

# 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 <sup>*)</sup>	€ 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 <sup>**)</sup>	€ million	2,258	1,813	1,107	445	1,151
Net financial debt	€ million	999	762	363	237	636
Gearing <sup>***)</sup>	%	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

<sup>\*)</sup> Free cash flow = Cash flow from operating activities plus cash flow from investing activities.

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

<sup>\*\*\*)</sup> 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
<b>Operating result</b>	<b>223,462</b>	<b>110,728</b>
<b>Income from investments</b>	<b>31</b>	<b>-</b>
Finance income	442	16
Finance expenses	- 7,801	- 5,985
<b>Financial result</b>	<b>- 7,359</b>	<b>- 5,969</b>
<b>Income before taxes</b>	<b>216,134</b>	<b>104,759</b>
Income taxes	- 43,856	- 18,581
<b>Net income</b>	<b>172,278</b>	<b>86,179</b>
<i>thereof attributable to</i>		
<i>- shareholders of Klöckner &amp; Co SE</i>	167,981	85,012
<i>- non-controlling interests</i>	4,297	1,167
<b>Earnings per share (€/share)</b>		
<b>- basic</b>	<b>1.68</b>	<b>0.85</b>
<b>- diluted</b>	<b>1.53</b>	<b>0.78</b>

# Statement of comprehensive income

for the three-month period ending March 31, 2022

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

# Consolidated statement of financial position

as of March 31, 2022

## Assets

<i>(€ thousand)</i>	March 31, 2022	December 31, 2021
<b>Non-current assets</b>		
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
<b>Total non-current assets</b>	<b>1,007,988</b>	<b>1,099,287</b>
<b>Current assets</b>		
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
<b>Total current assets</b>	<b>3,417,750</b>	<b>2,778,475</b>
<b>Total assets</b>	<b>4,425,738</b>	<b>3,877,762</b>

## Liabilities

<i>(€ thousand)</i>	<b>March 31, 2022</b>	December 31, 2021
<b>Equity</b>		
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
<b>Equity attributable to shareholders of Klöckner &amp; Co SE</b>	<b>1,943,419</b>	<b>1,811,616</b>
Non-controlling interests	20,040	15,731
<b>Total equity</b>	<b>1,963,460</b>	<b>1,827,348</b>
<b>Non-current liabilities</b>		
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
<b>Total non-current liabilities</b>	<b>867,528</b>	<b>687,099</b>
<b>Current liabilities</b>		
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
<b>Total current liabilities</b>	<b>1,594,751</b>	<b>1,363,315</b>
<b>Total liabilities</b>	<b>2,462,279</b>	<b>2,050,414</b>
<b>Total equity and liabilities</b>	<b>4,425,738</b>	<b>3,877,762</b>



# 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
<b>Cash flow from operating activities</b>	<b>- 260,745</b>	<b>17,575</b>
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	-
<b>Cash flow from investing activities</b>	<b>39,187</b>	<b>- 10,756</b>
Net change of financial liabilities	243,923	- 47,571
<b>Cash flow from financing activities</b>	<b>243,923</b>	<b>- 47,571</b>
<b>Changes in cash and cash equivalents</b>	<b>22,365</b>	<b>- 40,752</b>
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
<b>Cash and cash equivalents at the end of the reporting period as per statement of financial position</b>	<b>81,663</b>	<b>133,483</b>

## Segment reporting

(€ million)	Kloeckner Metals US		Kloeckner Metals EU		Kloeckner Metals Non-EU		Holding and other Group companies <sup>*)</sup>		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 <sup>*)</sup>		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

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

Subject to subsequent changes.

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## Disclaimer

This statement contains forward-looking statements which reflect the current views of the management of Klöckner & Co SE with respect to future events. They generally are designated by the words "expect", "assume", "presume", "intend", "estimate", "strive for", "aim for", "plan", "will", "endeavor", "outlook" and comparable expressions and generally contain information that relates to expectations or goals for economic conditions, sales proceeds or other yardsticks for the success of the enterprise. Forward-looking statements are based on currently valid plans, estimates and expectations and are therefore only valid on the day on which they are made. You therefore should consider them with caution. Such statements are subject to numerous risks and factors of uncertainty (e. g. those described in publications) most of which are difficult to assess and which generally are outside of the control of Klöckner & Co SE. The relevant factors include the effects of reasonable strategic and operational initiatives, including the acquisition or disposal of companies or other assets. If these or other risks and factors of uncertainty occur or if the assumptions on which the statements are based turn out to be incorrect, the actual results of Klöckner & Co SE can deviate significantly from those that are expressed or implied in these statements. Klöckner & Co SE cannot give any guarantee that the expectations or goals will be attained. Klöckner & Co SE – notwithstanding existing legal obligations – rejects any responsibility for updating the forward-looking statements through taking into consideration new information or future events or other things. In addition to the key figures prepared in accordance with IFRS and German-GAAP respectively, Klöckner & Co SE is presenting non-GAAP key figures such as EBITDA, EBIT, Net Working Capital and net financial liabilities that are not a component of the accounting regulations. These key figures are to be viewed as supplementary to, but not as a substitute for data prepared in accordance with IFRS. Non-GAAP key figures are not subject to IFRS or any other generally applicable accounting regulations. In assessing the net assets, financial position and results of operations of Klöckner & Co SE, these supplementary figures should not be used in isolation or as an alternative to the key figures presented in the consolidated financial statements and calculated in accordance with the relevant accounting principles. Other companies may base these concepts upon other definitions. Please refer to the definitions in the annual report 2021. For other terms not defined in the annual report 2021, please refer to the glossary on our website at <https://www.kloeckner.com/en/glossary.html>.

## 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

