

OUTLOOK

We achieved a strong operating income and a significantly positive cash flow from operating activities in the first quarter, despite the challenging environment. Although the economic environment is expected to remain challenging, macroeconomic conditions have further improved compared to the second half of 2022. Against this background, and significantly supported by our proactive and disciplined net working capital management, we forecast an EBITDA before material special effects of €60 million to €110 million and a positive cash flow from operating activities for the second quarter.

Klöckner & Co SE

Financial information

for the three-month period ending March 31, 2023

Shipments and income statement		Q1 2023	Q1 2022	Variance
Shipments	Tto	1,213	1,257	- 45
Sales	€ million	2,076	2,438	- 361
Gross profit	€ million	357	482	- 125
Gross profit margin	%	17.2	19.8	- 2.6%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	48	254	- 206
EBITDA before material special effects	€ million	69	201	- 132
EBITDA margin	%	2.3	10.4	- 8.1%p
EBITDA margin before material special effects	%	3.3	8.2	- 4.9%p
Earnings before interest and taxes (EBIT)	€ million	13	223	- 211
Earnings before taxes (EBT)	€ million	3	216	- 213
EBT before material special effects	€ million	27	163	- 136
Net income	€ million	- 8	172	- 180
Net income attributable to shareholders of Klöckner & Co SE	€ million	- 8	168	- 176
Earnings per share (basic)	€	- 0.08	1.68	- 1.77
Earnings per share (diluted)	€	- 0.08	1.53	- 1.61
Cash flow statement		Q1 2023	Q1 2022	Variance
Cash flow from operating activities	€ million	64	- 261	325
Cash flow from investing activities	€ million	- 8	39	- 48
Free cash flow ^{*)}	€ million	56	- 222	278

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

		March 31, 2023	Dec. 31, 2022	March 31, 2022	Variance Mar. 31, 2023 vs. Dec. 31, 2022	Variance Mar. 31, 2023 vs. Mar. 31, 2022
Balance sheet						
Net Working Capital ^{**}	€ million	1,735	1,789	2,258	- 54	- 523
Net financial debt	€ million	539	584	999	- 45	- 460
Gearing ^{***}	%	27.9	29.8	51.4	- 2.0%p	- 23.6%p
Equity	€ million	1,945	1,968	1,963	- 24	- 19
Equity ratio	%	51.6	51.0	44.4	0.6%p	7.3%p
Total assets	€ million	3,766	3,859	4,426	- 94	- 660
Employees						
Employees as of the end of the reporting period		7,209	7,304	7,180	- 95	29

^{**}) Net Working Capital = Inventories + trade receivables (incl. contract assets) + supplier bonus receivables ./ trade liabilities (incl. contract liabilities and 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, 2023

<i>(€ thousand)</i>	Q1 2023	Q1 2022
Sales	2,076,197	2,437,548
Changes in inventory	- 722	18,997
Other operating income	11,444	62,552
Cost of materials	- 1,718,825	- 1,974,909
Personnel expenses	- 169,403	- 151,386
Depreciation and amortization	- 34,924	- 30,373
Other operating expenses	- 151,118	- 138,967
Operating result	12,649	223,462
Income from investments	- 1,521	31
Finance income	1,511	442
Finance expenses	- 9,445	- 7,801
Financial result	- 7,934	- 7,359
Income before taxes	3,194	216,134
Income taxes	- 11,184	- 43,856
Net income	- 7,990	172,278
<i>thereof attributable to</i>		
- <i>shareholders of Klöckner & Co SE</i>	- 8,326	167,981
- <i>non-controlling interests</i>	336	4,297
Earnings per share (€/share)		
- basic	- 0.08	1.68
- diluted	- 0.08	1.53

Statement of comprehensive income

for the three-month period ending March 31, 2023

<i>(€ thousand)</i>	Q1 2023	Q1 2022
Net income	- 7,990	172,278
Other comprehensive income not reclassifiable		
Actuarial gains and losses (IAS 19)	3,894	- 68,712
Related income tax	- 317	15,129
Total	3,577	- 53,583
Other comprehensive income reclassifiable		
Foreign currency translation	- 20,342	17,418
Gain/loss from cashflow hedges	1,050	-
Total	- 19,292	17,418
Other comprehensive income	- 15,715	- 36,165
Total comprehensive income	- 23,705	136,113
<i>thereof attributable to</i>		
– <i>shareholders of Klöckner & Co SE</i>	- 24,034	131,804
– <i>non-controlling interests</i>	329	4,309

Consolidated statement of financial position

as of March 31, 2023

Assets

<i>(€ thousand)</i>	March 31, 2023	December 31, 2022
Non-current assets		
Intangible assets	77,678	84,525
Property, plant and equipment	789,621	799,197
Other financial assets	36,146	36,415
Other non-financial assets	71,418	67,812
Deferred tax assets	39,424	45,321
Total non-current assets	1,014,287	1,033,270
Current assets		
Inventories	1,493,279	1,633,497
Trade receivables	1,011,425	848,782
Contract assets	53,063	49,078
Commissions, discounts and rebate receivables	10,424	42,581
Current income tax receivable	16,435	19,937
Other financial assets	20,081	17,754
Other non-financial assets	36,785	31,743
Cash and cash equivalents	106,230	179,068
Assets held for sale	3,752	3,752
Total current assets	2,751,473	2,826,190
Total assets	3,765,760	3,859,460

Liabilities

<i>(€ thousand)</i>	March 31, 2023	December 31, 2022
Equity		
Subscribed capital	249,375	249,375
Capital reserves	568,622	568,622
Retained earnings	999,996	1,008,383
Accumulated other comprehensive income	114,396	130,044
Equity attributable to shareholders of Klöckner & Co SE	1,932,388	1,956,422
Non-controlling interests	12,163	11,834
Total equity	1,944,551	1,968,256
Non-current liabilities		
Provisions for pensions and similar obligations	36,164	38,012
Other provisions and accrued liabilities	14,875	14,833
Non-current financial liabilities	289,573	400,805
Other financial liabilities	237	645
Deferred tax liabilities	42,943	47,548
Total non-current liabilities	383,792	501,842
Current liabilities		
Other provisions and accrued liabilities	135,493	145,941
Income tax liabilities	19,335	21,591
Current financial liabilities	352,145	358,549
Trade payables	829,257	776,571
Other financial liabilities	41,040	35,966
Non-financial contract liabilities	2,799	2,519
Advance payments received	635	5,637
Other non-financial liabilities	56,713	42,589
Total current liabilities	1,437,417	1,389,362
Total liabilities	1,821,209	1,891,204
Total equity and liabilities	3,765,760	3,859,460

Consolidated statement of cash flows

for the three-month period ending March 31, 2023

<i>(€ thousand)</i>	Q1 2023	Q1 2022
Net income	- 7,990	172,278
Income taxes	11,184	43,856
Financial result	7,934	7,359
Income from investments	1,521	- 31
Depreciation, amortization, reversal of impairment losses and impairment losses of non-current assets	34,924	30,373
Other non-cash income/expenses	194	- 455
Gain on disposal of non-current assets	- 4,562	- 54,298
Change in net working capital		
Inventories	122,566	- 193,711
Trade receivables incl. contract assets and commissions, discounts and rebates receivables	- 144,150	- 368,732
Trade payables incl. contract liabilities and advance payments	56,013	136,998
Change in other operating assets and liabilities	4,052	2,528
Interest paid	- 8,212	- 7,158
Interest received	783	1,362
Income taxes paid	- 12,982	- 32,600
Income taxes received	3,087	1,486
Cash flow from operating activities	64,362	- 260,745
Proceeds from the sale of non-current assets	255	63,144
Proceeds from the sale of other business operations	7,429	-
Dividends received	-	23
Payments for intangible assets, property, plant and equipment	- 14,339	- 19,665
Payments for financial assets	- 1,419	- 928
Payments for investments in consolidated subsidiaries	- 302	- 3,387
Cash flow from investing activities	- 8,376	39,187
Borrowings	5,421	268,127
Repayment of financial liabilities	- 121,839	- 9,438
Repayment of leasing liabilities	- 10,921	- 10,696
Proceeds from derivatives of financing activities	- 200	- 4,070
Cash flow from financing activities	- 127,539	243,923
Changes in cash and cash equivalents	- 71,553	22,365
Effect of foreign exchange rates on cash and cash equivalents	- 1,285	1,670
Cash and cash equivalents at the beginning of the period	179,068	57,628
Cash and cash equivalents at the end of the reporting period as per statement of financial position	106,230	81,663

Segment reporting

(€ million)	Kloekner Metals US		Kloekner Metals EU		Kloekner Metals Non-EU		Holding and other Group companies*)		Total	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
	Shipments (Tto)	599	586	454	482	160	190	-	-	1,213
External sales	929	1,148	794	895	353	394	-	-	2,076	2,438
Gross profit	164	182	107	196	85	103	-	-	357	482
Gross profit margin (%)	17.7	15.9	13.5	21.9	24.1	26.2	-	-	17.2	19.8
Segment result (EBITDA)**)	46	71	-11	105	12	79	1	-1	48	254
EBITDA before material special effects	46	72	10	101	12	29	1	-1	69	201
Earnings before interest and taxes (EBIT)	32	59	-21	97	2	70	-	-2	13	223
Cash flow from operating activities	47	-65	12	-148	-4	-33	9	-14	64	-261

*) Including consolidation.

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

(€ million)	Kloekner Metals US		Kloekner Metals EU		Kloekner Metals Non-EU		Holding and other Group companies*)		Total	
	Q1 2023	FY 2022	Q1 2023	FY 2022	Q1 2023	FY 2022	Q1 2023	FY 2022	Q1 2023	FY 2022
	Net working capital as of closing date**)	672	698	697	715	369	369	-2	7	1,735
Employees as of closing date	2,208	2,206	2,592	2,639	2,149	2,197	260	262	7,209	7,304

*) Including consolidation.

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

Financial calendar 2023

May 17, 2023	Annual General Meeting 2023, Düsseldorf
August 2, 2023	Half-yearly financial report 2023 Conference call with journalists Conference call with analysts
October 31, 2023	Q3 quarterly statement 2023 Conference call with journalists Conference call with analysts

Subject to subsequent changes.

Klößner & 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

