

Q1 Quarterly Statement 2021

January 1, 2021 – March 31, 2021

- Operating income (EBITDA) of €130 million at the upper end of the €110 million to €130 million guidance range; EBITDA of €141 million including material special effects; strongest quarter in over twelve years
- Shipments of 1.3 million tons down by 5.7% on the prior-year period due to the pandemic, but significant recovery as the quarter progressed
- Sales increased considerably relative to the prior-year quarter due to higher prices, rising by 5.3% to €1.5 billion
- Positive net income of €86 million, compared with net loss of €21 million in the prior year
- Sales share generated via digital channels at more than 45% (Q1 2020: 35%)
- EBITDA before material special effects of €130 million to €160 million expected for the second quarter

SALES CONSIDERABLY HIGHER, SHIPMENTS DOWN ON PRIOR YEAR DUE TO PANDEMIC

The exceptionally positive price trend – especially in the USA, but also in Europe – caused sales to rise from €1.4 billion to €1.5 billion. Due to the pandemic, the shipments of 1.3 million tons were still below the 1.4 million tons recorded in the prior-year quarter (– 5.7%), although there was a significant recovery across all operating segments in the course of the quarter.

STRONGEST QUARTER IN OVER TWELVE YEARS

Operating income (EBITDA) adjusted for material special effects, at €130 million in the first quarter, was at the upper end of the €110 million to €130 million guidance range (Q1 2020: €21 million). This made it the strongest quarter in over twelve years. The year-on-year improvement was mainly driven by exceptionally positive price momentum and the related increase in gross profit from €285 million to €388 million (+35.8%) together with substantial effects from digitalization and restructuring as a result of the Surtsey project. Including material special effects – primarily from the sale of closed sites – EBITDA came to €141 million (Q1 2020: €21 million).

Net income was €86 million in the first quarter, compared with a net loss of €21 million in the first three months of 2020. Earnings per share consequently came to €0.85 (Q1 2020: €– 0.21).

EARNINGS BY OPERATING SEGMENT

EBITDA in the Klockner Metals US segment was €75 million, compared with €9 million in the prior-year period. The increase was mainly due to the positive trend in selling prices on the basis of a smaller increase in inventory prices.

The Kloeckner Metals Switzerland segment generated EBITDA of €10 million, which was roughly level with the prior-year quarter. Following slightly weaker business – particularly of reinforcing steel – due to weather conditions early in the year, shipments and sales picked up over the remainder of the quarter. Earnings were also positively impacted by the effects of Surtsey and the resulting lower OPEX.

Although demand in the Kloeckner Metals Services Europe segment has not yet fully recovered, the segment recorded a mostly price-driven increase in earnings from €5 million in the comparable period to €13 million in the first quarter of 2021.

Adjusted operating income in the Kloeckner Metals Distribution Europe segment developed particularly well, increasing from €2 million to €43 million. In this segment, too, we benefited very strongly from rising prices and the Surtsey measures. While our biggest earnings increase was in Germany, EBITDA was also very considerably higher than in the prior year in France and the United Kingdom.

Although shipments were still below pre-crisis levels, all operating segments and country organizations generated positive income before taxes in the first quarter of 2021.

VERY SOLID FINANCIAL POSITION MAINTAINED AND POSITIVE CASH FLOW FROM OPERATING ACTIVITIES

Primarily driven by prices, net working capital grew relative to the 2020 year-end by €140 million to €1,107 million. Due to the positive cash flow from operating activities, however, net financial liabilities increased only slightly from €351 million to €363 million and were thus significantly lower than at the end of the first quarter of the prior year (€563 million).

Equity went up as a result of the net income from €1,043 million as of December 31, 2020 to €1,170 million reflecting the solid balance sheet. This makes up almost all of the decrease in equity from the operating losses during the 2020 pandemic year and from the Surtsey restructuring expenses incurred in 2020. Despite higher net working capital, the equity ratio of 40.1% was slightly higher than the figure as of December 31, 2020 (39.9%).

Also despite the higher net working capital, the first quarter of 2021 saw a net cash inflow from operating activities of €18 million, compared with a net cash outflow of €97 million in the comparable prior-year period. Deducting the cash outflow from investing activities (€11 million) gives a free cash flow of €7 million (Q1 2020: €– 107 million).

STABLE FINANCING WITH IMPROVED MATURITY PROFILE

In April 2021, Klöckner & Co extended the €278 million syndicated loan with its core banks by another year to May 2024. This transaction made it possible to further improve the Group's maturity profile. The core instruments used to finance working capital currently have a volume-weighted remaining term of approximately two-and-a-half years. Our financing instruments covering a total amount of some €1.1 billion (excluding leases) continue to provide us with generous financial headroom.

KLÖCKNER & CO'S DIGITAL TRANSFORMATION

Klößner & Co continues to drive ahead its digital transformation. While the percentage of sales generated via digital channels stayed constant relative to the preceding quarter at 45%, this is a significant 10 percentage points higher than in the comparable prior-year period (Q1 2020: 35%). A major factor in this is the AI-driven Kloeckner Assistant. In just one year, this application has already processed around half a billion euros in sales, including about €200 million in the first quarter of 2021 alone. Together with the Klößner & Co Onlineshops, which now boast over 65,000 registered customers and over half a million annual log-ins, our tools have digitalized large sections of Klößner & Co's sales processes.

XOM Materials also made progress in the past quarter, notably in software-as-a-service (SaaS) solutions that provide customers with greater scope for customization to local market conditions. Starting in the first quarter, XOM Materials has now additionally rolled out its eProcurement solution in the USA and Latin America. The first quarter also saw XOM Materials already reach a gross merchandise volume of around €150 million.

The Surtsey project launched by Klößner & Co last year to accelerate its digital transformation is well advanced, with some 90% of the related measures now implemented. Digitalization and restructuring effects resulting from the Surtsey project came to around €20 million in the first quarter of 2021. In the current fiscal year, measures under this project will contribute over €100 million to operating income.

OUTLOOK

The overall economic situation and demand for steel are increasingly recovering. The shortage of steel combined with long delivery times has led to further price increases. We therefore expect a considerable increase in sales in the second quarter, while in terms of shipments we anticipate a slight increase compared with the previous quarter due to our focus on margin optimization. In light of this, and with substantial support from the effects of the Surtsey project, we expect EBITDA before material special effects to be in the €130 million to €160 million range. In addition to this, we will see additional positive special effects in the second quarter from sales of assets as part of Surtsey.

Klöckner & Co SE

Financial information

for the three-month period ending March 31, 2021

Shipments and income statement		Q1 2021	Q1 2020	Variance
Shipments	Tto	1,287	1,365	- 78
Sales	€ million	1,525	1,448	77
Gross profit	€ million	388	285	102
Gross profit margin	%	25.4	19.7	5.7%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	141	21	120
EBITDA before material special effects	€ million	130	21	109
EBITDA margin	%	9.2	1.5	7.7%p
EBITDA margin before material special effects	%	8.5	1.5	7.0%p
Earnings before interest and taxes (EBIT)	€ million	111	- 13	123
Earnings before taxes (EBT)	€ million	105	- 22	126
EBT before material special effects	€ million	94	- 22	116
Net income	€ million	86	- 21	107
Net income attributable to shareholders of Klöckner & Co SE	€ million	85	- 21	106
Earnings per share (basic)	€	0.85	- 0.21	1.07
Earnings per share (diluted)	€	0.78	- 0.21	0.99

Cash flow statement		Q1 2021	Q1 2020	Variance
Cash flow from operating activities	€ million	18	- 97	115
Cash flow from investing activities	€ million	- 11	- 10	- 1
Free cash flow ^{*)}	€ million	7	- 107	114

Balance sheet		March 31, 2021	Dec. 31, 2020	March 31, 2020	Variance Q1 2021 vs. FY 2020	Variance Q1 2021 vs. Q1 2020
Net Working Capital ^{**)}	€ million	1,107	967	1,228	140	- 121
Net financial debt	€ million	363	351	563	11	- 201
Gearing ^{***)}	%	31.2	33.9	46.8	- 2.7%p	- 15.6%p
Equity	€ million	1,170	1,043	1,211	127	- 41
Equity ratio	%	40.1	39.9	40.7	0.2%p	- 0.6%p
Total assets	€ million	2,916	2,613	2,973	303	- 57

Employees		March 31, 2021	Dec. 31, 2020	March 31, 2020	Variance Q1 2021 vs. FY 2020	Variance Q1 2021 vs. Q1 2020
Employees as of the end of the reporting period		7,113	7,274	8,179	- 161	- 1,066

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

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

***) 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, 2021

<i>(€ thousand)</i>	Q1 2021	Q1 2020
Sales	1,525,434	1,448,199
Changes in inventory	6,627	– 5,980
Own work capitalized	398	–
Other operating income	17,342	6,519
Cost of materials	– 1,144,396	– 1,156,810
Personnel expenses	– 149,117	– 149,750
Depreciation and amortization	– 30,245	– 33,824
Other operating expenses	– 115,315	– 120,905
Operating result	110,728	– 12,551
Finance income	16	148
Finance expenses	– 5,985	– 9,167
Financial result	– 5,969	– 9,019
Income before taxes	104,759	– 21,570
Income taxes	– 18,581	738
Net income	86,179	– 20,832
<i>thereof attributable to</i>		
– shareholders of Klöckner & Co SE	85,012	– 21,193
– non-controlling interests	1,167	361
Earnings per share (€/share)		
– basic	0.85	– 0.21
– diluted	0.78	– 0.21

Statement of comprehensive income

for the three-month period ending March 31, 2021

<i>(€ thousand)</i>	Q1 2021	Q1 2020
Net income	86,179	- 20,832
Other comprehensive income not reclassifiable		
Actuarial gains and losses (IAS 19)	43,691	31,232
Related income tax	- 7,506	164
Total	36,185	31,396
Other comprehensive income reclassifiable		
Foreign currency translation	4,481	18,032
Total	4,481	18,032
Other comprehensive income	40,666	49,428
Total comprehensive income	126,845	28,596
<i>thereof attributable to</i>		
- <i>shareholders of Klöckner & Co SE</i>	<i>125,677</i>	<i>28,220</i>
- <i>non-controlling interests</i>	<i>1,168</i>	<i>376</i>

Consolidated statement of financial position

as of March 31, 2021

Assets

<i>(€ thousand)</i>	March 31, 2021	December 31, 2020
Non-current assets		
Intangible assets	106,399	109,085
Property, plant and equipment	742,978	743,770
Other financial assets	21,368	19,448
Other non-financial assets	69,776	49,348
Current income tax receivable	1,887	1,887
Deferred tax assets	4,093	8,324
Total non-current assets	946,501	931,862
Current assets		
Inventories	947,653	855,591
Trade receivables	781,644	517,372
Contract assets	25,545	25,954
Commissions, discounts and rebate receivables	16,042	43,253
Current income tax receivable	8,419	18,927
Other financial assets	15,388	14,876
Other non-financial assets	39,449	23,542
Cash and cash equivalents	133,483	172,566
Assets held for sale	1,803	9,011
Total current assets	1,969,426	1,681,092
Total assets	2,915,927	2,612,954

Liabilities

<i>(€ thousand)</i>	March 31, 2021	December 31, 2020
Equity		
Subscribed capital	249,375	249,375
Capital reserves	568,729	568,729
Retained earnings	320,935	235,923
Accumulated other comprehensive income	22,668	– 17,997
Equity attributable to shareholders of Klöckner & Co SE	1,161,707	1,036,030
Non-controlling interests	8,276	7,108
Total equity	1,169,983	1,043,138
Non-current liabilities		
Provisions for pensions and similar obligations	267,034	287,542
Other provisions and accrued liabilities	15,788	15,644
Non-current financial liabilities	295,279	334,038
Other financial liabilities	2,413	2,313
Deferred tax liabilities	46,230	43,321
Total non-current liabilities	626,744	682,858
Current liabilities		
Other provisions and accrued liabilities	135,998	138,742
Income tax liabilities	13,131	7,397
Current financial liabilities	197,934	186,617
Trade payables	663,881	475,218
Other financial liabilities	37,637	37,523
Other non-financial liabilities	70,619	41,461
Total current liabilities	1,119,200	886,958
Total liabilities	1,745,944	1,569,816
Total equity and liabilities	2,915,927	2,612,954

Consolidated statement of cash flows

for the three-month period ending March 31, 2021

<i>(€ thousand)</i>	Q1 2021	Q1 2020
Net income	86,179	– 20,832
Income taxes	18,581	– 738
Financial result	5,969	9,019
Depreciation and amortization of non-current assets	30,245	33,824
Other non-cash income/expenses	– 3	558
Gain on disposal of non-current assets	– 11,539	– 333
Change in net working capital		
Inventories	– 77,547	28,947
Trade receivables	– 223,173	– 118,577
Trade payables	174,261	– 6,297
Change in other operating assets and liabilities	21,532	– 11,043
Interest paid	– 5,234	– 7,378
Interest received	61	216
Income taxes paid	– 1,757	– 4,103
Cash flow from operating activities	17,575	– 96,737
Proceeds from the sale of non-current assets and assets held for sale	5,717	478
Payments for intangible assets, property, plant and equipment (incl. financial assets)	– 16,473	– 11,080
Cash flow from investing activities	– 10,756	– 10,602
Net change of financial liabilities	– 47,571	46,079
Cash flow from financing activities	– 47,571	46,079
Changes in cash and cash equivalents	– 40,752	– 61,260
Effect of foreign exchange rates on cash and cash equivalents	1,669	– 596
Cash and cash equivalents at the beginning of the period	172,566	182,520
Cash and cash equivalents at the end of the reporting period as per statement of financial position	133,483	120,664

Segment reporting

(€ million)	KloECKNER Metals US		KloECKNER Metals Switzerland		KloECKNER Metals Services Europe		KloECKNER Metals Distribution Europe		Holding and other Group companies		Total	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
	Shipments (Tto)	619	649	127	127	224	247	317	342	-	-	1,287
External sales	662	601	212	215	186	187	465	446	-	-	1,525	1,448
Gross profit	166	105	63	64	33	25	126	92	-	-	388	285
Gross profit margin (%)	25.1	17.5	29.5	29.6	17.6	13.4	27.2	20.5	-	-	25.4	19.7
Segment re- sult (EBITDA)	75	9	10	10	13	5	53	3	-11	-6	141	21
EBITDA be- fore material special effects	75	9	10	10	13	5	43	2	-11	-6	130	21
Earnings be- fore interest and taxes (EBIT)	63	-4	4	2	12	4	45	-7	-13	-8	111	-13
Cash flow from operat- ing activities	25	-14	-14	-24	24	13	-4	-59	-14	-13	18	-97

(€ million)	KloECKNER Metals US		KloECKNER Metals Switzerland		KloECKNER Metals Services Europe		KloECKNER Metals Distribution Europe		Holding and other Group companies		Total	
	Q1 2021	FY 2020	Q1 2021	FY 2020	Q1 2021	FY 2020	Q1 2021	FY 2020	Q1 2021	FY 2020	Q1 2021	FY 2020
	Net working capital as of closing date	407	338	227	209	149	151	333	284	-10	-15	1,107
Employees as of closing date	2,140	2,120	1,515	1,554	530	539	2,684	2,829	244	232	7,113	7,274

Financial calendar 2021

May 12, 2021	Annual General Meeting 2021 (virtual)
August 13, 2021	Half-yearly financial report 2021 Conference call with journalists Conference call with analysts
November 3, 2021	Q3 quarterly statement 2021 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 annual report and 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

