klöckner & co

Your partner for a sustainable tomorrow

ANNUAL REPORT 2022

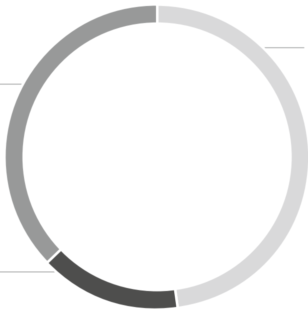
KEY FIGURES

Klöckner & Co SE

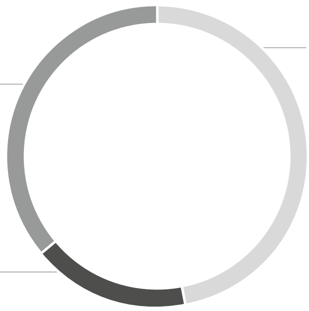
in € million		2022	2021	2020	2019	2018	Change 2022–2021
Shipments	Tto	4,679	4,881	4,873	5,648	6,107	–201
Sales		9,379	7,441	5,130	6,315	6,790	+1,938
EBITDA before material special effects		417	848	111	124	229	–432
EBITDA		481	879	52	139	227	–398
EBIT		348	754	–93	2	141	–406
EBT		319	748	–124	–39	107	–429
Net income		259	629	–114	–55	69	–370
Earnings per share (basic)	€	2.54	6.21	–1.16	–0.56	0.68	–3.67
Earnings per share (diluted)	€	2.32	5.58	–1.16	–0.56	0.66	–3.26
Cash flow from operating activites		405	–306	161	204	60	+711
Cash flow from investing activities		–34	–60	–62	3	–59	+26
Free cash flow		371	–366	99	207	1	+737
Liquid funds		179	58	173	183	141	+121
Net working capital[1]		1,789	1,813	967	1,119	1,277	–24
Net financial debt		584	762	351	445	383	–179
Equity ratio	%	51.0	47.1	39.9	40.5	41.9	+3.9
Balance sheet total		3,859	3,878	2,613	2,916	3,061	–19
Employees as of December, 31		7,304	7,153	7,274	8,253	8,579	+151

[1] Inventories + trade receivables (incl. contract assets) + supplier bonus receivables ./. trade liabilities (incl. contract liabilities and advance payments received).

SHIPMENTS



SALES

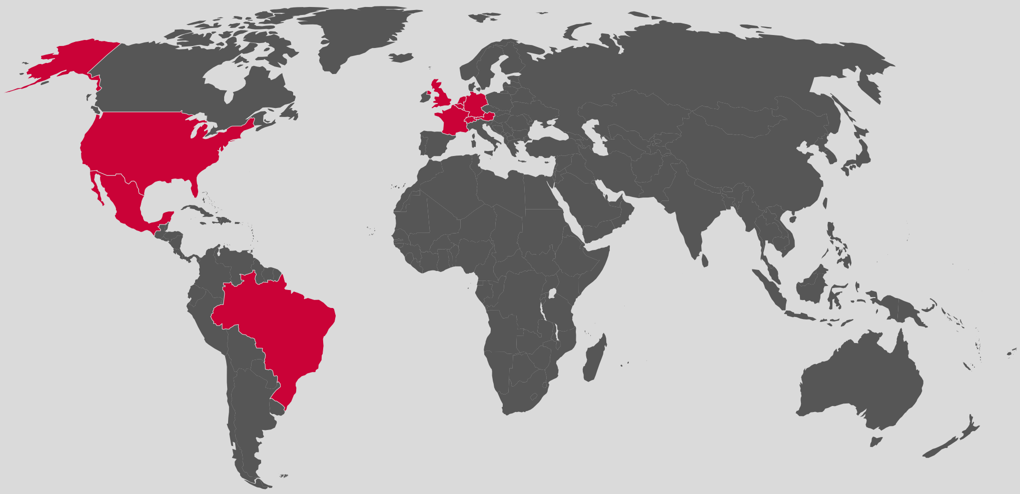


CONTENT

A compilation of explanations of selected terms used in the Annual Report can be found in the glossary on the Klöckner & Co website at https://www.kloeckner.com/en/glossary.html.

FACTS 2022

Locations
~150



Employees
~7,300

Main suppliers
~50

Products
~200,000

Customers
>90,000

Sales
9,379 €m

Sales
Kloeckner Metals US
4,427 €m

Sales
Kloeckner Metals EU
3,332 €m

Sales
Kloeckner Metals Non-EU
1,619 €m

EBITDA
417 €m
before material special effects

Shipments
4,679 Tt

Digital Sales
44 %
in Q4 2022

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Ladies and Gentlemen,

Fiscal year 2022 was marked by the Russian war of aggression against Ukraine, which has brought terrible suffering to many people in the midst of Europe. The ensuing energy crisis, rising inflation rates, monetary policy measures by central banks and volatile capital markets have led to a challenging economic environment worldwide. Despite this difficult geopolitical and macroeconomic situation, we at Klöckner & Co have been able to deliver very good results in the past fiscal year. For the full year 2022, we increased sales considerably, by 26% to €9.4 million, and generated operating income (EBITDA) of some €417 million before material special effects. In light of the positive net income of €259 million and earnings per share of €2,54 we will be proposing a dividend of 40 cents per share at the Annual General Meeting.

The basis of our success is the progress we have made in implementing our Group strategy, "Klöckner & Co 2025: Leveraging Strengths". Despite the ongoing challenging environment, we have forged ahead with numerous measures while resolutely pursuing one single goal: Klöckner & Co is to become the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas, and the pioneer for sustainability in the industry. Thanks to targeted initiatives and aided by our strong team, we made decisive progress over the last fiscal year in all four areas: Customer Growth, Leveraging Assets & Partner Network, Digitalization & Value Chain Automation, and Operational Excellence.

We have strengthened our role as a pioneer of sustainability
At Klöckner & Co, we see the decarbonization of the steel industry as a strategic opportunity for ourselves and our customers. CO2-reduced steel and metal products are a key lever for our customers on the way to emission-free operations. We place our focus on providing sustainable product and service solutions.

A key element in the implementation of our sustainability strategy is the launch of our new brand, Nexigen®, which brings together our range of sustainable products and services. In this way, we make it easier for our customers to reliably source CO2-reduced steel and metal products while giving them full visibility into the carbon footprint of the products they buy – from resource extraction to production, or cradle to gate. Combined with a comprehensive range of logistics solutions, circularity solutions and Sustainability Advisory Services (SAS), we additionally support customers in building sustainable supply chains. In September 2022, we delivered the first tons of CO2-reduced steel to our long-standing customer Mercedes-Benz. Per ton of steel, cradle-to-gate emissions totaled less than 500 kg of carbon – over 80% less carbon per ton of steel than via the blast furnace route. That is tangible and measurable progress. Siemens and many other major customers who are considered pioneers of sustainability in their industries have since followed suit.

„At Klöckner & Co, we see the decarbonization of the steel industry as a strategic opportunity for ourselves and our customers.“

Guido Kerkhoff

CHAIRMAN OF THE MANAGEMENT BOARD (CEO)

But our sustainability ambitions are not limited to steel. By partnering with Outokumpu, the world's leading supplier of sustainable stainless steel, we are now also able to offer CO2-reduced stainless steel. The first of these coils was produced with 92% lower CO2 emissions than conventional stainless steel, placing it in the top, "Prime" category in Klöckner & Co's new stainless steel categorization system. Our categorizations for carbon steel, stainless steel and aluminum enable our customers to easily and reliably compare the carbon footprints of different products.

To help build sustainable supply chains, we have further added to our range of carbon classifications, making targeted use of our sustainability, materials and technology expertise. For almost every single one of the 200,000 Klöckner products, our customers can now have the individual product carbon footprint (PCF) calculated and "sent along" with the product. The PCF states all of a product's emissions at kilogram precision and is determined using the Nexigen® PCF Algorithm, which has been independently certified by TÜV Süd and was specially developed by Klöckner & Co in collaboration with the Boston Consulting Group. One thing makes me particularly proud: In December 2022, in recognition of our Company's sustainable transformation, we won the German Sustainability Award 2023 in the Climate Transformation category. The award is a tribute to our extensive sustainability activities and testimony to our successful journey as a pioneer of a sustainable steel and metals industry. It also represents the standard we strive to maintain in our own operations. We are the first company in the world to have our net zero carbon targets recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process in accordance with the latest standards.

We have expanded our product portfolio with acquisitions in North America and Europe

The acquisition, announced last year, of National Material of Mexico (NMM) by our US subsidiary Kloeckner Metals Corporation (KMC) was an important strategic step. It further strengthens our leading position in steel and metals distribution and the steel service business in North America. In the future, our customers will have local market access to steel, aluminum and stainless steel in Mexico. The acquisition also enables us to enter the exclusive electrical steel market. KMC and NMM complement each other perfectly, whether in terms of regional coverage, customer segments or NMM's strong position in the automotive sector. In addition, Mexico is highly attractive for Klöckner & Co due to its proximity to the US and to the highly qualified local labor market. North America also continues to be an important production location for automotive manufacturers worldwide. To meet growing demand, including for electric cars and transformers, the number of vehicles produced there is expected to increase going forward. As a combined player, we are now ideally positioned to meet this demand.

Another important milestone in expanding our presence in North America is the strengthening of our partnership with US steelmaker Nucor. As the exclusive on-site partner, we are investing in a heavy plate processing plant on the site of Nucor's new steel mill in Brandenburg, Kentucky. Nucor Brandenburg will be a state-of-the-art electric steel mill that will recycle scrap into new heavy plate for offshore wind turbines and other infrastructure projects. With this investment, we are driving ahead the development of sustainable, innovative and complex solutions for the entire supply chain and extending our service portfolio. By strengthening our partnership with Nucor and acquiring NMM, we are well positioned to benefit from the US administration's planned investment in renewable energy and infrastructure.

We have also made selective acquisitions to expand our portfolio in Europe. The acquisition of Hernandez Stainless GmbH and RSC Stainless Coil Center GmbH by our German subsidiary Becker Stahl-Service marked our entry into stainless steel processing in a major addition to our product and service portfolio.

We have focused on digitalizing internal processes

Digitalization and automation are key strategic focuses in which we also made good progress in the past year. In fiscal year 2022, we launched further initiatives to streamline, harmonize and modernize our Group IT landscape. These initiatives lay the groundwork for further digitalization and automation of processes between sales and processing, in our stockyards and in distribution, with the aim of increasing our internal operational efficiency.

Improving supply chain transparency also enables us to enhance the shopping experience for our customers, for example with real-time order tracking. This gives us a key competitive edge over smaller competitors. In order to continue developing innovative digital solutions in the future, we are going to tie in kloeckner.i, our digital innovation hub, even more closely with our operating business and step up internal collaboration with other units.

We have continued to drive cultural change to be more innovative and future-ready

What is Klöckner & Co there for? What is the basis

of our identity? We put these questions to ourselves and our employees last year and summed up the responses in our purpose statement: “We partner with customers and suppliers to deliver innovative metal solutions for a sustainable tomorrow.” In the next step, we will focus on further translating this purpose into reality. This also includes taking a closer look at our existing corporate values, which underpin our culture. To that end, we have formed a project team with colleagues from a variety of functions and countries to examine how our current value set should be adapted to fit our purpose.
In the process, we will not lose sight of important team factors. Something particularly important to us is the safety of all employees. I am proud to report that we were once again able to improve our safety performance last year and exceed our Group targets. We will continue to pursue our mission of zero accidents in the Group over the coming year, because one thing is certain: every accident is one too many.

We made 2022 a successful year together as a strong team
In my opinion, 2022 will go down in history as a turning point. With our strategy, we at Klöckner & Co have laid the groundwork enabling our business to successfully weather the current crises. We also consider ourselves well positioned for future crises. As a team, we demonstrated resilience last year while making significant progress in executing our strategy. This is not something that can be taken for granted, and I would like to express my sincere thanks to all of our employees. They are the pioneers of the digital and sustainable transformation of our industry that we at Klöckner & Co are working on every day.

I would also like to thank our Supervisory Board for their continuing support. Last but not least, I would like to express my gratitude to you, our shareholders, for your trust in the work of our management team and our Company.

Sincerely,

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD

MANAGEMENT BOA

John Ganem

MEMBER OF THE MANAGEMENT BOARD (CEO AMERICAS)

Born 1969, Member of the Management Board since August 1, 2019, and appointed until July 31, 2025. As Chief Executive Officer Americas (CEO Americas), he is responsible for operations in the Kloeckner Metals US segment.

Dr. Oliver Falk

MEMBER OF THE MANAGEMENT BOARD (CFO)

Born in 1962, Member of the Management Board since August 1, 2019 and appointed until July 31, 2025. As Chief Financial Officer (CFO) he is responsible for Corporate Accounting / Governance & Finance Transformation, Corporate Controlling, Corporate Taxes, Corporate Treasury, Facility Management and Internal Audit.

RD

Bernhard Weiß

MEMBER OF THE MANAGEMENT BOARD (CEO EUROPE)

Born in 1965, Member of the Management Board since June 1, 2021, and appointed until May 31, 2024. As Chief Executive Officer Europe (CEO Europe) he is responsible for operations in the Kloeckner Metals EU segment and Strategic Procurement.

Guido Kerkhoff

CHAIRMAN OF THE MANAGEMENT BOARD (CEO)

Born in 1967, Chairman of the Management Board of Klöckner & Co SE since May 13, 2021 and appointed until August 31, 2026. He is responsible for the coordination of the Management Board and functionally responsible for the divisions Corporate Strategy / M&A, Group HR, Pensions & Insurances, Investor Relations, Internal & External Communications, kloeckner.i (including Group IT), Legal & Governance / Risk / Compliance and Sustainability. In addition, he is responsible for the operational management of the Kloeckner Metals Non-EU segment.

REPORT OF THE SUPERVISORY BOARD

During the reporting year, the Supervisory Board once again performed, with due care, the duties incumbent upon it by law, the Company's Articles of Association and the Rules of Procedure. The Supervisory Board supervised and regularly advised the Management Board, and satisfied itself that the Management Board's decisions and actions were legally compliant, orderly and fit for purpose. Where appropriate, the Supervisory Board consulted external experts and relevant studies. The Supervisory Board adopted resolutions as required by law, the Articles of Association or the Rules of Procedure, in each instance after thorough and careful appraisal. This in particular included transactions and measures for which the Articles of Association and/or Rules of Procedure require the Management Board to obtain Supervisory Board approval; after in-depth consultation, the Supervisory Board granted the required approval in each case.

The Supervisory Board was involved on a timely basis in all matters of fundamental importance. To this end, the Management Board provided the Supervisory Board with information on planning, the Company's business and financial situation, and all transactions of importance to the Company and the Group, both in and between Supervisory Board meetings. Supervisory Board meetings regularly included reports on the overall economic climate, the industry situation and the performance of the Klöckner & Co Group and its segments, key performance indicators and the performance of the Klöckner & Co share price. Risk exposure, risk management, the internal control system and compliance (including data protection and information security) were also covered in detail. Matters discussed in particular detail at the September meeting included the corporate strategy ("Klöckner & Co 2025: Leveraging Strengths"). The corporate strategy and its implementation were also addressed at other ordinary meetings of the Supervisory Board during the reporting year. In all instances, the Supervisory Board was supplied with comprehensive documentation.

Both in plenary sessions and in committee meetings, the members of the Supervisory Board thoroughly reviewed the Management Board's reports and intended actions and made various suggestions. Information was also exchanged on a regular basis between meetings. Written reporting by the Management Board during the reporting year once again centered on the detailed monthly Board Reports. Independently of this, the CEO, in most cases together with the CFO, held personal meetings with the Chairman of the Supervisory Board on a monthly basis to report on current business developments, salient issues and upcoming decisions, to discuss them with him and decide on the further course of action.

Organization of the Supervisory Board's work

The six-member Supervisory Board is made up entirely of shareholder representatives. The Supervisory Board has established two committees to carry out its duties: an Executive Committee and an Audit Committee, each with three members.

The members of the Supervisory Board are Prof. Dr. Dieter H. Vogel (Chairman), Dr. Ralph Heck (Deputy Chairman), Prof. Dr. Tobias Kollmann, Prof. Dr. E.h. Friedhelm Loh, Uwe Röhrhoff and Ute Wolf. All of the Supervisory Board members have longstanding experience on management and/or supervisory bodies of various entities and, with their expertise, together cover very well the full range of responsibilities required by the Company.

The Executive Committee comprises Prof. Dr. Dieter H. Vogel (Chairman), Dr. Ralph Heck and Prof. Dr. E.h. Friedhelm Loh. The Executive Committee also carries out the functions of a Personnel

Committee and a Nomination Committee. The Audit Committee comprises Ute Wolf (Chairwoman), Prof. Dr. Dieter H. Vogel and Uwe Röhrhoff. Ute Wolf, as an independent member of the Company's Supervisory Board, meets the requirements of a "financial expert" with expertise in the field of financial reporting and auditing. The Audit Committee meets the requirements under the Financial Market Integrity Strengthening Act and the Code with regard to the special expertise of its members. Further information on the Audit Committee can be found in the Corporate Governance Statement in this Annual Report. At the plenary meetings, the committee chairpersons reported regularly and in-depth on topics covered in and outcomes of committee meetings. Where permitted by law, certain decision-making powers have been delegated to the committees.

The Management Board is closely involved in the work of the Supervisory Board. All members of the Management Board took part in Supervisory Board meetings. The meetings of the Executive Committee were attended by the CEO (except the extraordinary meeting of the Executive Committee in December, which was additionally attended by the CFO and CEO Americas) and those of the Audit Committee by the CFO and the CEO. In the course of its meetings, the Supervisory Board also regularly consulted without the Management Board. At the Audit Committee meetings on March 1, 2022 and July 28, 2022, which the auditor was asked to attend in the role of expert (to discuss the annual and consolidated financial statements and to discuss the half-year financial report, respectively), a corresponding resolution of the Audit Committee was adopted stating that the presence of the aforementioned Management Board members was deemed necessary. Additionally, the July 28, 2022 meeting included an agenda item for consultation with the auditor without the Management Board.

It is the individual responsibility of the members of the Supervisory Board to keep themselves informed about current issues and matters relating to their professional practice, and to further their training and professional development. They are supported in this by the Company, which in particular reimburses reasonable expenses for external professional development activities. Moreover, an onboarding program is conducted for newly elected Supervisory Board members. As part of the onboarding program, newly elected members receive a comprehensive information package and the legally required guidance documents. They also have the opportunity to meet the Management Board and, where appropriate, individual heads of corporate departments.

Meeting attendance

The Supervisory Board held a total of seven plenary meetings in fiscal year 2022. In addition, two resolutions (on approval of an acquisition and on a consultancy agreement) were adopted by written procedure. The Executive Committee met four times in the reporting year and the Audit Committee five times.

Six plenary meetings were held as video conferences (in January (two meetings), March and June due to the pandemic and in September and October for organizational reasons). One meeting (the December meeting) was held in person. For the reasons mentioned, two meetings of the Executive Committee were held as video conferences (in March and September) and two meetings in person (in December). Four meetings of the Audit Committee took place via video conference: These were the regularly scheduled meetings to discuss the half-year financial report and quarterly statements before publication, in addition to the meeting in March, which was held remotely because of the COVID-19 pandemic. The December meeting was held in person.

One member was unable to attend the plenary meeting on March 1, 2022, and two members were not in attendance at the extraordinary plenary meetings on January 21, 2022, and October 28, 2022. Apart from that, all Supervisory Board and committee members attended all meetings in fiscal year 2022 (see Recommendation D.7 of the Code). The attendance rate for all Supervisory Board meetings, including committee meetings, was consequently 92.8%.

A detailed member-by-member overview of meeting attendance during the reporting year can be found

	Supervisiory Board			Executive Committee			Audit Committee		
	Atten-dance	Mee-tings	Atten-dance in %	Atten-dance	Mee-tings	Atten-dance in %	Atten-dance	Meeting	Atten-dance in %
Prof. Dr. Dieter H. Vogel	6	7	86%	4	4	100%	5	5	100%
Dr. Ralph Heck	7	7	100%	4	4	100%			
Prof. Dr. Tobias Kollmann	7	7	100%						
Prof. Dr. E.h. Friedhelm Loh	5	7	71%	4	4	100%			
Uwe Röhrhoff	7	7	100%				5	5	100%
Ute Wolf	5	7	71%				5	5	100%
Total			**88%**			**100%**			**100%**

in tabular form above. The overview can also be found on the Company's website at https://www.kloeckner.com/en/group/supervisory-board.html.

Supervisory Board meeting agenda items and resolutions

During the fiscal year under review, the Supervisory Board regularly addressed the business situation, strategy implementation and strategy development, governance, risk and compliance issues as well as matters pertaining to the Management Board and Supervisory Board. Multiple meetings also covered reporting on ongoing projects including Group financing.

Following fiscal year 2021, which was dominated by the COVID-19 pandemic and in which the Group generated its best results since the IPO in 2006 in a fiscal year, the business performance of the Group as a whole was significantly impacted in the 2022 reporting year by the effects of the Russian war of aggression against Ukraine and the monetary policy shift by central banks in response to rising inflation rates. The conflict in Ukraine led to significant price increases in the market during the first half of the year. However, a marked price correction set in over the remainder of the reporting year, with a negative impact on Group operating income in the second half-year. The effects of this were mitigated by consistent net working capital management and an active inventory reduction drive. On the demand side, negative effects came from ongoing shortages of semiconductor products for the automotive industry and the deteriorating macroeconomic environment in the second half of the year.

In addition to market developments and the business situation, major topics of the Supervisory Board meetings included the further development of the current strategy ("Klöckner & Co 2025: Leveraging Strengths"), the ongoing digital transformation and the roll-out of sustainable business models. With regard to digitalization and automation, the core functions of Kloeckner Assistant were expanded in the reporting year. Progress was also made in establishing sustainable business solutions: Alongside successful assessment and recognition of Klöckner & Co's carbon reduction targets by SBTi (Science Based Targets initiative) and a further significant cut in carbon emissions, the most notable development here was the expansion of activities involving sustainable customer solutions. Numerous partnerships and the launch of the Nexigen® umbrella brand made it possible to supply the first quantities of CO2-reduced products to customers in the reporting year. Klöckner & Co was awarded the German Sustainability Award 2023 in the Climate Transformation category for its wide-ranging sustainability activities.

The reporting year also brought two strategically relevant acquisitions. Acquiring National Material of Mexico will strengthen Klöckner & Co's leading position in North America. In addition, Becker Stahl added stainless steel processing to its service portfolio with the acquisition of two service centers in Germany.

The Supervisory Board closely watched and analyzed share price performance throughout the reporting year and discussed it with the Management Board at meetings. International capital markets were heavily influenced in the reporting year by the Russian war of aggression against Ukraine, the associated energy crisis and very high inflation, which resulted in sharp interest rate hikes and negative effects on the economy. These developments and resulting fears of a potential recession impacted the equity market as a whole and also the Klöckner & Co share price, which ended the year below its closing price from a year earlier.

The Supervisory Board also closely monitored the financing side. In the opinion of the Supervisory Board, the Group's finances can continue to be regarded as diversified, solid and balanced. With regard to the maturity profile, the European ABS program was extended in the reporting year – with minor technical adjustments – to 2026; this was preceded by an increase in volume in spring 2022. In an amend and extend process, the US ABL facility was likewise extended to 2027 on improved terms and additionally increased in size at the end of the fiscal year. With regard to the syndicated loan and bilateral committed credit lines in Switzerland, extensions through to 2025 were agreed in fiscal year 2021.

Significant topics dealt with at the Supervisory Board meetings included the following:

The Supervisory Board held two extraordinary meetings in January 2022 (on January 10 and 21, 2022). These concerned a financing opportunity subject to approval that was presented but ultimately not further pursued by the Management Board.

At its meeting on March 1, 2022, the Supervisory Board approved, among other items, the Company's annual and consolidated financial statements for 2021, the Group non-financial report and the dependency report for fiscal year 2021. Furthermore, the Supervisory Board adopted the motions for the Company's 2022 Annual General Meeting, including the proposal for election of the auditor for fiscal year 2022. The proposal to the Annual General Meeting for the election to the Supervisory Board had been discussed previously as a separate agenda item. In addition, Management Board topics were consulted upon (2021 bonus, amendments to Bernhard Weiß' employment contract, schedule of responsibilities) and the necessary resolutions adopted. Current market and business developments were also discussed together with the corporate strategy. Other topics included Group financing and the setting of new targets for the percentage of women on the Supervisory Board and Management Board.

The Supervisory Board meeting on June 1, 2022 was largely devoted to preparing for the Company's Annual General Meeting to follow on the same day as a virtual Annual General Meeting without the presence of shareholders due to the COVID-19 pandemic. Current market and business developments were also discussed. Furthermore, the Supervisory Board signed off on various transactions requiring approval (among other things, the amendment and extension of the US ABL facility).

The Supervisory Board meeting on September 19, 2022 focused on business developments and corporate strategy (including potential M&A opportunities). Additional topics included Management Board matters (contract extension for Guido Kerkhoff), the commissioning of an external preliminary audit of the Group non-financial report and Supervisory Board and governance matters (implications of changes to the Code in the reporting year, amendment of the rules of procedure for the Supervisory Board and the Audit Committee, skills matrix for Supervisory Board members, Supervisory Board self-assessment).

In its extraordinary meeting on October 28, 2022, the Supervisory Board discussed current business developments and the changing economic environment (price trends, inflation, impending recession) and related challenges, potential courses of action and countermeasures.

At its meeting on December 13, 2022, the Supervisory Board primarily addressed corporate planning and the budget for fiscal year 2023 (including the three subsequent years), in addition to business developments and the implementation of the corporate strategy. The meeting also focused on corporate governance and Supervisory Board matters (Declaration of Conformity, Supervisory Board self-evaluation, skills matrix for the Supervisory Board) and Management Board matters (setting of bonus targets for fiscal year 2023, target remuneration for fiscal year 2023). With regard to compensation, the Supervisory Board also decided to have the Remuneration Report for the 2022 fiscal year audited in terms of content. Moreover, the annual report on GRC (governance, risk and compliance) topics was discussed. The Supervisory Board also discussed the tendering procedure carried out in the reporting year for the financial statements audit for fiscal year 2023, including the Audit Committee's recommendation and preference in this regard, and adopted a resolution on the preferred candidate. Finally, various transactions requiring approval were presented to the Supervisory Board (increase in the size of the US ABL facility, extension of the European ABS program, relocation of a site in Scotland, acquisition of National Material of Mexico including a related consulting engagement). The presented transactions were discussed and received the approval of the Supervisory Board.

In addition, two resolutions on transactions requiring approval were adopted by written procedure in the reporting year: On July 4, 2022 concerning an acquisition (Hernandez Stainless and RSC Rostfrei Coilcenter) and on March 28, 2022 concerning a consulting agreement.

Reports from the committees

Executive Committee:

The Executive Committee met a total of four times in 2022. With the exception of the extraordinary meeting in December, the standard agenda items comprised business development, an update on strategy and the agenda for the following Supervisory Board meeting.

The Executive Committee meeting on March 1, 2022 dealt with Management Board matters (2021 bonus, amendments to Bernhard Weiß' employment contract, schedule of responsibilities), nominations for the upcoming election to the Supervisory Board at the Annual General Meeting on June 1, 2022 and the setting of new targets for the percentage of women on the Supervisory Board and Management Board.

At its meeting on September 19, 2022, the Executive Committee dealt extensively with the corporate strategy, in addition to other matters. Further topics included Supervisory Board matters (implications of changes to the Code in the reporting year, skills matrix for Supervisory Board members, Supervisory Board self-assessment) and Management Board matters (contract extension for Guido Kerkhoff).

The Executive Committee held an extraordinary meeting on December 12, 2022. Its subject matter was the planned acquisition of National Material of Mexico by Kloeckner Metals Corporation. This was discussed in detail with regard to various aspects, with the outcome that the transaction was submitted to the plenary Supervisory Board for approval.

The ordinary meeting on December 13, 2022 addressed topics including corporate governance and Supervisory Board matters (Declaration of Conformity, Supervisory Board self-evaluation, skills matrix) together with business developments, corporate strategy and the budget for 2023. In addition, the Executive Committee discussed Management Board matters (setting bonus targets for fiscal year 2023, target compensation for fiscal year 2023).

Audit Committee:

The Audit Committee met five times in total.

At the meeting on March 1, 2022, the Audit Committee dealt mainly with the Company's annual and consolidated financial statements for 2021, as well as the Group non-financial report and the dependency report to be prepared for fiscal year 2021 (in each case with the auditor). In the same meeting, the Audit Committee discussed the proposal for the election of the auditor for fiscal year 2022 and prepared the groundwork for the plenary Supervisory Board to issue the audit engagement. The Audit Committee saw no need to recommend to the Supervisory Board additional focal points for the auditor's activities beyond the statutory mandate.

The expected reaction of the capital market to the 2021 annual figures was also discussed, as were governance matters (internal control system, risk management, compliance, data protection and information security).

At the meetings held on April 26, 2022, July 28, 2022, and October 27, 2022, the drafts of the half-year financial report and interim statements were discussed prior to publication (the half-year financial report was also discussed with the auditor). The Audit Committee brought up points and suggestions in the course of the discussion. The expected response of the capital market was also covered. Additional focal issues were the development of the Group's business and financial situation as well as the market situation and, in particular, the development of steel prices in the reporting year. All this was discussed with the CFO and the CEO on the basis of Management Board reports and the key performance indicators. Furthermore, other topics were regularly dealt with on the occasion of interim reporting, in particular those topics relating to governance (the internal control system, risk management, compliance, data privacy and information security) and the committee's internal activity list. In its April 26, 2022 meeting, the Audit Committee further resolved to put the audit for fiscal year 2023 out to tender. The current status of the tendering procedure was reported on at the meetings on July 28, 2022 and October 27, 2022. Also in the April meeting, the Audit Committee discussed the quality of the audit from the Company's perspective and, in a follow-up to the December 2021 meeting, revisited the audit findings of Internal Audit for fiscal year 2021.

The meeting on December 13, 2022 primarily addressed governance matters relating to internal control (the internal control system, the risk report, 2022 internal audit findings and the 2023 audit plan), IT security and the annual report on governance, risk and compliance (GRC) topics. In addition, with regard to the tendering procedure for the financial statements audit for fiscal year 2023, the final presentations and offers were consulted upon and a resolution was then adopted on the recommendation (two proposals with one preference) to be made in this connection to the Supervisory Board; the report on tendering procedure was also addressed. Finally, the status of the 2022 audit was discussed together with the quality of the audit from the perspective of the Audit Committee. Committee-related topics were also covered, as was the need to prepare a dependency report for fiscal year 2022.

In addition, at all of its meetings during the reporting year, the Audit Committee dealt with and approved the non-audit services provided by the auditor and/or audit network firms. The Audit Committee also consulted regularly with the auditor, without the Management Board's involvement.

Corporate governance and Declaration of Conformity

On December 13, 2022, the Supervisory and Management Boards issued the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). The Declaration is permanently available to shareholders on the Company's website. The declaration states that Klöckner & Co SE, with one sole exception, is fully compliant with all recommendations of the Code. Further information on corporate governance can be found beginning on page 88 ff. of this Annual Report. The Management Board and Supervisory Board keep abreast of changes to the Code's recommendations and suggestions, along with their implementation. They also take part in related consultation procedures as required.

Treatment of conflicts of interest

In relation to the Supervisory Board, no instances of conflicts of interest arose in the reporting year that had to be addressed by the Supervisory Board.

Audit of the 2022 annual and consolidated financial statements including the dependency report and the Group non-financial report; preparation of the remuneration report Klöckner & Co SE's annual financial statements for fiscal year 2022 and the consolidated financial statements and combined management report were audited and issued with an unqualified audit opinion by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, the auditor elected by the Annual General Meeting and engaged by the Supervisory Board. Klöckner & Co SE's annual financial statements and the combined management report for Klöckner & Co SE and the Group were prepared in accordance with German commercial law. Pursuant to Section 315e of the German Commercial Code (HGB), the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The audit reports and further documentation relating to the financial statements, including the Group non-financial report and the audit report thereon, were made available to all members of the Supervisory Board in a timely manner; the same applies to the dependency report and the audit report on that. These documents were dealt with in detail by both the Audit Committee and the plenary Supervisory Board. In particular, in relation to the annual and consolidated financial statements, the key audit matters described in the relevant audit opinion as well as the audit procedures applied were also discussed. The auditor took part in the discussions, reported on the material findings of their audit and responded to questions. The Management Board was also present or represented at these meetings (following a corresponding resolution by the Supervisory Board or Audit Committee), although the Audit Committee had already consulted with the auditors without the Management Board prior to the Audit Committee's financial statements meeting (in particular on the annual and consolidated financial statements). At the Supervisory Board meeting held on March 3, 2023 to approve the annual financial statements, the Chairwoman of the Audit Committee reported on the Audit Committee's consultations on the annual and consolidated financial statements and the combined management report. With regard to the risk early warning system, the auditor stated that the Management Board had taken the measures required in Section 91 (2) of the German Stock Corporation Act in an appropriate manner – in particular for establishing a monitoring system – and that the monitoring system was capable of promptly identifying developments threatening the Company's ability to continue as a going concern. The same applies with regard to the internal control system and risk management system (in each case including the compliance management system) to be implemented in accordance with Section 91 (3) AktG. The Supervisory Board received and approved the auditor's findings and the explanations provided by the Chairwoman of the Audit Committee. On completion of its own examination of the Company's annual financial statements, the consolidated financial statements and the combined management report, as well as in line with the Audit Committee's recommendation, the Supervisory Board concluded that there were no objections to be raised. At its meeting on March 3, 2023, the Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board; the financial statements were thus adopted.

The Remuneration Report for the fiscal year 2022 contained in the Annual Report was prepared jointly by the Management Board and the Supervisory Board in accordance with Section 162 (1) of the German Stock Corporation Act (AktG) and adopted by the Supervisory Board in its March 2023 meeting. It was also reviewed by the auditor for its content. This audit did not give rise to any objections.

As part of its examination, the Supervisory Board also examined the Group non-financial report contained in the Annual Report (in the separate sustainability reporting section) that was required to be prepared in accordance with Section 315b of the German Commercial Code (HGB). This plausibility check by the Supervisory Board covered the following aspects in particular: (i) the review of processes relating to data collection, the determination of non-financial key performance indicators (KPIs), and the presentation of risks and concepts in the Group non-financial statement, (ii) the timeliness of measures taken in the reporting year, and (iii) EU taxonomy reporting. The Supervisory Board was supported in its examination by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, was requested to perform a limited assurance engagement on the Group non-financial report and prepared a corresponding report which it submitted to the Supervisory Board, and reported on its activities verbally to the Supervisory Board. The report by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, and the Group non-financial report were discussed and validated in detail both by the Audit Committee and by the plenary Supervisory Board. The Supervisory Board noted with approval the findings of the limited assurance engagement performed by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, and, following its own examination, came to the conclusion that the Group non-financial report meets the applicable requirements and that there are no objections to be raised.

The report of the Management Board on relations with affiliated companies to be prepared pursuant to Section 312 of the German Stock Corporation Act (dependency report) was audited by the auditor and issued by them with the following unqualified audit opinion:

“Based on our prudent and evalutation audit and assessment, we confirm that

- the factual disclosures in the report are correct,

- the consideration given by the Company in the transactions listed in the report was not unreasonably high.”

The Supervisory Board has examined the dependency report. On March 3, 2023, the dependency report and the auditor’s audit report were addressed in detail and discussed with the auditor by the Audit Committee and the plenary Supervisory Board; the Supervisory Board noted the auditor’s findings with approval. On completion of its own examination, and in line with the Audit Committee’s recommendation, the Supervisory Board concluded that there were no objections to be raised to the dependency report including the Management Board’s concluding statement.

Changes on the board
The composition of the Supervisory Board of Klöckner & Co SE did not change in fiscal year 2022.

The composition of the Management Board of Klöckner & Co SE likewise did not change in fiscal year 2022.

The Supervisory Board would like to thank the Management Board, all employees and the employee representatives of Klöckner & Co SE as well as of all Group companies for their dedication and hard work during the past fiscal year.

Duisburg, March 3, 2023

Prof. Dr. Dieter H. Vogel
CHAIRMAN

SUPERVISORY BOARD

Supervisory Board

Prof. Dr. Dieter H. Vogel
Managing Partner of Cassiopeia GmbH, Düsseldorf, Germany
(Chairman)

Dr. Ralph Heck
Chairman of the Management Board of Bertelsmann Stiftung, Gütersloh, Germany

Prof. Dr. Tobias Kollmann
Chair of Digital Business and Digital Entrepreneurship at the University of Duisburg-Essen, Germany

Prof. Dr. E.h. Friedhelm Loh
Entrepreneur, owner and chairman of Friedhelm Loh Stiftung & Co. KG, Haiger, Germany

Uwe Röhrhoff
Independent consultant and member of the Supervisory Board

Ute Wolf
Chief Financial Officer of Evonik Industries AG, Essen, Germany

Executive Committee

(also the Personnel Committee and the Nomination Committee)

Prof. Dr. Dieter H. Vogel
Chairman

Dr. Ralph Heck

Prof. Dr. E.h. Friedhelm Loh

Audit Committee

Ute Wolf [1)]
Chairwoman

Uwe Röhrhoff

Prof. Dr. Dieter H. Vogel

1) Financial Expert within the meaning of Section 100 (5) German Stock Corporation (AktG).

Klöckner & Co on the capital market

KLÖCKNER & CO SHARES

ISIN DE000KC01000 – German Securities Code (WKN) KC0100
Stock exchange symbol: KCO
Bloomberg: KCO GR
Reuters Xetra®: KCOGn.DE

€9.24

Year-end closing share price on December 30, 2022

SHARE PRICE PERFORMANCE

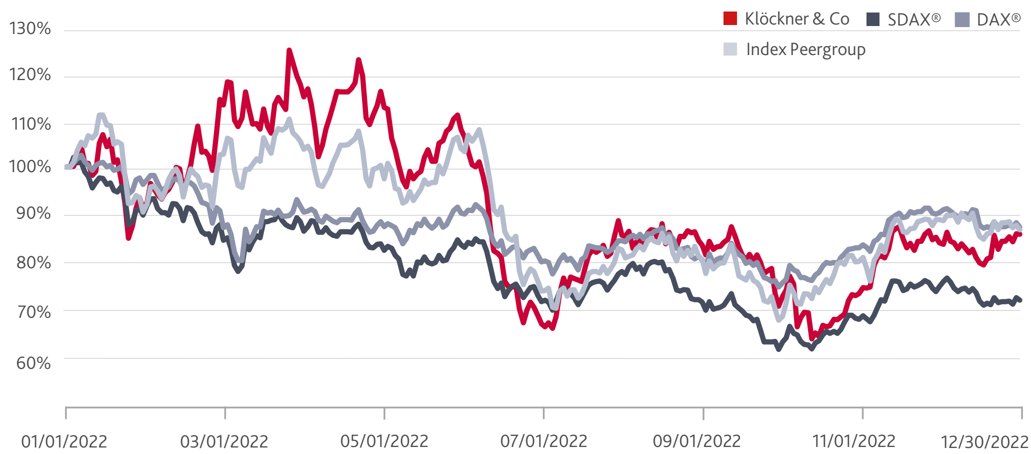
International stock markets were mainly influenced in 2022 by the macroeconomic impact of the Russian war of aggression against Ukraine, the inflationary development and monetary policy measures implemented by central banks. Klöckner & Co's share price initially followed a strong positive trend in the first half of 2022 and reached a high of €13.30 on March 25, 2022, its highest level in over ten years. Against a backdrop of high inflation rates, central bank policy measures and increased macroeconomic uncertainties, capital markets were highly volatile over the remaining course of the year and the share price fell significantly. Klöckner & Co shares reached a low of €6.93 on October 12, 2022 before recovering markedly through to the year-end. The share price closed the year on December 30 at €9.24.

KEY DATA – KLÖCKNER & CO SHARE

		2022	2021	2020	2019	2018
Share Capital	€	249,375,000	249,375,000	249,375,000	249,375,000	249,375,000
Number of shares	in shares	99,750,000	99,750,000	99,750,000	99,750,000	99,750,000
Closing price (Xetra®, Close)	€	9.24	10.72	8.01	6.28	6.06
Market capitalization	€ million	921	1,069	799	626	604
High (Xetra®, Close)	€	13.30	13.26	8.60	7.29	11.62
Low (Xetra®, Close)	€	6.93	7.51	2.74	4.35	5.98
Earnings per share (basic)	€	2.54	6.21	– 1.16	– 0.56	0.68
Average daily trading volume	in shares	444,975	447,647	462,280	751,631	537,078
Dividend per share[1]	€	0.40	1.00	-	-	0.30
Dividend yield based on closing stock price	%	4.3	9.3	-	-	5.0
Total dividend paid[1]	€ million	39.90	99.80	-	-	29.9

1) In each case for the fiscal year. 2022: Proposal to the Annual General Meeting on May 17, 2023.

PERFORMANCE OF KLÖCKNER & CO SHARES COMPARED WITH DAX®, SDAX® AND INDEX PEERGROUP (VALUES INDEXED)

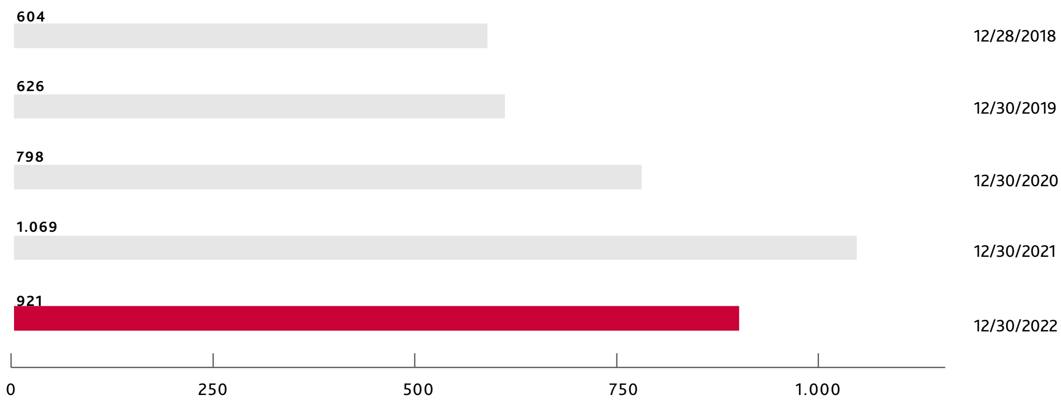


Over fiscal year 2022, the Klöckner & Co share price lost around 14% on the prior-year closing price. The Klöckner & Co share is benchmarked against a peer group index, which lost approximately 13% in the reporting period. This index tracks the share price performance of companies that are comparable to Klöckner & Co and is based on thyssenkrupp, Salzgitter, Arcelor Mittal, Voestalpine, Swiss Steel, Reliance, Olympic Steel and Ryerson. The DAX® and SDAX® indices fell by 27% and 12% respectively year on year. In Deutsche Börse AG's December 2022 joint rankings of DAX®, MDAX® and SDAX® stocks covering a total of 160 companies, Klöckner & Co shares ranked 114th by free float market capitalization and 93rd by trading volume.

MARKET CAPITALIZATION

The Company's market capitalization was approximately €921 million at the end of the reporting period, compared to €1,069 million as of December 30, 2021.

MARKET CAPITALIZATION
(in €m)



€141 million convertible bond with a coupon of 2.00%

PERFORMANCE OF THE KLÖCKNER & CO CONVERTIBLE BOND

Klöckner & Co SE launched a convertible bond issue in September 2016 with a maturity of seven years and a denomination of €100,000 per bond. As of December 31, 2022, the outstanding nominal amount was €141 million. As intended, the bonds were taken up exclusively by institutional investors. The bonds are traded on the Open Market at the Frankfurt Stock Exchange (Open Market, ISIN DE000A185XT1) and carry a coupon of 2.00% p.a. The conversion price was initially set at €14.82 and most recently modified to around €12.18 in connection with the dividend payment for 2022. Klöckner & Co used the proceeds from the issue for general business purposes. In July 2022, Klöckner & Co repurchased and then retired part of the convertible bond issue with a nominal amount of €7.1 million.

KLÖCKNER & CO CONVERTIBLE BOND: KEY DATA

	Convertible Bond 2016
Convertible Bond	2016
German securities code	A185XT
ISIN	DE000A185XT1
Issue volume	€147.8 million
Remaining volume	€140.7 million
Issue date	September 8, 2016
Maturity date	September 8, 2023
Coupon p. a.	2.00%
First Conversion price	€14.82

On December 30, 2022, the 2016 convertible bond was trading at approximately 99.29%.

CONVERTIBLE BOND 2016

2022 ANNUAL GENERAL MEETING

The 16th Annual General Meeting of Klöckner & Co SE was held on June 1, 2022. Against the backdrop of the COVID-19 pandemic, which was still ongoing during the reporting year, and to protect the health of all involved, the Annual General Meeting was once again held as an entirely virtual meeting without the physical presence of shareholders or their proxies. This decision was made by the Management Board with the consent of the Supervisory Board on the basis of the Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic.

Annual General Meeting attendance more than 60%

All shareholders were able to follow a livestream of the entire meeting via the online service on the Klöckner & Co SE website, https://www.kloeckner.com. Using the Online Service, they were also able to register for the Annual General Meeting and to vote and submit questions to the Company in advance. In addition, the entire Annual General Meeting was livestreamed on the website for the public. The speeches by Supervisory Board Chairman Prof. Dr. Dieter H. Vogel and CEO Guido Kerkhoff remain available there for viewing. In total, more than 60% of the voting capital voted on resolutions.

GROUP OF ANALYSTS

As in previous years, financial analysts continued to show strong interest in Klöckner & Co SE in 2022. Ten analysts covered Klöckner & Co's stock during the reporting period. In total, some 100 research reports were published on our stock. As of the year-end, 25% of securities houses gave our shares a "buy" recommendation, 50% gave a "hold" recommendation and 25% a "sell" recommendation. We provide an overview of current analyst recommendations relating to our stock on our website under Investors/Shares/Analysts.

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Analysts covered Klöckner & Co shares in fiscal year 2022

The following banks and securities houses had coverage of Klöckner & Co shares as of the end of 2022:

Credit Suisse	Kepler Cheuvreux
Deutsche Bank	LBBW
DZ Bank	Metzler Equity Research
Exane BNP Paribas	M.M. Warburg
Jefferies International Equities	Oddo BHF

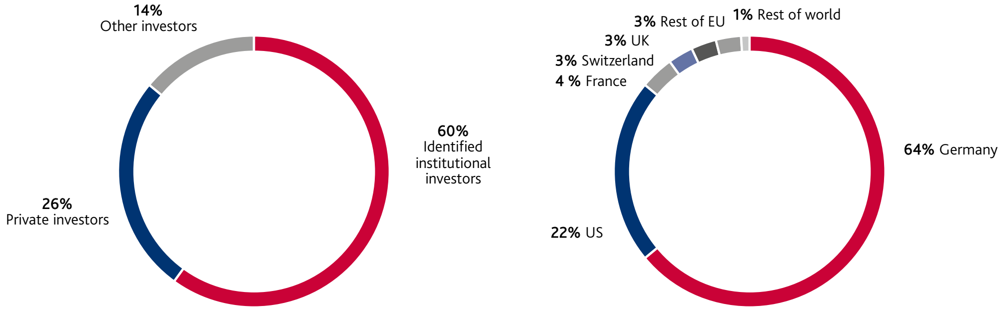
26%
of the share capital is held by private investors

OWNERSHIP STRUCTURE

The investor relations team once again commissioned regular analyses in 2022 in order to ascertain the ownership structure and the international distribution of investors. The analyses made it possible to conduct targeted investor relations activities for specific groups and enabled effective roadshow and conference planning. Some 96% of investors were identified in February 2023. Institutional investors accounted for approximately 60% of share capital held. About 26% of the share capital was held by retail investors.

SHAREHOLDER STRUCTURE OF KLÖCKNER & CO SE

GEOGRAPHIC BREAKDOWN OF IDENTIFIED INSTITUTIONAL INVESTORS OF KLÖCKNER & CO SE



According to voting rights notifications, our largest shareholder at the year-end was SWOCTEM GmbH (Prof. Dr. E.h. Friedhelm Loh) with a shareholding of between 25% and 30%. Rossmann Beteiligungs GmbH followed with between 5% and 10% (percentage of voting rights from shares and instruments) and The Goldman Sachs Group, Inc., Union Investment Privatfonds GmbH, Claas Edmund Daun and Dimensional Holdings Inc. with between 3% and 5% each (percentage of voting rights from shares and instruments).

OPEN AND CONTINUOUS COMMUNICATION

For Klöckner & Co, open, ongoing dialog with all capital market participants and transparent financial communication are equally important. Our reporting and investor relations activities as well as our capital market performance were recognized in Germany's prestigious "Investors' Darling" capital market competition, which is staged by HHL Leipzig in cooperation with Bankhaus Berenberg and manager magazin. After already doing well in previous years and coming second in 2021, Klöckner & Co took first place among SDAX companies in 2022, thus earning the title as the company with the best financial communication in the SDAX stock exchange index. Overall, Klöckner & Co achieved the best score among all companies not included in the DAX®.

In-depth communication with institutional and private investors

In addition to the (virtual) Annual General Meeting, at which shareholders had the opportunity to obtain comprehensive information about the Company, members of the Management Board and of the Investor Relations team provided private and institutional investors with information about the Group's current business performance and future opportunities at numerous conferences and roadshows in Europe and North America. We also held a large number of one-on-one meetings with capital market participants. Discussions focused primarily on the operating business of the Klöckner & Co Group, the implementation of our Group strategy and impacts of the Russian war of aggression against Ukraine on the operating business and the steel market. Due to the pandemic, some Investor Relations activities took place using virtual formats such as video and teleconferencing.

Our website is a central part of our capital market communication. On the Investor Relations section of our website, www.kloeckner.com/en/investors.html, we provide, in digital form, all key information surrounding Klöckner & Co shares and the convertible bond. Topics include financial reports, corporate and capital market presentations, the forecast development of key performance indicators, the financial calendar and current data on share performance. Visitors can use an interactive tool to analyze our stock and key financial figures. We also publish all relevant content on the Annual General Meeting.

Interested capital market investors can also follow Klöckner & Co on Twitter and LinkedIn for current news on our Company, our shares and our capital market story.

Our email newsletter additionally keeps shareholders and other interested parties abreast of current developments at Klöckner & Co SE. You are welcome to sign up for this Company information via ir@kloeckner.com.

The Investor Relations team looks forward to your questions and suggestions. Please feel free to contact us at any time by telephone, email or letter mail.

Contact us
Investor Relations
Phone: +49 (0) 203 307 2295
Fax: +49 (0) 203 307 5025
Email: ir@kloeckner.com

GROUP MANAGEMENT REPORT

Klöckner & Co SE Combined Management Report for Fiscal Year 2022

1. Fundamental information about the Group

The statements marked in the management report with these parentheses [ ] as well as the references to websites are unaudited voluntary contents that have been critically read by the auditor.

1.1 Group structure

The Group is divided into three operating segments: Kloeckner Metals US, Kloeckner Metals EU and Kloeckner Metals Non-EU. Headquarters functions not allocated to a segment are reported separately, together with consolidation adjustments, under Headquarters and Others.

Klöckner & Co SE's share capital remains unchanged at a total of €249.38 million, composed of 99.75 million no-par-value registered shares carrying full voting rights. Since the initial public offering at the end of June 2006, Klöckner & Co SE's shares have been listed on the Frankfurt Stock Exchange's Regulated Market (Prime Standard).

1.2 Business activities/business model

Around 150 distribution and service locations in 13 countries

Klöckner & Co is one of the [largest producer-independent] distributors of steel and metal products and one of the world's leading steel service center companies. We act as a connecting link between steel producers and consumers. As we are not affiliated with any particular steel producer, our customers benefit from our wide range of national and international sourcing options spanning some 50 main suppliers worldwide. Our key competitive advantages include economies of scale in global procurement, our broad product portfolio, customer access via an extensive sales and distribution network, in addition to a very wide range of processing services. Covering 13 countries with a focus on Europe and the USA, our global network provides customers with local access to some 150 distribution and service locations. The high level of availability of our roughly 200,000 products largely eliminates the need for our customers to hold inventory. Our customer base comprises more than 90,000 mostly small to medium-sized steel and metal consumers, primarily from the construction industry, machinery and mechanical engineering, the transportation industry and other metal transforming companies.

We provide customers with an optimized, end-to-end solution from procurement through logistics to prefabrication, including individual delivery and 24-hour service – processes we are increasingly digitalizing and automating. For example, we employ a variety of digital applications and tools that provide our customers and business partners with access to a broader spectrum of steel and metal products as well as services. We are constantly developing this digital portfolio in partnership with our customers. In addition, we see significant opportunities in the transformation toward sustainable business models and already offer our customers CO_2-reduced solutions with regard to materials, processing, logistics and circularity solutions together with comprehensive advice on sustainable products and services in order to help customers build a sustainable value chain.

Our approximately 7,300 employees apply their skills and enthusiasm every day to meeting our customers' needs and wishes. Around 70% of our workforce is employed in Europe and 30% in the Americas.

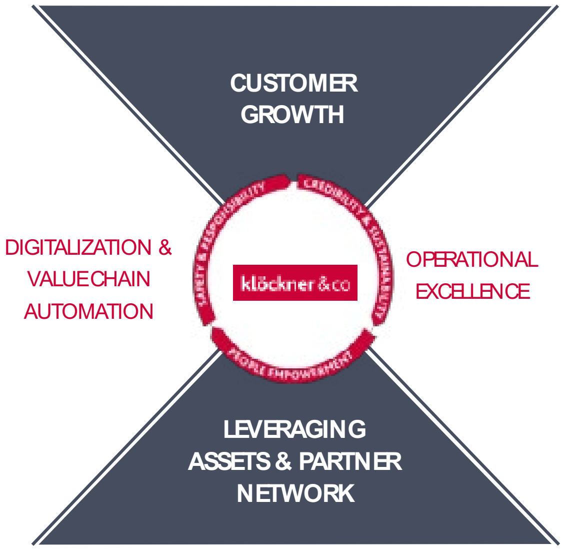
Both in Europe and North America, the market for warehouse-based distribution and steel service centers is highly fragmented and is served by an assortment of different wholesale, regional and local dealers. We have an estimated market share of approximately 9% in Europe and around 6% in the USA, putting us among the [top three distributors and top two steel service centers] in both regions.

1.3 Corporate strategy

[**Our strategy – “Klöckner & Co 2025: Leveraging Strengths”**
In implementing our “Klöckner & Co 2025: Leveraging Strengths” strategy, we focus primarily on four levers: **Customer Growth, Leveraging Assets & Partner Network, Digitalization & Value Chain Automation,** and **Operational Excellence.** With our strategy, we are building on the strengths we have created in recent years and leveraging them to take the next evolutionary step, leading Klöckner & Co into a successful future.

We aim to generate added value for all of our Company’s stakeholders. And we want customers and business partners to benefit from seamlessly integrated, digitalized and automated processes. For employees, we aim to foster a culture of empowerment and collaboration, upskilling them for the future and enabling them to grow and develop. For shareholders, our focus on a higher level of profitability also means a focus on the sustainable financial success of their investment in Klöckner & Co. Furthermore, we strive to make a positive impact on society and the environment.

We aim to establish Klöckner & Co as the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas, to bring the digital and the physical sides of our business closer together and to continuously improve our internal and external networks. Inefficiencies in low-margin steel and metal distribution are still primarily caused by linear supply chains and lack of transparency. By integrating third parties while digitalizing and automating core processes, we can eliminate existing inefficiencies in the value chain and significantly reduce our variable costs.



Customer Growth

We always aspire to exceed our customers' expectations and maximize their benefit. By focusing uncompromisingly on their needs, we aim to achieve the highest customer satisfaction in the industry. This requires an extension of our product and service portfolio and larger regional coverage. The agreed acquisition of National Material of Mexico allows us to expand our business in North America and increase our presence in Mexico, which is an important region for our Fautomotive and industrial customers. As a one-stop shop with a fast-track, best-in-class user experience, we aim to grow our client base and increase our share of wallet: customers will buy more from us, and more customers will buy from us.

Leveraging Assets and Partner Network

To improve efficiency, we aim to integrate our partners more deeply into internal processes along the value chain while optimizing network and asset utilization through increased international collaboration. We also plan to bring on board new partners with complementary product ranges and competencies outside Klöckner & Co's core portfolio.

Digitalization and Value Chain Automation

Building on our pioneering role in the steel industry, we are further exploiting the significant potential of digitalization and extending it to the level of automation. We develop innovative solutions and continue to digitalize our internal core processes. With seamless, end-to-end process integration featuring a very high degree of digitalization and automation, we can take process speed and efficiency to unparalleled levels along the entire value chain. Our goal is "zero touch," meaning value generation with minimum manual effort. In the reporting period, our proprietary AI solution Kloeckner Assistant handled more than €1.3 billion in sales. This is an established tool for automated quotation and order processing.

Operational Excellence

In order to deliver the most efficient solutions and best service to our customers, we are continuously improving our operations. Excellence is our benchmark. By eliminating inefficiencies in our internal processes, we are optimizing our operational results and increasing profitability. We continue to further advance excellence in operations and sales through process automation, increased cost and process transparency, data-driven decision-making and organizational measures.

Corporate Values

Our values form the foundation for our strategy: We are committed to staff empowerment, safety, responsibility, credibility and sustainability. These values guide our decisions and actions every day, both internally and externally. A motivating leadership style, the empowerment of employees and the promotion of a culture of innovation through self-directed action, talent development and performance incentives are the basis on which we can strengthen our innovative capacity, explore new opportunities and create new business value. We continuously improve our organization, becoming more agile and adaptable to thrive in an environment of continuous change.

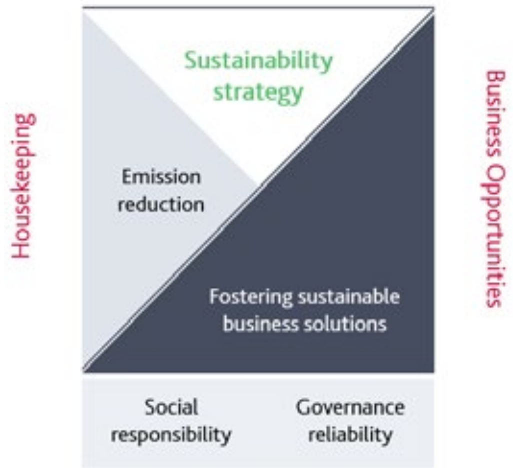
We are committed to responsibility for the environment, safety and our community. This commitment must be reflected in all our actions and decisions. By enforcing the highest safety standards, we ensure a safe working environment that protects our employees. In terms of integrity, we are a transparent, authentic and modern company and deliver on our promises. We demonstrate accountability and commitment to our decisions and actions, and we foster a culture of dealing openly with failures. Our "purpose" – the reason for our existence or the description of what we do to create value for our stakeholders – describes what unites us at Klöckner & Co and demonstrates our positive role in society.

"We partner with customers and suppliers to deliver innovative metal solutions for a sustainable tomorrow."

With the initiatives that make up our "Klöckner & Co 2025: Leveraging Strengths" strategy, we continue to merge the digital and physical sides of our business and take them to the next level. By 2025, Klöckner & Co will be the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas.

Sustainability strategy

Sustainability is at the heart of our “Klöckner & Co 2025: Leveraging Strengths” strategy. We approach our dedicated sustainability strategy from an overarching environmental, social and governance (ESG) perspective and integrate it into our strategic planning.



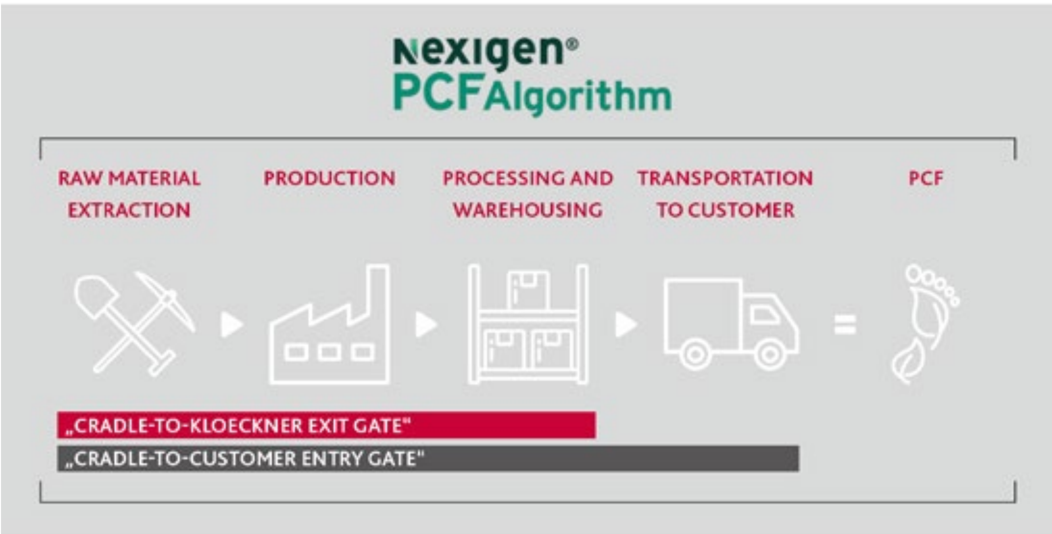
We believe that innovation, technology and new business models, in particular, will enable the steel industry's successful sustainability transformation. As part of our Group strategy, we are working as a pioneer of a sustainable steel industry to establish innovative business models by creating a comprehensive portfolio of sustainable customer solutions. By expanding our product and service portfolio, we are seizing the strategic opportunity to integrate the attractive new business area of sustainable solutions into our business model. We see this transformation as a unique growth opportunity – not just in the future, but already today.

Nexigen®

Under our Nexigen® umbrella brand, we have focused our sustainable product and service portfolio across the Group, providing transparent, CO_2-reduced solutions in the categories of materials, processing, logistics, circularity solutions (closed-loop) and comprehensive Sustainability Advisory Services for sustainable customer solutions. In this way, we are already supporting customers to reliably source CO_2-reduced steel and metal products, while our smart software solutions give them full visibility into the carbon footprint of the products they buy. To provide our customers with optimum support in establishing sustainable value chains, we have introduced rating scales for our CO_2-reduced steel, stainless steel and aluminum products. These scales are rooted in international, science-based standards and categorize the CO_2-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing, or cradle to Klöckner exit gate. They serve as a guide and a comparison tool when determining the carbon footprint of end products for customers. Through numerous partnerships, we already offer our customers CO_2-reduced steel and metal products today. Klöckner & Co aims for the two lowest-carbon-footprint categories – “Pro” (< 700kg CO_2/t) and “Prime” (< 400 kg CO_2/t) – to account for over 30% of the total product range by 2025 and 50% by 2030.

Categorization for carbon steel, in kg CO_2e per ton of steel.

In addition, as of the beginning of 2023, we now provide customers with an individual Product Carbon Footprint (PCF) for almost every product in our portfolio. This allows customers to reliably, transparently and easily see the carbon footprint of a product purchased from Klöckner & Co. With the Nexigen® PCF Algorithm, we have developed an innovative tool whose automated PCF calculation methodology is certified by TÜV SÜD. The Nexigen® PCF Algorithm's methodology for calculating the PCF follows the internationally recognized Greenhouse Gas Protocol and ISO 14067, ref. 14040 and 14044, and, in accordance with those standards, calculates the product's cradle-to-customer entry gate emissions. As a result, our customers receive information on the extent to which Klöckner materials can contribute to reducing the carbon footprint of their business activities and their own end products, and can reliably include the cumulative carbon emissions of their products in emissions calculations across the entire value chain, from resource extraction to production and delivery at the customer's factory (hence "cradle to customer entry gate").



In recognition of our contribution to the decarbonization of the steel industry, we won the prestigious German Sustainability Award 2023 in the Climate Transformation category. This shows the importance of the transformation we have initiated and that Klöckner & Co is also perceived externally as a pioneer of a sustainable steel industry.

In addition to the strategic opportunities we see in the sustainable transformation of the steel industry, we are meeting our responsibility to reduce our own emissions and those of our upstream and downstream supply chains. As part of this, we have designated the reduction of carbon emissions as a non-financial target for variable remuneration of the Management Board, the entire first management level below the Group Management Board and additional executives at levels two and three.

We are the first company in the world to have our net zero carbon targets recognized by the Science Based Targets initiative (SBTi) as science-based in the standard validation process in accordance with the latest standards. Klöckner & Co is thus committed to reducing emissions in the entire value chain to net zero by 2050.

We focus on specific actions to avoid emissions and work in close collaboration with customers and suppliers to achieve this goal. As this is a continuous, long-term process, in addition to our reduction measures, we offset all of our Scope 1 and 2 carbon emissions, although not in emissions accounting. This means we are already carbon-neutral today.]

1.4 Control system

Financial performance indicators

Most significant key performance indicators under German Accounting Standard 20 (GAS 20)

The most significant key performance indicators (KPIs) used in the management of Klöckner & Co's business in the year under review were shipments, sales, operating income (EBITDA – earnings before interest, taxes, depreciation and amortization and impairments and impairment reversals on intangible assets and property, plant and equipment) and cash flow from operating activities. These central KPIs were reported and monitored at the level of the Group as a whole as well as at segmental level.

Shipments are a key performance indicator used in management of the distribution business. This indicator is used to monitor growth in the core business as well as to determine capacity utilization, which is important for planning personnel and machine resources. Under our strategy, we continue to build our business model to be the leading one-stop shop. In line with this, our sales are expected to reach a higher level in the medium term, with reduced volatility. We therefore constantly monitor our sales and margin growth. The most significant KPI for results of operations is operating income (EBITDA), or, if there are material special effects (for example, restructuring programs or significant non-operating effects or effects relating to other periods), EBITDA before material special effects. The reconciliation of EBITDA before material special effects to EBITDA including material special effects is presented in section 2.5.

Fixed asset intensity ratios tend to be low in steel distribution, while net working capital (sum of inventories plus trade receivables less trade payables) tends to be very high. Alongside operating income, net working capital is the primary driver of cash flow from operating activities. This cash flow thus forms an objective basis for measuring the performance of our business activities.

Other key figures

In addition to these most significant key performance indicators, we also monitor other important KPIs. Gross profit is sales less cost of goods sold and is thus an indicator of the Company's value creation. In view of the time lag between the setting of procurement and selling prices, we closely monitor price trends in procurement markets as a supporting measure. Return on capital employed (ROCE) is calculated as earnings before interest and taxes (EBIT) divided by the average capital employed. Net financial debt (financial liabilities less cash and cash equivalents) is an important indicator in the financial management of the Company. Changes in net financial debt also reflect cash generated by the business. Capital markets also take net financial debt into account valuing our Company. For that reason, we constantly monitor gearing (net financial debt/equity), equity and the leverage ratio (net financial debt/EBITDA).

These key performance indicators are the basis of management processes and decision making at strategic and operating level, including for purposes such as investment and acquisition decisions. Changes in the key performance indicators are reported on in the "Results of operations, financial position and net assets" section.

Non-financial performance indicators

Non-financial performance indicators

We believe that non-financial targets likewise support the Company's success. Accordingly, we have adopted suitable initiatives to improve workplace safety and health in our Company; one example is the Group-wide Safety 1st program. The measures aim to ensure safe working conditions as well as to reduce accidents at work and the costs they entail. Our key performance indicator for this purpose is the lost time injury frequency (LTIF). This is defined as the number of accidents/number of hours worked x 1,000,000.

On the way to a sustainable steel industry, Klöckner & Co assumes social responsibility while at the same time exploiting the strategic opportunities offered by decarbonization. Klöckner & Co is thus the first company in the world to have its net zero carbon reduction targets recognized by the Science Based Targets initiative (SBTi) as science-based in the standard validation process in accordance with the latest standards. The Group consequently aligns its business activities with science-based targets in order to contribute to limiting global warming to 1.5°C through appropriate measures. Contributing to the achievement of this global target, Klöckner & Co aims for a 50% reduction in its directly controllable emissions (Scope 1 and 2) by 2030.

Digitalization and automation will continue to be a basis for the growth and long-term profitability of the Company as we strive to increase the transparency and efficiency of our supply chains. In 2022, we defined two corporate goals for digitalization. By means of our Kloeckner Assistant and the use of online shops and contract platforms, we aim to continuously increase the share of digital sales in total sales. As a further gauge of the success of digitalization within the Company, we have defined the degree of automation in sales. This measures the proportion of "zero touch orders" – purely digital customer orders that are logged and forwarded without manual intervention.

Employee satisfaction is a further factor in our business success. At a time when there is a shortage of skilled labor, it helps us retain employees for the long term, which positively impacts the performance and productivity of our business processes. For this reason, we measure employee satisfaction as part of our annual Group-wide employee survey and infer specific improvement measures where necessary.

2. Economic report

2.1 Macroeconomic conditions

Economic environment

Macroeconomic situation

According to estimates by the International Monetary Fund (IMF), the global economy grew by approximately 3.4% in the reporting period. In general, the global economy continued to face significant challenges in 2022. The Russian war of aggression against Ukraine, the ensuing energy crisis, particularly in Europe, persistent shortages in global supply chains and the combination of high inflation rates and sharply rising interest rates led to a marked deterioration in the economic environment. As a result, overall economic growth slowed. COVID-19 outbreaks in China and the associated restrictions on movement under the zero-COVID strategy also continued to weigh on the global economy. Overall, however, the impact of the pandemic on economic output eased in most countries over the course of the year.

Global GDP growth in 2022: 3.4%

According to IMF estimates, gross domestic product (GDP) in the eurozone increased by 3.5% in the reporting period. Due to heavy dependence on Russian oil and gas, Russia's war of aggression against Ukraine and the associated progressive reduction and even suspension of gas supplies had a significant negative impact on economic output. The reduction in the overall energy supply further exacerbated the already tight situation in the commodity markets, and energy prices soared. Uncertainty about energy supplies put businesses under constant pressure and led to weaker consumer demand. The European Central Bank raised its key interest rate significantly to combat high inflation.

The US economy grew by just 2.0% year on year in 2022, according to the IMF. Household consumption expenditure was hit hard in the reporting period by the fall in real disposable incomes caused by inflation and other factors. Higher interest rates due to a marked shift in monetary policy by the US Federal Reserve also caused a weakening of domestic demand. There was a particularly sharp slowdown in the private housing market. The US economy continued to be impacted by a tight labor market with historically low unemployment rates.

The IMF estimates that the Chinese economy grew by 3.0% during the reporting period. With the exception of 2020, which was affected by the COVID-19 pandemic, this is the lowest growth in more than four decades. Ongoing pandemic outbreaks, leading to strict lockdowns in many major cities and provinces, and the worsening Chinese real estate crisis had a significant impact on the country's economic activity. To counter this, and in light of relatively moderate inflation rates, the Chinese central bank decided in August to cut key interest rates.

Development of GDP (in percent)	2022 vs. 2021
Europe*)	**3.5**
Germany	1.9
United Kingdom	4.1
France	2.6
Belgium	3.2
Netherlands	4.3
Switzerland	2.0
China	3.0
USA	**2.0**
Brazil	3.1

*) Eurozone.
Source: International Monetary Fund, Bloomberg, estimates in some cases provisional.

Global crude steel production down 4.3%

Industry-specific situation

According to the World Steel Association, global crude steel production fell in 2022 by 4.3% year on year to 1,832 million tons. Production went down by around 10.5% in the European Union, around 5.9% in the USA and around 2.1% in China. The Russian war of aggression against Ukraine and its consequences – including sanctions and a worsening of production conditions due to higher energy and raw material prices and ongoing supply chain disruptions – had an impact on the global steel market. Before the conflict, Russia and Ukraine together accounted for around 5% of global steel output and were major exporters. The conflict caused a temporary sharp rise in steel prices before a significant correction finally set in from the second quarter.

Steel production

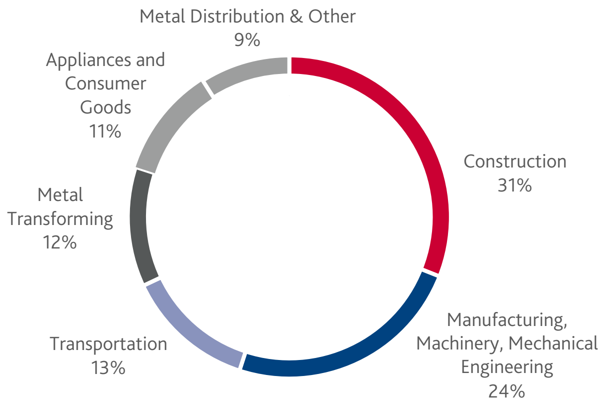
(in million tons)	2022	2021	Variance
France	12.1	13.9	– 13.1%
Germany	36.8	40.2	– 8.4%
United Kingdom	6.1	7.2	– 15.6%
EU-27, total	**136.7**	**152.7**	**– 10.5%**
Rest of Europe	**44.7**	**50.9**	**– 12.2%**
C.I.S. & Ukraine	**85.2**	**106.8**	**– 20.2%**
United States	80.7	85.8	– 5.9%
Rest of North America	30.7	32.1	– 4.3%
North America total	**111.4**	**117.9**	**– 5.5%**
South America	**43.3**	**45.6**	**– 5.0%**
Africa	**14.9**	**16.0**	**– 6.6%**
Middle East	**44.0**	**41.1**	**7.1%**
China	1,013.0	1,034.7	– 2.1%
Rest of Asia	332.1	342.1	– 2.9%
Asia total	**1,345.1**	**1,376.8**	**– 2.3%**
Oceania	**6.2**	**6.4**	**– 2.9%**
Global	**1,831.5**	**1,913.8**	**– 4.3%**

Source: World Steel Association (as of January 2023); estimates in some cases provisional.

2.2 Sector environment

CUSTOMER SECTORS OF KLÖCKNER & CO SE (BY SALES)

Klöckner & Co's highest sales customer sector in 2022 was the construction industry, accounting for 31% of sales, followed by manufacturing and machinery and mechanical engineering with 24%. The third-largest customer sector was the automotive industry as part of the transport industry, which accounted in total for 13% of sales.



2.3 Trend in key customer industries

Construction industry
According to estimates by Oxford Economics, the eurozone construction industry grew by around 2% in 2022, with stronger growth in the non-residential construction sector. Over the course of the year, the European construction industry was impacted by price increases and a deteriorating macroeconomic environment. As inflation reduced consumers' real disposable income and tighter monetary policy led to higher mortgage rates, demand for residential real estate declined. This coincided with an increase in the cost of building materials and wages. In the USA, construction activity contracted by around 11% year on year, with a less pronounced decline in residential construction. Rising commodity, energy and material prices, as well as higher construction loan interest rates, had a considerable impact on the US construction industry.

Machinery and mechanical engineering
Oxford Economics estimates that the machinery and mechanical engineering industry in the eurozone and the US grew by around 3% in the reporting period. In Europe, the sector was notably affected by the impact of the energy market disruptions caused by Russia's war of aggression against Ukraine and by the higher cost of borrowing and the consequent reluctance of companies to invest. The machinery and mechanical engineering sector in the USA was negatively impacted by a sharp rise in borrowing costs, but benefited overall from an easing of global supply chains and full order books.

Automotive industry
Developments in the global automotive market during the reporting period were shaped by war-related supply chain disruptions, rising inflation rates and an ongoing semiconductor shortage, although this eased significantly over the course of the year. According to the German Association of the Automotive Industry (VDA), unit sales of automobiles in Europe declined slightly by around 4% in 2022 and thus remained below pre-pandemic levels. Sales on the US market, on the other hand, were a significant 8% below the prior year's level. Automobile sales in China increased substantially by around 10% year on year.

2.4 Comparison of the Group's actual business performance with the forecast from the prior year

The forecast for the 2022 reporting period given in the 2021 Annual Report was based on the assumption of a considerable recovery in demand. Russia's war of aggression against Ukraine had a major impact on the global economy and the international steel market in 2022, leading to sharp rises in steel and metal prices. These corrected considerably during the reporting period. Against the backdrop of the war in Ukraine and its repercussions, global economic activity was affected by a marked deterioration in the macroeconomic environment as the year progressed.

We initially responded to the renewed material shortages in the steel sector at the beginning of the year with a resolute margin-over-volume strategy. In conjunction with the significant deterioration in the overall economic environment during the year, demand for steel slowed considerably. We reacted by actively reducing our inventories, particularly in the second half of the year. Contrary to the forecast of a considerable increase at Group level, shipments were consequently slightly lower in the reporting period than in the prior year. The Kloeckner Metals US and Kloeckner Metals Non-EU segments showed a considerable decline in shipments. In the Kloeckner Metals EU segment, on the other hand, shipments increased slightly and benefited from an ongoing gradual easing of the semiconductor shortage, particularly in the automotive industry.

In line with our expectations, sales rose considerably at both Group and segment level and, driven by higher average price levels, amounted to €9.4 billion, compared to €7.4 billion in the prior year.

With regard to EBITDA before material special effects, we forecast a considerable decrease at Group level for the reporting year, following a largely price-driven, exceptionally high figure of €848 million in fiscal year 2021. Despite the extremely challenging economic environment, Group-level EBITDA before material special effects was a very strong €417 million in the reporting period, which marked a considerable decrease compared to the prior year.

We also expected a very considerably rising and significantly positive cash flow from operating activities in fiscal year 2022, compared to a cash flow of €–306 million in the prior year. As expected, our consistent net working capital management and our actively enforced inventory reduction drive during the second half of the year enabled us to generate an exceptionally positive cash flow from operating activities of €405 million.

	Turnover		Sales	
	Development 2022	Previous year's forecast for 2022	Development 2022	Previous year's forecast for 2022
Kloeckner Metals US	Considerable decrease	Considerable increase	Considerable increase	Considerable increase
Kloeckner Metals EU	Slight increase	Considerable increase	Considerable increase	Considerable increase
Kloeckner Metals Non-EU	Considerable decrease	Considerable increase	Considerable increase	Slight increase
Group	**Slight decrease**	**Considerable increase**	**Considerable increase**	**Considerable increase**

	EBITDA before material special effects		Cash flow from operating activities	
	Development 2022	Previous year's forecast for 2022	Development 2022	Previous year's forecast for 2022
Kloeckner Metals US	Considerable decrease	Considerable decrease	Considerable increase	Considerable increase
Kloeckner Metals EU	Considerable decrease	Considerable decrease	Considerable increase	Considerable increase
Kloeckner Metals Non-EU	Considerable decrease	Considerable decrease	Considerable increase	Considerable increase
Group	Considerable decrease	Considerable decrease	Considerable increase	Considerable increase

“Constant” corresponds to a change of 0–1%, “slight” >1–5% and “considerable” >5%.

2.5 Results of operations, financial position and net assets

Impacts of the Russian war of aggression against Ukraine
The Group's business performance in fiscal year 2022 was significantly influenced by the macroeconomic impacts of the Russian war of aggression against Ukraine. This conflict caused temporary supply shortages on the steel market and triggered a significant short-run hike in global steel and metal prices. The prices corrected considerably over the course of the reporting period, however. Furthermore, the conflict exacerbated an already tight situation in the commodities market and resulted in sharply rising energy and commodity prices during the reporting period. This negatively affected the macroeconomic environment, with energy-intensive industries hit particularly hard. The higher prices also fueled inflation, prompting central banks to raise key interest rates significantly and tighten monetary policy. Despite the challenges in the reporting period, the Company was able to deliver strong operating income thanks to consistent net working capital management, a margin-over-volume strategy at the beginning of the year and an actively enforced inventory reduction in the second half of the year.

MOST SIGNIFICANT KEY PERFORMANCE INDICATORS ACCORDING TO GAS 20

The most significant key performance indicators for our results of operations, financial position and net assets for fiscal year 2022 – as presented under "Control system" on page 37 – are set out in the following. The consolidated financial statements are prepared in euros. There may be discrepancies relative to the unrounded figures.

(€ million)	2022	2021	Variance	
Shipments (Tto)	4,679	4,881	– 201	– 4.1%
Sales	9,379	7,441	1,938	26.0%
EBITDA before material special effects*)	417	848	– 432	– 50.9%
EBITDA	481	879	– 398	– 45.3%
Cash flow from operating activities	405	– 306	711	n. a.

*) 2022: Restructuring income of €64 million – primarily €63 million from the sale of real estate, of which €50 million in the Kloeckner Metals Non-EU segment and €13 million in the EU segment / 2021: Restructuring income of €30 million in connection with the Surtsey project, of which €10 million from sales of real estate in Germany and €12 million from sales of real estate in France.

OTHER KEY PERFORMANCE INDICATORS

(€ million)	2022	2021	Variance	
Gross profit	1,563	1,893	– 329	– 17.4%
Gross profit margin	16.7%	25.4%		– 8.7%p
OPEX*)	– 1,082	– 1,014	– 68	– 6.7%
EBIT	348	754	– 406	– 53.9%
EBT	319	748	– 429	– 57.3%
Net income	259	629	– 370	– 58.8%
Return on Capital Employed (ROCE)**)	12.0%	37.9%		– 25.9%p
Net financial debt	584	762	– 179	– 23.5%
Gearing (Net financial debt / shareholders' equity***))	30%	42%		– 12%p
Leverage (Net financial debt / EBITDA before material special effects)	1.4x	0.9x		0.5

*) OPEX = Own work capitalized plus other operating income less personnel expenses less other operating expenses.
**) ROCE = Quotient of EBIT and capital employed. Capital employed = 12-month average of total of non-current and current assets less cash and cash equivalents, investments and non-current securities.
***) Consolidated equity less non-controlling interests and less goodwill from business combinations subsequent to May 23, 2019.

Shipments and sales

Shipments totaled 4.7 million tons in fiscal year 2022, compared to 4.9 million tons in the prior-year period. In light of the Russian war of aggression against Ukraine, the strict zero COVID strategy in China and the resulting supply shortages at high steel prices, we pursued a consistent margin-over-volume strategy in the first half of the fiscal year. During the second half of the year, the overall deterioration in the macroeconomic environment following Russia's war of aggression against Ukraine led to a general reduction in demand for steel products. The total decrease in shipments in the fiscal year was 4.1% compared to the prior year.

Sales rose from €7.4 billion to €9.4 billion as a result of higher prices, marking a considerable increase of 26% over the prior year. After rising at the beginning of the year, steel prices corrected considerably as the year progressed. Overall, average price levels during the year were considerably above the prior year in all operating segments. The currency-adjusted increase in Group sales was 18.2%.

SALES BY SEGMENTS

			Variance			
(€ million)	2022	2021	Total	Currency effects	Net of currency effects	
Kloeckner Metals US	4,427	3,511	916	487	429	12.2%
Kloeckner Metals EU	3,332	2,584	748	5	743	28.8%
Kloeckner Metals Non-EU	1,619	1,345	274	95	179	13.4%
Group sales	**9,379**	**7,441**	**1,938**	**587**	**1,351**	**18.2%**

PRICE-DRIVEN SALES GROWTH WITH SLIGHTLY REDUCED SHIPMENTS

In the Kloeckner Metals EU segment, despite the marked price correction in the second half of 2022, significant supply shortages in the European steel market and the resulting rise in average prices for the full year led to a very considerable increase in sales by 28.8% (currency-adjusted). Likewise in the Kloeckner Metals US and Kloeckner Metals Non-EU segments, the strong price momentum at the beginning of the year meant that, despite price declines as the year progressed, sales for the full year increased significantly to €4.4 billion (currency-adjusted increase of 12.2% or €0.4 billion) and €1.6 billion (currency-adjusted increase of 13.4% or €0.2 billion).

GROSS PROFIT MARGIN BELOW PRIOR YEAR DUE TO DISPROPORTIONATELY LARGE RISE IN INVENTORY PRICES

At €1,563 million, gross profit was below the prior-year level (2021: €1,893 million). This is due to a disproportionately large increase in inventory prices. In this market environment, the gross profit margin narrowed by almost nine percentage points in 2022 to 16.7% (2021: 25.4%).

OPEX

Other operating income and expenses (OPEX) changed as follows:

(€ million)	2022	2021	Variance Total	Variance Currency effects	Variance Net of currency effects	
Other own work capitalized	-	2	– 2	-	– 2	– 100.0%
Other operating income	80	52	28	-	28	54.2%
Personnel expenses	– 618	– 598	– 20	– 36	16	2.7%
Other operating expenses	– 544	– 470	– 74	– 28	– 46	– 9.7%
OPEX	**– 1,082**	**– 1,014**	**– 68**	**– 65**	**– 4**	**– 0.4%**

Comparability of OPEX with the prior year is limited due to special effects. Other operating income, at €80 million, was €28 million higher than in the prior year. This mainly relates, in the amount of €63 million, to higher non-recurring income from the disposal of several properties. This non-recurring income was €36 million higher in 2022 than in the prior year, which explains most of the year-on-year difference.

Personnel expenses were €618 million in fiscal year 2022, compared to €598 million in the prior year. On a currency-adjusted basis, they were down 2.7% to €582 million, mainly due to savings in earnings-based salary components.

Other operating expenses increased from €470 million to €544 million. On a currency-adjusted basis, the increase was by 9.7%, from €470 million to €516 million. The increase is mainly due to higher costs of transportation and packaging and to higher prices of operating supplies and tools.

In total, at €481 million, EBITDA was below the prior-year figure of €879 million.

GROSS PROFIT AND ADJUSTED EBITDA BY SEGMENT

(€ million)	2022 Gross profit	2022 Gross profit margin	2021 Gross profit	2021 Gross profit margin
Kloeckner Metals US	662	15.0%	847	24.1%
Kloeckner Metals EU	508	15.2%	652	25.2%
Kloeckner Metals Non-EU	393	24.3%	393	29.2%
Klöckner & Co Group	**1,563**	**16.7%**	**1,893**	**25.4%**

(€ million)	2022 EBITDA	2022 EBITDA margin	2021 EBITDA	2021 EBITDA margin
Kloeckner Metals US	194	4.4%	456	13.0%
Kloeckner Metals EU	136	4.1%	294	11.4%
Kloeckner Metals Non-EU	83	5.1%	107	7.9%
Holding and other Group companies	4	-	– 8	-
EBITDA before material special effects	**417**	**4.4%**	**848**	**11.4%**
Net adjustments	64	-	30	-
Klöckner & Co Group	**481**	**5.1%**	**879**	**11.8%**

Adjusted EBITDA can be reconciled to EBITDA before adjustments as follows:

(€ million)	2022	2021
EBITDA including material special effects	**481**	**879**
Restructuring related inventory devaluation	**-**	**– 1**
Material property disposal gains	**– 63**	**– 27**
Restructuring expenses / gains		
– Personnel measures	**– 4**	**– 3**
– Other restructuring expenses	**2**	**-**
EBITDA before material special effects	**417**	**848**

Gross profit in the Kloeckner Metals US segment, at €662 million, was below the prior-year figure of €847 million. This was because of the correcting movement in selling prices in the second half of 2022 on the basis of the disproportionately rising inventory prices. Despite a consistent margin-over-volume strategy at the beginning of the year, operating income decreased compared to the prior year, mainly due to higher transportation and logistics costs. Fiscal year 2022 saw EBITDA before material special effects of €194 million and an EBITDA margin of 4.4% – considerably lower than the €456 million EBITDA figure and the 13.0% EBITDA margin recorded in the prior year. On a currency-adjusted basis, gross profit was €589 million and EBITDA was €172 million.

Gross profit in the Kloeckner Metals EU segment fell from €652 million in the prior year to €508 million. We benefited in this segment in the first half of 2022 from disproportionately large price increases in conjunction with disciplined net working capital management. As a result of the price correction in the second half of the year, gross profit in the segment was impacted particularly severely by disproportionately large increases in inventory prices and inventory write-downs. Despite savings in earnings-based salary components, an increase primarily in costs of transportation and packaging and of operating supplies and tools resulted in €23.3 million higher OPEX. EBITDA before material special effects was €136 million, versus €294 million in the prior year. The EBITDA margin came to 4.1%, compared to 11.4% in the prior year.

At €393 million, gross profit in the Kloeckner Metals Non-EU segment was at the prior year's level. Despite the macroeconomic challenges, the gross profit margin of 24.3% was only slightly below the prior-year figure (2021: 29.2%). However, as this segment saw a moderate year-on-year increase in OPEX relative to the other segments due to an inflation-driven rise in personnel expenses and higher transportation, packaging and operating costs, the segment's EBITDA, at €83 million, was below the prior-year figure of €107 million. The EBITDA margin was consequently 5.1%, versus 7.9% in the prior year.

EBITDA before material special effects at the holding company and the other Group companies amounted to €4 million (2021: negative €8 million).

RECONCILIATION TO NET INCOME

(€ million)	2022	2021	Variance	
EBITDA	**481**	**879**	**– 398**	**– 45.3%**
Depreciation, amortization and impairments	– 133	– 124	– 9	– 6.9%
EBIT	**348**	**754**	**– 406**	**– 53.8%**
Income from investments	6	11	– 5	– 47.5%
Financial result	– 34	– 17	– 17	n. a.
EBT	**319**	**748**	**– 429**	**– 57.3%**
Income taxes	– 60	– 119	59	49.6%
Net income	**259**	**629**	**– 370**	**– 58.8%**

Depreciation and amortization, at €133 million, was higher than the prior-year figure of €124 million, mainly due to increased past capital expenditure in all operating segments.

Higher depreciation and amortization due to capital expenditure

EBIT stood at €348 million, compared to €754 million in the prior year. At a negative €34 million, the financial result was considerably down on the prior-year figure (2021: negative €17 million). This is primarily due to the higher average debt level over the course of the year and the rise in interest rates toward the year-end. In addition, the financial result in the prior year included one-time interest income of €8 million from remeasurement of the debt component of the 2016 convertible bond.

EBT was €319 million, compared to €748 million in the prior-year period. The income tax expense for 2022 came to €60 million (2021: €119 million). At 31.8%, the combined tax rate was unchanged relative to the prior year, whereas the effective tax rate amounted to 18.7% (2021: 15.9%). The difference between the combined tax rate and the effective tax rate is due to tax rate differences in various countries and the prior-year utilization of tax loss carryforwards for which no deferred tax assets were recognized.

In total, net income was positive at €259 million in fiscal year 2022, compared to €629 million in the prior year.

Net income €259 million

Basic earnings per share came to €2.54, compared to €6.21 in the prior year.

Cash flows, financing and liquidity

Financing and financial management

Group financing is centrally managed through Klöckner & Co SE. We secure the liquidity of our Group companies in intra-group liquidity balancing arrangements with central and bilateral credit facilities. In the eurozone, a cross-border cash pooling system is used for this purpose. Centralized financing strengthens our negotiating position with banks and other lenders, making it easier to implement a uniform finance policy and limit financing risk.

By diversifying our financing instruments, we were highly successful at meeting the challenges in the financing environment caused by the Russian war of aggression against Ukraine. We have ample financial flexibility, which we maintain due to our business model. With a portfolio totaling some €1.5 billion (excluding leasing), we are very solidly positioned, including with regard to contract terms and financial covenants.

Financing for the Group continues to be secured using a portfolio of funding instruments comprising a convertible bond issue, an ABS program, a syndicated loan, an asset-based lending (ABL) facility and bilateral loan agreements.

Syndicated loan

A central component of Group financing is our syndicated loan (a revolving credit facility) with a facility amount of €250 million as of the reporting date.

Syndicated loan with term to January 2025

In a contract amendment in December 2021, the facility amount of the syndicated loan was reduced from €300 million to €250 million and the loan extended on improved terms to January 2025. In doing so, Klöckner & Co improved the maturity profile of Group finances. The facility is provided by a syndicate of eight banks. Under the financial covenants, as before, gearing – defined as net financial debt divided by the book value of equity less non-controlling interests and less goodwill resulting from acquisitions after May 23, 2019 – may not exceed 165%. Hence, the adjusted book value of equity may not fall below €600 million (minimum equity). Breach of the financial covenants would require repayment of all outstanding amounts. Subsequent drawings would then be possible if the covenants were once again complied with. The financial covenants were complied with in the reporting year.

ASSET-BACKED SECURITIZATION PROGRAMS

ABS program with a volume of €300 million in Europe extended ahead of term to 2026

Since July 2005, the Klöckner & Co Group has operated a European ABS program. The size of the program was increased in April 2022 from €220 million to €300 million. In December 2022, Klöckner & Co secured an extension of the 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. The agreed covenants are also based on the statement of financial position and are equivalent to those for the syndicated loan. Utilization of the program totaled €159 million as of the reporting date. The financial covenants were complied with in the reporting year.

Convertible bond

In September 2016, Klöckner & Co placed a €148 million convertible bond issue with institutional investors.

Convertible bond with an outstanding amount of €141 million

The coupon on the bonds was set at 2,00% p.a. and the conversion premium at 27.5% over the issue date reference price, corresponding to an initial conversion price of €14.82. The conversion price was most recently modified to €12.1837 in connection with the June 2022 dividend payment. The term of the convertible bonds is seven years. Under the bond terms, holders had a one-time investor put option under which they could demand early redemption after five years at par value plus accrued interest. No bondholder exercised this option, however. The issuer did not have an early call option during the first five years. It does have such an option thereafter provided the market price of Klöckner & Co shares exceeds 130% of the conversion price over certain stipulated periods.

In July 2022, Klöckner & Co repurchased and then retired part of the convertible bond issue with a nominal amount of €7.1 million, thus reducing the outstanding amount to €141 million.

As it matures in September 2023, the convertible bond has been reclassified from non-current to current financial liabilities.

ASSET-BASED LENDING AND BILATERAL CREDIT FACILITIES

The borrowing base facility (ABL facility) at the USA country organization was originally agreed in November 2020 and was increased in March 2022 from USD 330 million (approximately €309 million) to USD 450 million (approximately €422 million). In July 2022, the facility was renewed ahead of schedule on improved terms and with a five-year duration to July 2027. In connection with the planned acquisition of National Material of Mexico, S. de R.L. de C.V., Mexico, the facility was increased in December 2022 from USD 450 million (approximately €422 million) to USD 650 million (approximately €609 million) with the same terms and maturity while expanding the banking syndicate from three to four banks.

Borrowing base facility with a facility amount of USD 650 million in the USA

The bilateral credit facilities totaling approximately €201 million were drawn in the amount of €120 million (excluding lease liabilities) at the end of 2022.

The largest portion of our bilateral credit lines is accounted for by the Swiss country organization at CHF 160 million (approx. € 162 million), with drawings of €81 million as of December 31, 2022. These revolving credit lines with three banks were most recently renewed in July 2021 and increased by CHF 30 million (approximately €30 million) on top of the previous CHF 130 million (approximately €132 million). There are also other bilateral borrowings at the country organizations, used among other things to finance net working capital.

LIQUIDITY MANAGEMENT AND INTER-COMPANY SETTLEMENTS

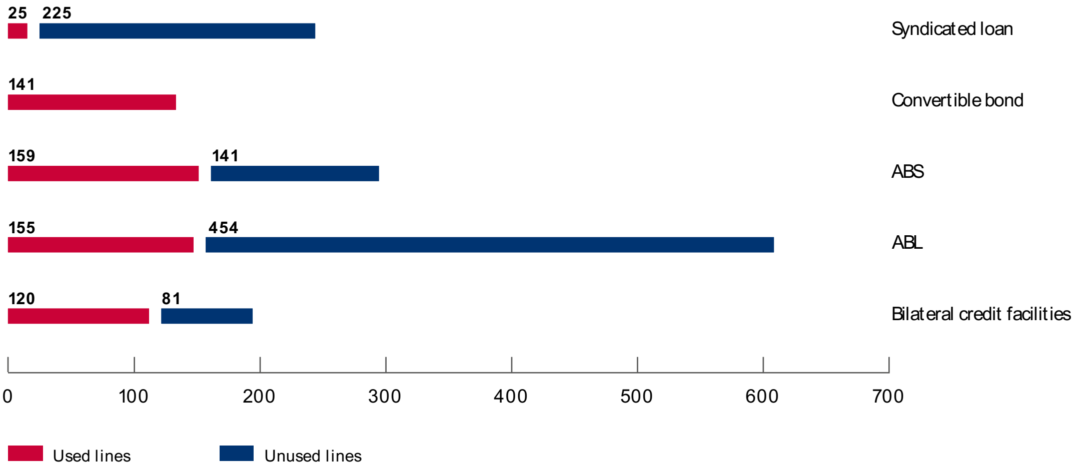
The Group uses an international cash pooling system to handle inter-company settlements and manage liquidity. Our country organizations in Switzerland, the United Kingdom and the USA are not part of the cash pooling system as they are financed by intra-group loans or have their own credit facilities. Financing of our Group companies, including working capital for the operating business at the individual country organizations, was secure at all times throughout 2022.

Financial headroom remains ample at €1.5 billion

FINANCIAL HEADROOM AND NET FINANCIAL DEBT

Klöckner & Co maintains credit facilities totaling €1.5 billion excluding lease liabilities. As shown in the following table, drawings on these facilities totaled only around €0.6 billion as of December 31, 2022.

FINANCIAL VOLUME AS OF DECEMBER 31, 2022
(€ million)



Financial liabilities include lease liabilities in the amount of €165 million (2021: €156 million).

KEY FINANCIAL DEBT INDICATORS

The table below shows the changes during the year under review in the key financial debt indicators used by the Group:

NET FINANCIAL DEBT

(€ million)	December 31, 2022	December 31, 2021	Variance Total	Variance Currency effects	Variance Net of currency effects	
Net financial debt	584	762	– 179	23	– 202	– 26.5%
Gearing (Net financial debt / shareholders' equity*))	30%	42%	– 12%p			
Leverage (Net financial debt / EBITDA before material special effects)	1.4x	0.9x	0.5			

*) Consolidated equity less non-controlling interests and less goodwill from business combinations subsequent to May 23, 2019.

Gearing was 30% as of the fiscal year-end, well within the 165% limit under the syndicated loan and the European ABS program. Due to the lower EBITDA, leverage increased slightly from 0.9x to 1.4x.

Klöckner & Co's operating business entails interest-rate, currency, credit and market risk. The instruments used to hedge and manage such risks and their potential impact on earnings are described in detail in the notes to the consolidated financial statements, under the notes on financial instruments.

We safeguard liquidity through disciplined inventory and receivables management as well as by adhering to internally defined indicators. Financial risk management is governed by Group-wide financial guidelines. We use derivative financial instruments to hedge interest-rate, currency and market risk. Derivatives are used exclusively to hedge risk related to underlying transactions. Foreign currency exposure at Group companies is generally hedged against currency risk at corporate level, or, where applicable, via local forex trading lines with banks that have impeccable credit ratings. We also centrally monitor and hedge any interest-rate risk.

CASH FLOW ANALYSIS

The consolidated statement of cash flows shows the sources and uses of cash flows during the fiscal year. The full consolidated statement of cash flows is presented on page 198 as part of the consolidated financial statements. Cash and cash equivalents reported in the consolidated statement of cash flows correspond to cash and cash equivalents shown in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	2022	2021	Variance	
Cash flow from operating activities	405	–306	711	n. a.
Cash flow from investing activities	– 34	–60	26	43.3%
Free Cash flow	**371**	**–366**	**737**	**n. a.**
Cash flow from financing activities	– 249	249	–497	n. a.

Substantial positive cash flow in fiscal year 2022

Through consistent net working capital management and an actively enforced inventory reduction in the second half-year, we generated significantly positive cash flow from operating activities of €405 million in the course of fiscal year 2022 (2021: negative €306 million).

The net cash outflow from investing activities was €34 million in 2022 (2021: €60 million). Proceeds of €74 million were generated from the disposal of property, plant and equipment in the reporting year (2021: €22 million). Payments for intangible assets, property, plant and equipment totaled €81 million (2021: €85 million) and payments for acquisitions of consolidated subsidiaries and financial assets came to €28 million (2021: €8 million).

Capital expenditure by segment was as follows:

(€ million)	2022	2021
Kloeckner Metals US	30	28
Kloeckner Metals EU	41	17
Kloeckner Metals Non-EU	31	39
Holding and other Group companies	6	9
Klöckner & Co-Group	**108**	**93**

Free cash flow was well into the positive range at €371 million in fiscal year 2022, following a negative free cash flow of €366 million in the prior year.

Repayment of net financial debt in the amount of €91 million in 2022

Cash flow from financing activities amounted to a negative €249 million (2021: €249 million) and includes a cash outflow for dividend payments to shareholders of Klöckner & Co SE of €100 million (2021: €0 million) and to non-controlling interests of €10 million (2021: €2 million). Following repayments of lease liabilities in the amount of €43 million (2021: €47 million), there were also net repayments of financial debt in the amount of €91 million (2021: net borrowing of €309 million). Furthermore, cash flow from financing activities also includes €6 million (2021: €11 million) in payments relating to extensions and settlements of currency hedges as part of the Group headquarters financing arrangements.

FINANCIAL POSITION AND BALANCE SHEET STRUCTURE

Consolidated balance sheet			Variance			
(€ million)	December 31, 2022	December 31, 2021	Total	Currency effects	Net of currency effects	
Non-current assets	1,033	1,099	– 66	29	– 95	– 8.7%
Current assets						
Inventories	1,633	1,716	– 83	60	– 143	– 8.3%
Trade receivables*)	940	941	– 1	34	– 35	– 3.6%
Other current assets	73	64	9	– 4	12	19.2%
Liquid funds	179	58	121	– 1	122	n. a.
Total assets	**3,859**	**3,878**	**– 19**	**118**	**– 137**	**– 3.5%**
Equity	1,968	1,827	141	58	82	4.5%
Non-current liabilities						
Financial liabilities	401	556	– 155	22	– 176	– 31.9%
Provisions for pensions	38	50	– 12	2	– 14	– 27.2%
Other non–current liabilities	63	81	– 18	2	– 20	– 24.9%
Current liabilities						
Financial liabilities	359	261	98	-	98	37.6%
Trade payables**)	785	844	– 59	28	– 87	– 10.4%
Other current liabilities	246	258	– 12	6	– 18	– 7.3%
Total equity and liabilities	**3,859**	**3,878**	**– 19**	**118**	**– 137**	**– 3.5%**

*) including contract assets and supplier bonus receivables.
**) including contract liabilities and advance payments received

Total assets of €3.9 billion, down 3.5% on prior year on a currency-adjusted basis.

Total assets amounted to €3.9 billion as of December 31, 2022, virtually unchanged from the end of the prior year (2021: €3.9 billion). It should be taken into account in the analysis that the change in balance sheet items includes currency translation effects relating to our international subsidiaries – for the most part our US activities. Adjusted for currency translation, total assets were 3.5% down on the prior-year. Non-current assets, at €1,033 million, were below the level of the prior year (€1,099 million). While property, plant and equipment increased by €39 million, intangible assets decreased by €13 million relative to the prior year figure.

Additions as a result of capital expenditure on property, plant and equipment (€81 million) and additions from new and renewed leases (€46 million) were offset by depreciation and amortization in the amount of €107 million and disposals in the amount of €3 million. Conversely, intangible assets went down from €97 million to €85 million, mostly due to amortization.

The decrease in other non-current assets (€92 million) is mainly due to a reduction in the surplus of plan assets over pension obligations in the Swiss pension plan. The amount of the resulting asset to be recognized here is limited to the present value of available refunds plus the reduction of future contributions to the plan.

As a result of the implemented optimization and restructuring measures and of the significantly improved market environment, the carrying amounts of most cash-generating units were fully matched by their value in use as defined in IAS 36. In France and in steel distribution in the Netherlands, Germany and Belgium, however, the business environment continues to be challenging and the carrying amounts there are not matched by the corresponding values in use as defined in IAS 36 (in the prior year, this was the case in the United Kingdom and in the steel distribution business in the Netherlands). Detailed information on this is provided in Note 16 ("Intangible assets and property, plant and equipment").

Net working capital changed as follows:

NET WORKING CAPITAL

(€ million)	December 31, 2022	December 31, 2021	Variance Total	Variance Currency effects	Variance Net of currency effects	
Inventories	1,633	1,716	– 83	60	– 143	– 8.3%
Trade receivables*)	940	941	– 1	34	– 35	– 3.6%
Trade payables**)	– 785	– 844	59	– 28	87	10.4%
Net working capital	**1,789**	**1,813**	**– 24**	**66**	**– 90**	**– 4.9%**

*) including contract assets and supplier bonus receivables.
**) including contract liabilities and advance payments received

Net working capital was €1,789 million as of December 31, 2022, compared with €1,813 million a year earlier. On a currency-adjusted basis, there was an decrease by €90 million or 5%. This is largely due to the quantitative reduction in inventories due to an active inventory reduction drive in the second half-year.

Cash and cash equivalents, at €179 million, were significantly above their prior-year level of €58 million.

Equity rose from €1,827 million to €1,968 million. The change is mainly due to the positive net income (€259 million) and the translation of foreign subsidiaries' financial statements (€59 million), the dividend payment of €110 million and €67 million in actuarial losses recognized in other comprehensive income less deferred taxes thereon.

The equity ratio, at 51% (2021: 47%) was consequently above the prior year's level.

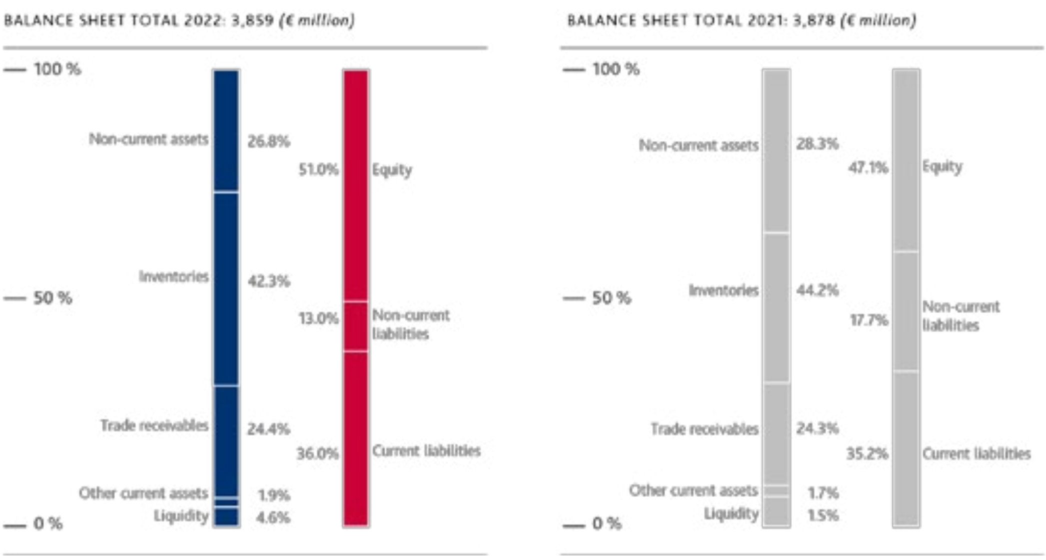
Solid equity ratio of 51%

The excess of equity and non-current liabilities over non-current assets amounted to €1,437 million, compared with €1,415 million in 2021.

Financial liabilities down on prior year

Financial liabilities, at €759 million, were down on the prior-year figure of €817 million. They relate in the amount of €273 million to bilateral facilities, €159 million to drawings under the ABS program, €139 million to the debt component of the convertible bond issue and €24 million to the sydicated credit facility. The remaining amount of €165 million relates to lease liabilities.

Due to the rise in interest rates, pension provisions fell from €50 million in the prior year to €38 million.



2.6 Overall assessment of the business situation

Strong operating income despite macroeconomic challenges

The Klöckner & Co Group's operating income (EBITDA) was exceptionally strong in the 2022 reporting year despite the macroeconomic challenges. Coinciding with the onset of the Russian war of aggression against Ukraine, restricted material availability on the steel market led to a strong upward price trend with an initial exceptionally positive trend in selling prices that corrected again in the course of the year. With a disproportionately large rise in inventory prices at the beginning of the year, shipments initially declined through disciplined inventory management and a disciplined margin-over-volume strategy. As a result of the deteriorating macroeconomic environment in the second half of the year, lower demand and considerable price corrections together with inventory write-downs led overall to a decrease in gross profit for the full year 2022 compared to the prior year. Despite higher transportation and logistics costs and the challenges described above, the year ended with very positive results.

Significant positive cash flow due to consistent net working capital management

Cash flow from operating activities was significantly positive in the fiscal year, mainly due to the positive operating income and the active inventory reduction drive in connection with consistent net working capital management.

Solid finances and financial position

Our finances remain very stable, including in times of a challenging macroeconomic environment. Financing for the Group continues to be based on a widely diversified portfolio of funding instruments. We were able to maintain and even expand our large financial headroom in the fiscal year by extending financing arrangements ahead of term. The equity ratio remains very solid at approximately 51% at the end of the reporting period.

3. Single-entity financial statements of Klöckner & Co SE

3.1 Notes to the annual financial statements of Klöckner & Co SE

As the holding company, Klöckner & Co SE is in charge of operating management of the Klöckner & Co Group and coordinates the Group's central financing. The financial statements are prepared in euros. There may be discrepancies relative to the unrounded figures.

BALANCE SHEET OF KLÖCKNER & CO SE (CONDENSED)

(€ million)	December 31, 2022	December 31, 2021	Variance	
Intangible assets and property, plant & equipment	1	2	-	– 26.5%
Non-current investments	1,074	1,085	– 11	– 1.0%
Fixed assets	**1,075**	**1,086**	**– 11**	**– 1.1%**
Receivables from affiliated companies	389	455	– 66	– 14.5%
Other receivables	3	2	1	31.4%
Cash and cash equivalents	20	3	17	n. a.
Current assets	**412**	**460**	**– 48**	**– 10.5%**
Pension plan surplus	-	21	– 21	n. a.
Prepaid expenses	2	2	-	– 20.6%
Total assets	**1,489**	**1,570**	**– 81**	**– 5.2%**
Equity	**1,254**	**1,281**	**– 27**	**– 2.1%**
Provisions for pensions and similar obligations	1	-	1	n. a.
Other provisions	25	18	7	38.7 %
Bonds	141	148	– 7	– 4.8%
Liabilities to affiliated companies	39	77	– 38	– 49.3%
Liabilities to banks	25	36	– 11	– 30.4%
Other current liabilities	4	10	– 6	– 63.7 %
Total equity and liabilities	**1,489**	**1,570**	**– 81**	**– 5.2%**

The annual financial statements of Klöckner & Co SE are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Financial position reflects holding company status

Klöckner & Co SE's financial position reflects its status as holding company and its function as the Group's central financing company. The opportunities and risks of Klöckner & Co SE correspond to those of the Group (see the "Risk and opportunities" section) and primarily impact the carrying amounts of investments and future dividend payout potential. The Company's fixed assets consist almost entirely of financial assets. These mostly comprise the investments in management companies heading the Group's national and international country organizations and investments in individual country operating organizations.

Receivables from affiliated companies include €57 million (2021: €158 million) in receivables under profit transfer agreements.

The decrease in the pension plan surplus is due to pension payments from plan assets, measurement effects relating to plan assets and an increase in pension obligations due to the inflation-related rise in the pension trend, which was not offset by the discounting effect from the higher discount rate. As of the reporting date, after deducting plan assets, pension provisions are recognized at €1 million.

Solid equity ratio maintained at 84%

Klöckner & Co SE's equity ratio was 84 % as of December 31, 2022 (2021: 82 %).

INCOME STATEMENT OF KLÖCKNER & CO SE (CONDENSED)

(€ million)	2022	2021	Variance	
Sales	52	43	10	22.6%
Other income	4	34	– 30	– 89.4%
Cost of purchased services	– 9	– 11	2	17.0%
Personnel expenses	– 30	– 33	3	8.1%
Depreciation and amortization	– 1	– 1	-	– 10.9%
Other operating expenses	– 22	– 17	– 5	– 30.7%
Impairments of investments	– 15	– 35	20	56.2%
Income from investments	108	234	– 126	– 53.8%
Interest income, net	– 4	– 2	– 2	74.4%
Result from ordinary activities	**83**	**212**	**– 129**	**– 60.9%**
Taxes	– 10	– 24	15	– 60.3%
Net income/loss	**73**	**188**	**– 115**	**– 61.0%**
Retained profit prior year	188	-	188	n. a.
Dividends	– 100	-	– 100	n. a.
Appropriation to other revenue reserves	– 88	-	– 88	n. a.
Unappropriated profits	**73**	**188**	**– 115**	**– 61.0%**

The increase in sales for 2022 relates to leased right-of-use assets.

The decrease in other operating income is mainly due to lower reversals of impairment losses. In the prior year, past impairment losses on the carrying amount of the investment in Kloeckner Metals France Holding S.A.S., Aubervilliers, France were reversed in the amount of €32 million.

Personnel expenses decreased slightly to €30 million (2021: €33 million).

Other operating expenses went up significantly to €22 million, mainly due to higher consulting expenses (2021: €17 million).

Impairment losses were recognized in the reporting year on the carrying amount of the investment in XOM Materials GmbH, Berlin, Germany of €4 million (2021: €35 million), Kloeckner Metals Belgium N.V., Harelbeke, Belgium (€8 million) and Kloeckner Metals Brasil Ltda., São Paulo, Brazil, (€2 million) and Kloeckner Metals France Holding S.A.S., Aubervilliers, France (€1 million).

Investment income at Klöckner & Co SE consists of profit distributions and profit transfers from subsidiaries. Income from profit transfer agreements mainly related to Becker Stahl-Service GmbH, Duisburg, Germany, kloeckner.v GmbH, Berlin, Germany and Kloeckner Metals Germany GmbH, Duisburg, Germany. The dividend income related to Debrunner Koenig AG, St. Gallen, Switzerland and Kloeckner Metals Belgium, Harelbeke, Belgium. In addition, losses were assumed in the fiscal year for Klöckner & Co Center of Excellence GmbH, Duisburg, Germany and kloeckner.i GmbH, Berlin, Germany.

Income from investments once again positive despite difficult macroeconomic conditions

As a holding company, the earnings performance of Klöckner & Co SE is materially determined by the performance and dividend policies of its holdings. Due to the deterioration in macroeconomic conditions as a result of the Russian war of aggression against Ukraine, income from profit transfer agreements plus other income from long-term equity investments, at €108 million, was significantly lower than the prior-year level of €234 million but exceeded the prior-year budget.

On the bottom line, net income in 2022 was €73 million (2021: €188 million).

In light of the potential for distribution of reinvested profits at subsidiaries and the profit transfer agreements we have in place, we expect to generate positive net income in the low triple-digit million euro range in 2023.

Dividend proposal: €0.40 per share

Due to the significantly positive net income in 2022, the Management Board and Supervisory Board will propose to the Annual General Meeting that a dividend be distributed for fiscal year 2022 in the amount of €0.40 per share.

The complete annual financial statements of Klöckner & Co SE, including the auditor's unqualified opinion, are published in the company register. Interested parties can request the annual financial statements from the Company's headquarters or access them on the Internet at https://www.kloeckner.com.

4. Other disclosures

4.1 Dependency report

Concluding statement to the report of the Management Board on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act

In fiscal year 2022, Klöckner & Co SE was a dependent company of SWOCTEM GmbH, Haiger, within the meaning of Section 312 of the German Stock Corporation Act. Pursuant to Section 312 (1) of the German Stock Corporation Act, the Management Board of Klöckner & Co SE has therefore prepared a report of the Management Board on relations with affiliated companies, which contains the following concluding statement: "We declare that with regard to the transactions and measures listed in the report on relations with affiliated companies for the period January 1, 2022 to December 31, 2022, based on the circumstances known to us when the transactions were carried out or the measures were taken or omitted, the Company received appropriate compensation in each transaction and was not disadvantaged by measures taken or omitted."

4.2 Takeover disclosures

Report pursuant to Sections 289a and 315a of the German Commercial Code in conjunction with Section 176 (1) sentence 1 of the German Stock Corporation Act and Article 9(1)(c)(ii) of the European Company Regulation

COMPOSITION OF SUBSCRIBED CAPITAL

As of December 31, 2022, Klöckner & Co SE's subscribed capital totaled €249,375,000, divided into 99,750,000 no-par-value registered shares. All shares carry the same rights and obligations. Each share has one vote.

RESTRICTIONS ON VOTING RIGHTS AND THE TRANSFER OF SHARES

The Management Board is not aware of any restrictions on voting rights or the transfer of shares, including any agreements between shareholders. However, the members of the Management Board are subject to a vesting period before selling their personal investment shares.

INTERESTS IN SHARE CAPITAL EXCEEDING 10% OF VOTING RIGHTS

As of December 31, 2022, the following direct or indirect interests in the share capital of Klöckner & Co SE exceeding 10% of the voting rights were reported to the Company in accordance with the German Securities Trading Act (WpHG): SWOCTEM GmbH (Prof. Dr. E.h. Friedhelm Loh), Haiger, 25.25% as of February 2, 2016.

SHARES WITH SPECIAL CONTROL RIGHTS

No shares with special control rights exist.

EXERCISE OF VOTING RIGHTS BY EMPLOYEES OWNING SHARES IN THE COMPANY

Shares held by employees of the Klöckner & Co Group are not subject to any rules controlling voting rights.

LEGISLATION AND PROVISIONS OF THE ARTICLES OF ASSOCIATION GOVERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Management Board of Klöckner & Co SE comprises one or more members who are, in general, appointed and dismissed by the Supervisory Board (Article 9 (1) (c), Article 39 (2) and Article 46 of the European Company Regulation; Section 84 of the German Stock Corporation Act; Section 6 of the Articles of Association; and, for appointment by a court of law, Section 85 of the German Stock Corporation Act). Under Article 59 (1) of the European Company Regulation, Annual General Meeting resolutions amending the Articles of Association in principle require a two-thirds majority of the votes cast unless the German Stock Corporation Act requires or permits a greater majority. Pursuant to Article 59 (2) of the European Company Regulation and Section 51, sentence 1 of the German SE Implementation Act (SEAG), read in conjunction with Section 19 (2), sentence 2 of the Klöckner & Co SE Articles of Association, amendments may be adopted by a simple majority of votes cast if at least one half of the share capital is represented. Section 51, sentence 2 of the SEAG exempts from this rule amendments to the Company's business purpose, resolutions on cross-border relocation of the Company's headquarters and cases in which a larger capital majority is mandatorily required by law. For resolutions that require a three-quarter capital majority under the German Stock Corporation Act, a three-quarter majority of share capital represented is consequently also necessary at Klöckner & Co SE.

Under Section 21 of the Articles of Association, the Supervisory Board is authorized to make certain formal changes to the Articles of Association itself as and when required.

POWERS OF THE MANAGEMENT BOARD TO ISSUE AND REPURCHASE SHARES

The Management Board of Klöckner & Co SE has the following authorizations to issue and repurchase shares:

With the consent of the Supervisory Board, the Management Board is authorized to increase the Company's share capital on or before May 31, 2027 by up to a total of €49,875,500 by issuing, on one or more occasions, up to 19,950,000 new no-par-value registered shares against cash or non-cash contributions. For further details, see Section 4 (3) of the Articles of Association (Authorized Capital 2022).

With the consent of the Supervisory Board, the Management Board is authorized to issue warrant-linked or convertible bearer or registered bonds, or combinations of such instruments, at any time on or before May 31, 2027, on one or more occasions, and to grant holders or creditors of said bonds option or conversion rights to up to 9,975,000 no-par-value registered shares in the Company with a pro-rata total amount in the share capital of up to €24,937,500. Authorization has thus been granted for a contingent capital increase by up to €24,937,500 (Conditional Capital 2022), which may be carried out insofar as option or conversion rights are exercised and/or bonds are converted in fulfillment of conversion obligations with respect to bonds issued by the Company or its subsidiaries under authorization of the Annual General Meeting of June 1, 2022, and also in case of an adjustment of the conversion ratio of the 2016 Convertible Bond. For further details, see Section 4 (7) of the Articles of Association.

Authorization has further been granted for a contingent capital increase by up to €24,932,500 by issuing up to 9,973,000 no-par-value registered shares (Conditional Capital 2013), which may only be carried out for the fulfillment of conversion rights of the holders of convertible bonds issued by the Company or a Group company in accordance with the authorization of the Company's Annual General Meeting of May 24, 2013, adopted under agenda item 6 (this relates solely to the 2016 Convertible Bond). For further details, see Section 4 (6) of the Articles of Association.

Under Section 71 (1) No. 8 of the German Stock Corporation Act, and in accordance with the resolution adopted by the Annual General Meeting on June 1, 2022, the Management Board is also authorized, subject to approval from the Supervisory Board, to acquire treasury stock in a volume of up to 10% of the Company's share capital in issue at the time of adoption of the resolution by the Annual General Meeting on June 1, 2022 or, if lower, the Company's share capital in issue at the time of exercise of the authorization. The Management Board was additionally authorized to acquire treasury stock using derivatives (put options, call options or future purchase contracts). The authorization may be utilized in whole or in part, on one or more occasions, by the Company, by Group companies or by third parties acting on the Company's account or on the account of Group companies. The authorization is valid until May 31, 2027.

SIGNIFICANT AGREEMENTS TO WHICH THE COMPANY IS PARTY AND WHICH ARE CONDITIONAL ON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

If a person, or persons acting in concert within the meaning of Section 2 (5) of the Securities Acquisition and Takeover Act (WpÜG), directly or indirectly acquire(s) more than 50% of the voting rights in the Company, any of the individual lenders under the currently €250 million syndicated revolving credit facility may demand repayment of any outstanding loan it has disbursed. The European ABS program (current volume: €300 million) provides for a right of termination in the same event.

In the event of an acquisition of control, the terms and conditions of the 2016 Convertible Bond permit the bondholders to demand early repayment of the principal amount plus accrued interest in certain cases. Pursuant to those terms and conditions, an acquisition of control is deemed to have occurred if a person, or persons acting in concert, directly or indirectly hold(s) more than 50% of the voting rights in the Company (hereinafter "acquisition of control").

Individual bondholders are also entitled to exercise their conversion rights at an adjusted conversion price in the event of a change of control under certain conditions. Pursuant to the terms and conditions of the 2016 Convertible Bond, a change of control is, among other instances, deemed to have occurred if (i) an acquisition of control as referred to above occurs or (ii) a mandatory offer within the meaning of the Securities Acquisition and Takeover Act is published or (iii) in the event of a voluntary takeover offer as defined by the Securities Acquisition and Takeover Act, the bidder holds at least 30% of the voting rights in the Company, regardless of whether the bidder's stake results from the holding or attribution of voting rights or from voting rights in relation to which the takeover bid has already been accepted, whereby in the event of a conditional takeover bid a change of control is only deemed to have occurred if the offer conditions have either been met or waived.

For additional information, please refer to the terms and conditions of the 2016 Convertible Bond.

The termination rights agreed upon represent standard industry practice, especially with respect to the granting and extension of long-term credit facilities.

AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES PROVIDING FOR REMUNERATION IN THE EVENT OF A TAKEOVER BID

The current contracts with members of the Company's Management Board do not provide for any special right of termination for the event of a takeover offer or change of control.

Virtual stock options granted to senior executives include a provision under which the options may be exercised immediately if a threshold of 30% of voting rights is exceeded.

4.3 Dividend planning

In general, Klöckner & Co SE follows a dividend policy of distributing 30% of net income before non-recurring items.

The Management Board and Supervisory Board propose the distribution from Klöckner & Co SE's net income available for distribution for fiscal year 2022 of an amount of €39,900 thousand to shareholders as dividend and the appropriation of the remaining €33,421 thousand of the net income available for distribution to other revenue reserves. At 99,750,000 eligible no-par-value shares, the dividend proposal corresponds to a dividend of €0.40 per share.

5. Macroeconomic outlook including key opportunities and risks

5.1 Expected global economic growth

Expected global economic growth in 2023: 2.9%

According to the International Monetary Fund (IMF), the global economy is expected to grow in 2023 by 2.9%. The global economy will continue to face challenges in 2023. The Russian war of aggression against Ukraine is likely to have a further negative impact on global economic activity. Inflationary pressures are expected to continue, driven by energy, commodity and food prices, although to a far lesser extent than in the prior year. Consumer demand could remain subdued as real disposable incomes decline and interest rates rise. Monetary and fiscal policy normalization to contain inflation is likely to continue, although at a significantly reduced pace. The evolution of current geopolitical flashpoints and trade conflicts is also uncertain. Meanwhile, a rapid normalization of global supply chains and significantly lower inflation rates may have a supportive effect on the world economy. The global economy could also gain positive impetus from the Chinese government's move away from the zero-COVID strategy.

For the eurozone, the IMF expects GDP to be constant in the current year (+0.7% year on year). The energy crisis in the eurozone is likely to persist in 2023, as the geopolitical rebalancing of energy supplies is expected to proceed only slowly. A further increase in gas and energy prices and uncertainty about future supplies could have a negative impact on the industrial sector or industrial production, particularly in energy-intensive sectors. Some sectors, on the other hand, are expected to benefit from easing supply constraints and large order backlogs.

The IMF estimates that the US economy will grow by 1.4% in 2023. Consumer demand in particular is expected to weaken in face of high inflation. With such high inflation rates, US Federal Reserve policy may continue to weigh on investment and growth. In addition, the tight US labor market is expected to cool, which should somewhat ease the ongoing labor shortage.

For China, the IMF forecasts growth of 5.2% in 2023. However, while the domestic economic recovery is expected to continue, export demand may be lower due to the weak global economic outlook. In addition, a worsening of the crisis in the Chinese real estate sector could spill over into the banking sector and have a severe impact on the country's growth. Uncertainty in the real estate sector may also affect private consumption and local government finances. However, the Chinese economy could benefit significantly from further relaxation of the zero-COVID strategy.

Expected development of GDP (in percent)	2023
Europe*)	**0.7**
Germany	0.1
United Kingdom	– 0.6
France	0.7
Belgium	– 0.2
Netherlands	0.5
Switzerland	0.6
China	5.2
United States	**1.4**
Brazil	1.2

*) Eurozone.
Source: IMF, Bloomberg.

Expected steel sector trend
For 2023, the World Steel Association forecasts around 1.0% year-on-year growth in global steel demand to 1,814.7 million tons. The forecast is for a decrease of 1.3% in the European Union including the United Kingdom, growth of 1.8% in the North American Free Trade Area (USMCA) and growth of 3.8% in South and Central America. For China, the World Steel Association expects steel demand to remain flat.

5.2 Expected trend in our core customer sectors

Construction industry

In the eurozone, Oxford Economics estimates that the construction industry will contract by around 1% in 2023. Higher energy prices could further exacerbate price pressures in supply chains and reduce construction activity. In addition, there is likely to be a negative impact from higher borrowing costs as a result of the monetary policy shift at the ECB. Conversely, a positive impact is expected from the Next Gen EU fund and new infrastructure projects. In the US, the construction industry is expected to contract by around 5% in 2023. The sector is likely to be weighed down by rising interest rates – which increase the cost of financing construction projects – together with the ongoing labor shortage and the rising cost of commodities and construction materials. On the other hand, the US administration's infrastructure programs may have a supportive effect on US construction.

Machinery and mechanical engineering

Oxford Economics estimates that the eurozone machinery and mechanical engineering industry will contract by around 1% in 2023. The sector will likely continue to be held back by high energy costs and the tight energy supply situation. An expected recovery in automotive production over the next year could benefit certain segments of machinery and mechanical engineering, particularly those related to electromobility. European machinery and mechanical engineering should also continue to benefit from full order books. In the USA, the sector is expected to decline by 5% in 2023.

Automotive industry

According to estimates from the German Association of the Automotive Industry (VDA), the European automotive industry will grow by around 5% in 2023. Supply chain disruptions are expected to be less frequent, particularly in the case of semiconductors, and the switch to electric vehicles is likely to continue. For Germany, the VDA expects growth of 2%. Large order backlogs are also expected to have a positive impact on production. The VDA expects German automotive production to grow significantly, by 6%. Growth of 4% is forecast for the US automotive market and 3% for China. Oxford Economics forecasts growth of about 5% for the Mexican automotive market, where we intend to significantly strengthen our presence following the acquisition of National Material of Mexico.

5.3 Risks and opportunities

Global growth most recently slowed in 2022 as the rebound leveled off following the COVID-19 pandemic, which was on the decline in much of the world. For 2023, global economic growth is expected to fall to 2.9%. The reasons for this are multifaceted. Inflation is currently at its highest level for many decades, although it appears to have peaked. Central banks are following the most restrictive monetary policy path in a long time, with interest rates rising sharply. This coincides with a fiscal policy tightening. At the same time, the ongoing energy crisis is expected at least temporarily to suppress demand in Europe. The main uncertainties here relate to the precise timing and severity of the growth slowdown.

In the US in particular, however, there are hopes that a recession can be avoided, not least because of relatively low energy prices compared to Europe. A key question is whether inflation can be brought back on a lasting basis to a level that is acceptable to the central banks. Another crucial point is the further course of the Russian war of aggression against Ukraine. At the moment, all sides expect the conflict to continue for a long time, and constructive, solution-oriented negotiations between Ukraine and Russia currently appear scarcely feasible given the demands of both parties. Nevertheless, a negotiated solution in the near future also represents a medium-term opportunity.

A further geopolitical factor is the growing rivalry between the two great powers, the USA and China. Moreover, it is unclear how the Chinese government's shift from a zero-COVID policy to widespread opening at the cost of high infection rates will affect the global economy. Uncontrolled transmission runs the risk of overwhelming China's health care system, a sharp fall in Chinese economic growth and renewed significant disruptions to global supply chains. On the other hand, if the spread of the pandemic has only a minor impact on the Chinese economy, the reopening also harbors the opportunity for a significant boost to the global economy.

Risk policy

Optimizing the Group's risk position

Risks are frequently unavoidable in our business activities if we are to leverage market opportunities. We therefore aim not to minimize but to optimize the Company's risk position, as otherwise opportunities would have to be passed up. Our risk policy is therefore designed to let us take advantage of opportunities while accepting an appropriate risk level in order to achieve sustainable growth and increase the value of the Company without taking undue risks.

Risk and opportunity management is an integral part of our management process. Our Risk Management System (RMS) is supplemented by our Group-wide Internal Control System (ICS) and our Compliance Management System (CMS; see 7 Corporate Governance Statement – COMPLIANCE on page 103). The RMS, ICS and CMS, supplemented by data protection and information security, form the core of Governance, Risk & Compliance (GRC). Regular, intensive exchange takes place there to create synergies wherever possible by close coordination and collaboration.

Risk management system

The primary objectives of the RMS are to identify and assess material risks and above all early detection and active reduction of potential going concern risk. We continuously monitor significant risks that have been identified by our risk management system, enabling us to prevent, reduce, transfer or limit their potential negative impact. It should be noted, however, that even with an appropriate and properly functioning system, there can be no absolute guarantee that risks will be fully identified and managed and their potential negative impact entirely averted.

Both our RMS and our ICS are based on generally accepted standards, including the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the additions to that framework – COSO ERM (Enterprise Risk Management) – for Group-wide risk management. Documentation of the RMS implemented throughout the Group is assisted by risk management software. The RMS is continuously revised to enhance risk transparency and information quality and to meet the increasing requirements. The appropriateness and effectiveness of the RMS and ICS are subject to regular, process-independent scrutiny in the form of reviews of subsystems of the RMS and IKS conducted by Internal Audit and independent auditing firms on the basis of IDW Auditing Standards 981 and 982. In addition, our ICS is regularly reviewed on the basis of control self-assessments by the operating business units and corporate functions, as well as independent audits based on those assessments by Internal Audit and Corporate ICS Management. [The Management Board has no indication that our RMS and ICS are materially not adequate and effective.[1]]

Any RMS or ICS nevertheless has inherent limitations, particularly as to effectiveness. Despite the overall assessment of the respective systems as appropriate and effective, it cannot therefore be ruled out that not all risks will be identified and mitigated in advance. There is likewise a possibility that not all noncompliance with defined processes can be prevented or detected by the implemented controls and the resulting deficiencies avoided or averted.

Risk management organization and responsibilities

SUPERVISORY BOARD
Monitoring of effectiveness of Risk Management System
Assessment of risk reporting

AUDIT COMMITTEE
Evaluation of Risk Management System regarding legality, apropriateness and cost effectiveness as well as report to entire Supervisory Board

MANAGEMENT BOARD
Responsible for appropriate group risk management

RISK COMMITTEE
Supervision and consulting

CORPORATE RISK MANAGEMENT
Risk evaluation and control, reporting to Management Board and Supervisory Board

RISK MANAGEMENT FUNCTIONS
Risk owner respectively country risk manager:
Identification and assessment respectively control and reporting

[1] This statement by the Management Board is a disclosure which is required by the German Corporate Governance Code in the version of April 28, 2022, published June 27, 2022, and which, as a disclosure that is not normally part of the management report, is not part of the audit.

The basis of consolidation for Group risk consolidation purposes is the Group as a whole. The organization of our RMS is geared toward promoting risk awareness throughout the Group and ensuring the effectiveness and efficiency of the RMS. In addition, to reinforce the understanding of risk and of our risk culture, online training on the fundamentals of risk management has been provided in the Group's main languages since the end of 2020. This training is compulsory for all management positions and for employees directly involved in the risk management process. Participation is regularly checked.

Overall responsibility for the RMS lies with the Management Board, while the Supervisory Board monitors its effectiveness. The Audit Committee is involved in the process via regular reporting and also assesses the risk strategy and the RMS. Risk owners identify and assess their respective risks and response measures and carry primary responsibility for them. This also includes early identification and assessment of new risks and significant changes to existing risks, which must be promptly communicated. As the link between the operating units and the Corporate Risk Management Department, local risk managers serve a control and reporting function. The Corporate Risk Management Department reviews, validates and evaluates the risks identified and assessed by risk owners from the perspective of the Company as a whole and prepares reports for the Management Board and Supervisory Board. The role of the Risk Committee is to review the identified current risks and to supervise and advise the Corporate Risk Management Department.

Risk management process
The risk management process mainly involves the following six components:

1. Risk identification – A risk field matrix showing the risk fields along predefined risk categories is used to identify material risks in a structured manner as well as to enable risk to be recorded systematically and uniformly at both country and corporate department level. All risks are normally analyzed with regard to their impact over a one-year period and over the usually three-year planning period. We also analyze all material risks and potential going concern risks with regard to their long-term impact. The result of this process is a risk inventory, which is updated at regular intervals.
2. The relevance of each risk is initially assessed using a five-level scale. A risk's relevance represents its overall significance and thus combines various aspects such as expected value, realistic maximum loss and risk duration. Relevance is used to classify identified risks and show their potential impact on earnings before interest, taxes, depreciation and amortization (EBITDA) – this being one of our key performance indicators – at the time of risk analysis and before risk mitigation measures (i.e. on a gross basis). We also include risks such as interest rate risk, currency risk, tax risk and, for example, acquisition risk resulting in impairment losses on acquired goodwill, that do not impact EBITDA but on the basis of prudent business judgment could have a significant effect on liquidity, equity or the Group's net income.

RELEVANCE SCALE

Relevance	Degree of influence	Definition	Potential impact (€ million)
1	Insignificant risk	Insignificant risks that could cause barely noticeable deviations from the operating result	< 6
2	Intermediate risk	Intermediate risks which could cause significant deviations from the operating result	≥ 6
3	Significant risk	Significant risks that could greatly affect the operating result or have long-term effects	≥ 18
4	Serious risk	Serious risks which could lead to very large deviations from the operating result or have substantial long-term significant impact	≥ 60
5	Critical risk	Critical risks that could potentially jeopardize the continued existence of the Company (threat to going concern)	≥ 180

Given the differences in individual company size and financial capacity, various relevance scales are employed across the Group. Aggregation for the Group as a whole is done on the basis of the individual risks identified and assessed at segment level, which are combined into risk groups and further aggregated into primary risks in accordance with the underlying reference target (EBITDA). Identified individual risks are analyzed with regard to both their impact on the relevant primary risk items and the interdependencies among them.

3. We assess both gross risks (before measures) and net risks (after measures) for potential impact, based on the levels in the relevance scales, and for probability of occurrence. On the basis of the resulting expected value for relevant net risks, it is possible, firstly, to prioritize risks and, secondly, to match up risk exposure – taking into account interactions and correlations – against the Group's risk-bearing capacity.
4. Risk management and control of "significant," "serious" or "critical" risks is the responsibility of the risk owners. Documentation is monitored both by risk managers and by the Corporate Risk Management Department at Group level.
5. The Group's risk-bearing capacity is determined twice a year and additionally as required in close consultation with Corporate Treasury and Corporate Controlling. The purpose of this process is to determine the amount of liquidity available to the Group and the availability of equity capital to cover the risk positions incurred.
6. Twice annually, in parallel with compilation of the risk report, these processes are monitored internally by the Group-wide Risk Committee. The committee comprises representatives from the corporate departments of Klöckner & Co SE as well as the operating units and is headed by the CFO. In addition, the Supervisory Board as governing body monitors the RMS and examines risk reporting.

Risk reporting

Identified risks are documented in a half-yearly risk report. The Corporate Risk Management Department supplements this reporting as and when necessary with ad-hoc reporting on any material risks emerging at short notice and any material changes in risks already identified. The risk report addresses risks both for the overall Group as well as for the operating segments and is primarily intended for the Management Board and the Supervisory Board.

Every six months, the Head of Corporate Risk Management presents the main substance of the risk report at the Supervisory Board's Audit Committee meeting. In addition, the CFO of Klöckner & Co SE reports regularly on changes in significant risks and opportunities at meetings of the Audit Committee. Furthermore, at the regular monthly meeting, the Chairman of the Supervisory Board is provided with a detailed overview of the Company's results of operations and cash flows. The related risks and opportunities, among other things, are also discussed in this connection.

Key features of the internal control system

[Our ICS encompasses principles, processes and measures applied to ensure the effectiveness and profitability of business operations, the compliance and reliability of the processes, in particular with regard to the financial reporting system, and adherence to the applicable legal provisions, including with regard to sustainability aspects. The aim of the ICS is to use the implemented controls to obtain reasonable assurance that risks can be monitored and managed, thereby enabling the Company to guarantee that its objectives will be met.

In line with the internationally recognized "three lines of defense" model, risks must be prevented where they arise. The first line of defense therefore lies with operating business management, which manages and controls the various risks. As it is not always possible for risks to be covered at this level in full, there are two additional lines of defense. The second line of defense comprises the corporate functions at Klöckner & Co SE, which monitor risks and also actively contribute to risk management. Alongside Corporate Risk and ICS Management and Corporate Compliance, these mainly comprise the Corporate Accounting and Corporate Controlling departments. Monitoring measures not tied to a specific process are carried out by the Corporate Internal Audit Department as the third line of defense. This monitors the appropriateness and effectiveness of processes and systems in the first two lines of defense.[2]]

The Group's Supervisory Board, in particular as represented by the Audit Committee, also monitors the control system.

ELEMENTS OF THE INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

In the context of the consolidated financial statements prepared under IFRS and the single-entity financial statements prepared under the German Commercial Code (HGB), the objective of our ICS in relation to the financial reporting process is to identify and appropriately manage and control all material risks. This purpose is served by a Group-wide standardized and harmonized ICS in relation to the financial reporting process on the basis of a Group-wide ICS directive. Responsibility for methodology and system design is centralized and lies with ICS Management.

Specific financial reporting risks include complex and/or non-routine accounting issues. The application of management judgment in financial statement preparation harbors increased potential for errors. Risks from derivative financial instruments are one example. These are presented in detail in the notes to the consolidated financial statements.

[2] This is a disclosure which is required by the German Corporate Governance Code in the version of April 28, 2022, published June 27, 2022.

CONTROL ACTIVITIES TO ENSURE COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Our main accounting process control activities in the ICS accord with generally accepted accounting principles and comprise:

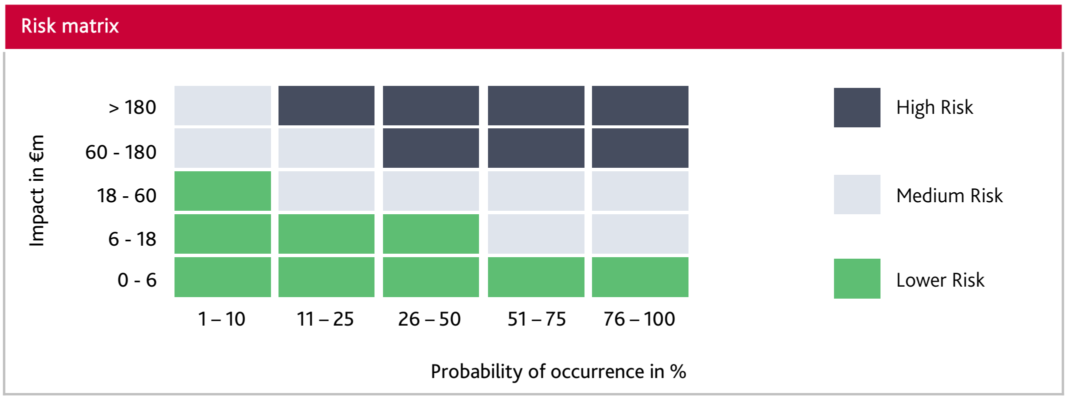
- The ICS in relation to the financial reporting process, which is continuously enhanced using standardized risk control matrices including a regular self-assessment process and independent review, and also includes the financial reporting processes of external service providers.
- Control mechanisms, which include the review of selected matters, reduce the probability of error in the processes and detect any errors that arise (dual control principle).
- Clear separation of administration, execution, invoicing and approval (functional separation) reduces the possibility of fraudulent acts.
- Uniform Group accounting policies in compliance with IFRS and issued by Corporate Accounting are accessible to all Group companies in an intranet portal.
- A standardized Group report format for all subsidiaries to ensure that the additional information required to be published in the notes to the consolidated financial statements is complete and uniform.
- Consolidation software with integrated plausibility checking to ensure formal data consistency between Group reporting packages. Substantive checking is additionally performed manually by Corporate Accounting.
- IT-based controls, such as logical access restrictions and defined user profiles, protect against unauthorized access to the underlying financial accounts and consolidation software.

The effectiveness of financial reporting control and management systems is constrained by management judgments, the possibility of errors in implementing controls and deliberate avoidance through criminal circumvention. Through the processes and controls we have put in place, we obtain reasonable assurance that both the process of preparing the consolidated financial statements and the process of preparing the single-entity financial statements are carried out in accordance with IFRS, the German Commercial Code (HGB) and other financial reporting-related rules and pronouncements. There can, of course, be no absolute guarantee that all items will be fully and correctly presented in the consolidated financial statements.

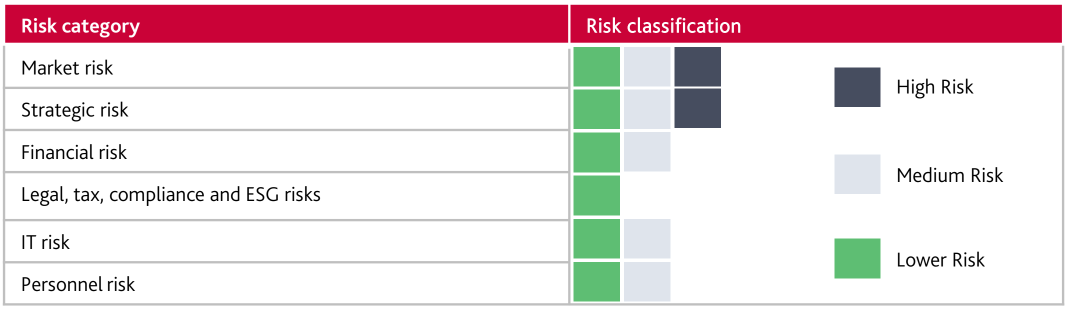
Presentation of individual risks

As part of the RMS, we have identified material risks, classified them by risk category and assessed their relevance. For potential going concern risks of relevance level 3 (significant), 4 (serious) or 5 (critical), the risk owners have determined the gross risk before risk-control measures and the net risk after such measures in terms of their potential impact and probability of occurrence. In the following, we show the net assessment in a risk matrix with five ranges for each of the two risk dimensions.

Risk matrix



Risk classification by risk category



This shows that our most significant risks overall are mainly in the market risk category, but also increasingly in the strategic risk category. These two risk categories are described in more detail below. We subsequently discuss the most significant risks in all other risk categories.

Market risk

The most serious risk relates to the onward development of the economy. In Europe, the main risks at present are a possible escalation of the ongoing Russian war of aggression against Ukraine accompanied by continued high inflation and deteriorating consumer and business confidence. In contrast, the US economy is more resilient to macroeconomic shocks and, despite further interest rate hikes by the Federal Reserve, ought to benefit in the medium term from both significantly lower energy prices and the administration's major subsidy programs, such as the Infrastructure Bill and the Inflation Reduction Act. Globally, there is uncertainty particularly in China due to the rapid spread of the pandemic following the widespread lifting of the government's zero-COVID policy. The potential impact on economic development, local demand and also global supply chains is difficult to assess. A muted recovery is currently expected, but the increasing momentum of the pandemic in China could also lead to renewed restrictive measures.

We counter cyclical risks by maintaining the broadest possible base across a range of customer industries and by geographic diversification. In addition, we keep a close watch on the development of the general economy and our customer industries in order to infer cyclical and industry risks from leading indicators at an early stage and to respond with countermeasures.

This is all accompanied by significant demand and price risk. The current relatively weak demand and the high level of uncertainty in the market, combined with the negative price trend since the second quarter of 2022, have so far led customers to take a wait-and-see approach, buying only what they need and also postponing purchases. Even if the situation appears to have bottomed out with prices rising and demand also picking up, prices could fall again if the market were to be hit by an unexpected exogenous shock. In a low-growth or possibly even recessionary scenario, we could see negative windfall effects as a result. Looking back, after a period of steel price erosion until the middle of the first quarter of 2022, prices in Europe and the US climbed for a few weeks due to heavy panic buying triggered by the start of the Russian war of aggression against Ukraine. Around the middle of the second quarter, however, a price correction set in until the end of the year. Following this sharp correction, the potential for further price declines has been significantly reduced, but the very high volatility of recent price movements highlights the price risks and the importance of our disciplined inventory management in an uncertain market environment.

We sell most of our products at spot market prices. The time lag of up to several months between the setting of procurement prices, stockholding and the point at which we invoice sales means that we are constantly exposed to margin and valuation risk. Excessive inventory values can have a negative windfall effect on current earnings when selling prices are falling. Earnings can also be impacted if it is necessary to adjust the carrying amount of inventories to the detriment of earnings when preparing the financial statements. Interdependencies between price trends in different markets around the world could be temporarily affected by anti-dumping duties and further government intervention such as the punitive tariffs on steel and aluminum imposed by the US administration and the safeguard measures originally applied in response by the European Commission. However, the US and EU have agreed to replace the US punitive tariffs on EU imports and all EU countermeasures with tariff-rate quotas. Other factors such as large exchange rate fluctuations or another drop in raw material prices could also adversely affect any sustained price recovery.

To respond to changes in the market as swiftly as possible – such as by taking specific measures in inventory management – we analyze trends and leading indicators along with the available forecasts. The main leading indicators for steel prices are price trends in iron ore, coking coal and scrap as well as market inventory levels. Price and inventory risk management is based on very close, continual monitoring of price trends in regional, national, and international markets. Coordination of procurement across national borders and product lines enables us to respond quickly to changing situations in the procurement market. In this way, we are able to optimize our portfolio of suppliers and make use of pooled procurement to obtain preferential prices, quantities and terms. A key element in procurement coordination is our country-specific monitoring of product ranges, demand and inventories. Price trends are also identified regularly in order to determine the risk of inventory write-downs on individual products. This information is incorporated each quarter into inventory valuation. Inventory management and valuation are similarly central elements of the weekly reporting process on the basis of which we rapidly detect material changes and take necessary countermeasures.

There is also a threat of price declines due to the ongoing general high level of surplus capacity in steel production worldwide. With capacity expansion primarily in the US in 2022 and 2023, the structural imbalance there between production capacity and actual demand could persist. Consequently, prices and margins could come under pressure time and again. However, there is also considerable overcapacity in steel distribution, which represents an intermediate risk for us as it significantly increases competitive pressure. The steel distribution and steel service center markets are highly fragmented, with many small and medium-sized players and few market exits. If market demand declines, the already sizable overcapacity could increase significantly, leading to intense price competition and pressure on prices and margins. This would have a negative impact on earnings performance in each case.

We are countering the risk of growing overcapacity and the resulting intensification of competitive pressure by further diversifying our customer industries, reducing dependence on commodity products by increasing the share of higher-value products and services, and increasing the share of contract business. In addition, we plan to progressively raise the share of sales of CO_2-reduced products via our Nexigen® brand as a differentiator and are carrying out extensive efficiency and optimization measures to achieve significant, lasting reductions in operating costs.

Strategic risk

The geopolitical situation is capable of having a significant negative impact on the success of Klöckner & Co through its effects on the business environment in Europe and the USA. There is a significant risk of the ongoing war of aggression against Ukraine further escalating. Military success by Ukraine could be followed by increased Russian aggression and an intensification of Russia's energy war with Europe. A halt to imports of critical commodities from Russia to Europe could have a significant impact on customer demand and price trends, further fueling global inflation. Growing tensions in the strategic competition between the USA and China could also further intensify going forward and potentially have an impact on Europe, for example via a possible escalation in the Taiwan conflict. However, the current fragile political situation in Iran could also deteriorate and pose a threat to the stability of the region. In addition, political developments such as the increasing polarization of political attitudes, fueled in many countries by increasing migration, could lead to an increase in social conflicts, a willingness to resort to violence and, ultimately, a negative impact on economic growth. Examples include the clashes between Democrats and Republicans in the US during the midterm elections and the US-Mexico talks on controlling illegal immigration, the election of a new right-wing populist government in Italy and the handling of boat refugees particularly in the EU, the only narrow defeat of the right-wing populist opposition in France and, last but not least, the violent storming of Congress in Brazil after the outgoing president refused to accept the regular transfer of power. Developments such as these could have a significant negative impact on growth prospects in the regions relevant to Klöckner & Co.

The resulting uncertainties regarding economically relevant policy choices and the effects on global trade and supply chains could negatively impact the business climate and Klöckner & Co's business decisions in relevant markets. We therefore currently assess the increasing geopolitical and also political risks as significant strategic risks for Klöckner & Co. Political risks can lead to ownership risks, such as with foreign direct investments, transfer risks due to currency restrictions and also operating risks due to breaches of contract. To mitigate these risks, we pursue regional and international diversification while monitoring political events and analyzing their potential impact on Klöckner & Co in order to take preventive action as far as possible.

A further significant strategic risk is the high volatility of energy prices, as the main current driver of inflation, together with the related general cost inflation in areas such as logistics and wage costs. The growing relevance of environmental and sustainability aspects, such as carbon pricing, could put additional upward pressure on energy prices in the long term. In addition, higher road tolls and other levies together with higher labor costs could also significantly increase logistics costs for steel distribution and make it necessary to decentralize stockyards. We are addressing this by continuing to roll out our sustainability strategy. This includes initiatives such as the tracking and monitoring of carbon emissions and actions to optimize the vehicle fleet and energy consumption in general. Furthermore, we are entering into alliances with external full-service logistics providers, optimizing our own logistics and, where possible and appropriate, providing our Company fleets with drivers of their own. Klöckner & Co has also committed to ambitious climate targets and aims to reduce emissions in the entire value chain to net zero by 2050. Directly controllable emissions (Scope 1, Scope 2 and directly controllable Scope 3 emissions) are to be reduced to net zero by as early as 2040.

We now likewise regard a further financial crisis as significant strategic risk. The substantial monetary and fiscal support for the economy in many countries during the COVID-19 pandemic and the current energy crisis will need to be gradually scaled back. Major central banks already made significant changes to their monetary policies last year, raising interest rates in successive steps to keep inflation in check. Persistently high inflation may require even more aggressive monetary policy tightening. This, together with an overly aggressive withdrawal of support measures, could cause financial conditions to deteriorate more sharply than expected. Another possible trigger for a financial crisis, however, could be a combination of, for example, an escalation of the war in Ukraine, the pandemic in China, stress in the banking sector, political risks, other significant changes in monetary policy or stress due to growing sovereign debt and a real estate bubble.

We address the risk of potential upheaval on the financial and capital markets, and the consequences of any such upheaval for our Company, by maintaining solid balance sheet ratios and a diversified financing portfolio. This is demonstrated by our equity base, which continues to be very solid, and our comparatively low net financial debt in relation to equity. Our available net working capital facilities ensure that we are able to finance our operating activities and cover our liquidity requirements. We also had adequate holdings of cash and cash equivalents as of the year-end 2022. These are invested on a short-term basis with the Group's core banks, which have at minimum an investment grade rating. With regard to performance indicators, please see under "Cash flows, financing and liquidity" in the "Economic report" section of the Annual Report.

The main customer segments on which the Klöckner & Co Group is dependent are construction, machinery and mechanical engineering, and automotive. In addition, most products are commodity products that are generally available to all competitors. There is also still a relatively large share of spot orders. This means that the Company is vulnerable to economic fluctuations and significantly exposed to event risks such as the risk of a pandemic or a war. Among the customer industries most relevant to us, the construction industry in particular is currently in a difficult situation. The significant rise in the cost of borrowing due to interest rate hikes by central banks creates increasing difficulties for commercial construction projects. In private residential construction, which is of less relevance to us, this is suppressing demand to an even greater extent and could be set to continue.

We counter the significant risk of dependence on the cyclical construction industry, the automotive supply business and machinery and mechanical engineering by further diversifying our customer sectors, for example with the energy sector and, in particular, renewable energy, by means of growth initiatives such as customer-focused additions to the portfolio and expansion of our partner network in attractive industries, and by introducing target pricing systems. In addition, we are reducing our exposure to the construction sector and commodity products by expanding the higher-margin products and services business. Finally, we are specifically working to turn spot sales into contract business in order to cushion market price and market demand volatility. We will also be helped in the medium term by the gradual increase in the share of CO_2-reduced materials and our planned geographic diversification in the Mexican market, including entry into the exclusive electrical steel market.

Every crisis or weakness in the market also presents opportunities, one of which is the opportunity to make attractive acquisitions. Successful acquisitions are important for growth and for increasing enterprise value. Failure to achieve objectives associated with acquisitions therefore constitutes a significant strategic risk, in particular for corporate development and performance. There is a risk, for example, of potentially paying too much for an acquisition target. Depending on the size of the target and its relevance to the success of our business, this would make it significantly more difficult to achieve our corporate goals.

As with all M&A activities, acquisitions are therefore governed by a comprehensive M&A policy. Compliance with this policy is monitored centrally. When selecting acquisition targets, we do not enter into any going concern risk. Our focus is generally on opportunistic, relatively medium-scale acquisitions that are earnings-accretive. All acquisitions undergo thorough due diligence prior to purchase. No later than three years after an acquisition, the Corporate Internal Audit Department carries out an evaluation. In an ongoing process, we also identify new risks emerging from past acquisitions so that we can respond quickly and appropriately. Nevertheless, we are unable to rule out negative developments entirely, as the business situation of acquisition targets is generally subject to the same strategic risks as our other activities.

Financial risk

The immediate availability of financing instruments for Klöckner & Co was assured at all times throughout the reporting year. This is reflected by the maturities of the syndicated loan (to January 2025), the European ABS program (extended in December 2022 to January 2026) and the ABL facility in the USA (to July 2027), which was also significantly increased in size at the end of 2022. Nevertheless, exogenous shocks could limit our borrowing options. It could also significantly affect the quality of trade receivables and thus the volume of working capital financing possible under the ABS program. Similarly, general market developments could reduce the availability of credit insurance for our key suppliers and, at the extreme, limit our ability to place orders. From the present perspective, however, we consider these scenarios to be a low risk.

The current unfavorable capital market environment constitutes an intermediate risk. We are currently seeing high financial market volatility and subdued investor sentiment in the euro high-yield markets. Spreads and long-term base rates are at higher levels than in the recent past. Any new issue, such as a bond or convertible bond issue, would currently require a very high coupon to attract investor demand and ensure successful placement. We monitor these developments in the capital markets very closely and make our financing decisions accordingly.

A further intermediate risk from a financial point of view is the possibility of weak profitability over multiple quarters and a high debt level, which might lead to a downgrade of the Group's credit ratings and thus exert pressure on borrowing terms and possibly also covenants. This could reduce our financial flexibility. Our strong profitability over the past two years has strengthened equity and the balance sheet and supported the stability of our credit agreements and ratings. A recession could have a negative impact on profitability.

Most of all with our "Klöckner & Co 2025: Leveraging Strengths" strategy, we are focusing on measures that are also directed at lasting improvements in Klöckner & Co's profitability. Added to these are the extensive measures to contain the rise in operating costs. Our proactive, disciplined net working capital management has the aim of controlling and limiting our debt level as far as possible. We also maintain close and open communication with our core banks.

Legal, tax and compliance risks

Steel distribution is a sector in which legal risk generally tends to be lower than in many other sectors. We do not see any high or intermediate risk in this respect at present.

In the area of compliance, even though there have been no cases in recent years, we continue to view the risk of antitrust violations as the most material risk. There is a potential risk that agreements could be struck with competitors on, for instance, price fixing, market allocation or agreeing on production, procurement or supply quantities. However, due to extensive measures and a good Group-wide compliance culture, we currently consider the probability to be low, even though the potential impact could be relatively large. Alongside classroom training, one example of the measures taken to counter this risk is an e-learning tool that is mandatory throughout the Group. Among other things, this provides information on the main points of our Code of Conduct, which is published throughout the Group and on the Internet, and on compliance-relevant Group policies, notably also on antitrust law.

In the area of taxes, the risk of changes in tax legislation or the administrative interpretation of tax matters poses a material but in our judgment a low risk overall. Based on the guidelines and directives in force, our Corporate Taxes Department is involved in the legal assessment of such matters in Germany and abroad. We constantly monitor the situation to detect any changes early on. This allows us to take suitable measures to minimize risk and recognize provisions as appropriate. The current systematic and effective implementation of a tax compliance management system in our Group companies has the purpose of identifying and monitoring structures, work processes and circumstances within the Company that have or may have tax implications and, if necessary, of initiating adjustments.

IT risk

Our business processes depend heavily on the IT systems installed. In addition to our administrative systems, these primarily include systems in procurement, sales and logistics. We consider our IT systems to be exposed to cyber risk due to the general increase in outside attacks on IT systems and notably also in light of the increasing digitalization of our supply and value chain and of our back-office processes. By cyber risk, we mean risks of adverse modification to, loss or misuse of or interruption to the availability of data or IT systems, and data breaches. We regard the threat of viruses, targeted hacking, carelessness, deliberate data falsification or modification and IT system failure as an intermediate risk. To counter this risk of damage from cyber risks, we provide appropriate resources and expertise in our globally structured Klöckner & Co IT, with a dedicated unit focused on cyber security. In addition, a Group Data Protection Officer and an Information Security Officer, with the support of local officers, ensure the suitability and effectiveness of the relevant processes and systems throughout the Group. We also deploy various technical and organizational preventive measures, training and awareness campaigns – for instance, against system failure and employee carelessness, in addition to specific protection from cyber attacks.

Personnel risk

As a service provider, Klöckner & Co is highly dependent on the skills and experience of its employees. In the industry and regions in which we operate, competition for highly qualified, motivated and dedicated specialists and executives is very strong and has further intensified. The cause is the increasing skills shortage on the labor market, which poses a major personnel risk throughout the Group and could become even more acute. This intermediate risk is made all the more significant by the image problem regarding regular jobs in our industry. In particular, it is becoming increasingly difficult to recruit and retain warehouse workers in the business. Workers' negotiating position has also significantly improved – especially in the USA, but also in various European country organizations. Companies from outside our industry are increasingly aggressive competitors for scarce labor. On top of this, there is an increasing tendency for low-skilled workers to no longer want to take up regular employment.

Efforts to address these trends include a Group-wide joint initiative to further improve the image of the Klöckner & Co employer brand and to offer a more attractive workplace and career path for low-skilled workers. We also keep a close watch on developments on the labor market, on market trends in wages and salaries and on HR KPIs such as workforce turnover and age structure. This enables us to perform effective benchmarking and to detect and rapidly respond to emerging trends. Other measures include increasing automation in HR and improved HR information systems to enhance data quality and transparency. In addition, in the form of the Leadership Empowerment Program (LEMP) and the Emerging Leaders Program (ELP), Klöckner & Co offers two programs for the targeted career development of managers and employees with the potential to assume management responsibility.

ESG risk

Although we primarily see opportunities for Klöckner & Co in the area of sustainability, the environment, social and governance (ESG) dimensions also entail many potential risks. Environmental risks in particular, but also human rights risks, are an increasing focus along the entire supply chain. As a distributor with our network of diverse, geographically dispersed processing and distribution locations, maintaining safety stocks and a large number of alternative suppliers and service providers enables us to mitigate risks that are already in evidence, including extreme weather events such as hurricanes in some parts of the southwestern USA, and also floods or severe drought events such as low river levels in western Germany. As with other lines of business, however, our core stockholding and logistics business is unlikely to escape the impact of a further increase in the frequency of such events in the long term. We expect that these risks will become increasingly relevant going forward, particularly for our suppliers and customers. In our opinion, this could make ESG risks a significant risk factor for the Group in the medium to long term. We are therefore closely monitoring developments in this area. ESG risks are systematically identified and analyzed as part of the risk identification and assessment process and communicated to the Management Board and the Supervisory Board in the context of risk reporting. For this purpose, we divide sustainability risks into four risk categories:

- Transformation risks, such as premature closure of plants or even entire sites due to fundamental changes in the business environment and the resulting recognition of impairment losses
- Event risks, such as business interruption due to prolonged heavy rainfall and flooding
- Regulatory risks, such as stricter environmental regulations with fines and penalties
- Reputational risks, such as human rights abuses in the supply chain, which can affect the Company's image and its ability to sell, partner and obtain financing

Our measures to mitigate environmental and human rights risks in the procurement process are increasingly aligned with the core requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and internationally recognized standards and guidelines, such as those of the Organization for Economic Cooperation and Development (OECD) and the International Labor Organization (ILO).

Overall statement on the risk situation of the Group

The risk situation in the reporting year is stable overall. However, there was a clear shift away from market risks, which decreased relative to the prior year as demand and price trends returned to normal, and toward strategic risks, which significantly increased.

In what continues to be a volatile market environment, newly emerging risks were identified at an early stage and suitable countermeasures implemented wherever necessary or economically expedient. The Management Board is confident that the Group's risk management system is effective. Moreover, the Management Board believes that Klöckner & Co has adequately assessed and correctly recognized all risks required to be accounted for when preparing the financial statements. Based on the measures taken and planned, in particular to ensure liquidity, the Management Board is not presently aware of any risks that, either individually or taken as a whole, cast doubt upon the Group's ability to continue as a going concern.

Opportunities and opportunity management

Systematic identification, assessment, management and control of opportunities are the responsibility of management at country level and the Management Board on the basis of our "Klöckner & Co 2025: Leveraging Strengths" strategy. Financing and implementation of the opportunities resulting from our corporate strategy are supported by the corporate departments. The projects that result from these activities are managed together with the holding company, and success is monitored jointly. A secure financing structure, effective procurement and inventory management, optimized sales processes and human resources management that promotes innovation potential provide the basis for leveraging opportunities at Klöckner & Co. Added to these is a high level of digitalization expertise throughout the Group, which has been taken to a new level under the umbrella of kloeckner.i GmbH.

In the following, only the most significant opportunities currently available to us are described in detail. As our markets are dynamically changing and both our business environment and Klöckner & Co itself consequently continue to evolve, our assessment of opportunities is naturally also subject to change. It is therefore possible that the described opportunities may cease to apply or prove unable to be realized.

Strategic opportunities

In recent years, Klöckner & Co has made major strides in its digital transformation and significantly improved its cost structure. This contributes to the foundation of our "Klöckner & Co 2025: Leveraging Strengths" strategy. The aim of this strategy is to position Klöckner & Co as the leading one-stop shop for steel, other materials and processing services in both Europe and the USA by harmonizing our sales and procurement functions, driving scaling opportunities, smartly integrating selected third parties and expanding our product and service portfolio. In addition to the digital transformation and automation of processes throughout our value chain, our strategy also focuses on sustainable financial performance, reducing our environmental impact and carbon footprint, and leveraging opportunities in connection with sustainable business models. As well as targeting operational excellence, our evolutionary strategy is primarily directed at growth in the customer base and increasing share of wallet. For this purpose, we increasingly harness our assets and our network of selected third-party providers and provide complementary products and services. These strategic goals in turn enhance our focus on sustainability.

Once again in the reporting year, we further optimized our site network and cut costs across the entire organization. These continued measures are already paying off with an improved earnings position and lower working capital. They also improve our earnings for the long term. With higher profitability and increased digitalization, we are paving the way for unlocking additional growth potential, including by taking a more active role in ongoing market consolidation should attractive opportunities arise.

As part of our strategy, we screen our core markets for opportunistic acquisition opportunities that complement our business model and add value by accelerating growth, expanding our portfolio and increasing market share. In 2022, these notably included the acquisitions of Hernandez Stainless GmbH ("Hernandez") and RSC Rostfrei Coilcenter GmbH ("RSC") in Germany. Hernandez provides surface machining (grinding and brushing) and stocks stainless flat products. RSC is specialized in stainless steel coil cutting. With these two acquisitions, Klöckner & Co has considerably expanded its product and service portfolio in the stainless steel segment and [thus strengthened its position as a leading one-stop shop and as a pioneer in sustainability]. We expect further growth from the agreed acquisition of National Material of Mexico ("NMM") by our US subsidiary. NMM is a leading independent steel service company and supplier of steel, electrical steel, aluminum and stainless steel for the automotive sector and other industrial end markets in North America. The Monterrey-based company has ten sites throughout Mexico. NMM's processing service portfolio includes slitting, cut-to-length, leveling, multi-blanking, blanking and core processing. The acquisition of NMM enables Klöckner & Co to strengthen its presence and position where the most important automotive and industrial customers are located. In addition, the acquisition represents an attractive opportunity to enter the exclusive electrical steel market, which has considerable growth potential. Electrical steel is a magnetic material used in automotive electric motors and transformers, which means it is likely to benefit from further investment in renewable energy sources and the rising demand for electric mobility in North America. The aim of this acquisition is sustainable growth and the strengthening of our leading position in steel and metal distribution and the steel service center business in North America. Completion of the acquisition is subject to antitrust review and clearance by the Mexican authorities.

Such acquisitions must meet our investment criteria, which require that they add value, be financially prudent and match a certain minimum size. Identifying, acquiring and integrating value-generating businesses creates synergies, enabling us to add to our product and service portfolio, grow our customer base and leverage our assets. Opportunities arise time and again to acquire businesses that fit our overall strategy on attractive terms. Consequently, we keep a very watchful eye on market developments and, where appropriate, subject companies with a strategic fit to closer scrutiny, particularly with a view to synergies that add value.

As a further element of the “Klöckner & Co 2025: Leveraging Strengths” strategy, Klöckner & Co is committed to reducing climate-warming emissions and establishing sustainable business models in order to become a pioneer of a sustainable steel industry. In this way, we assume social responsibility while simultaneously exploiting the strategic opportunities presented by decarbonization. We are thus making sustainable solutions an integral part of our business model and building a sustainable range of products and services. The target set in our sustainability strategy is to reduce directly controllable emissions to net zero by 2040. By emissions under direct influence, we mean Scope 1, Scope 2 and directly controllable Scope 3 emissions. We are likewise committed to almost completely eliminating Scope 3 emissions by 2050 that are not under direct influence. In line with the latest Science Based Targets initiative (SBTi) standards, Klöckner & Co has thus committed to reducing emissions in the entire value chain to net zero by 2050. Scope 1 and 2 comprise emissions generated in our own business, such as from shipping products to customers using Company trucks or from consumption of externally sourced electricity. To reduce these emissions, we are transitioning central energy procurement to renewable energy and switching our vehicle fleet to other means of propulsion such as battery power and hydrogen. Among measures bringing us closer to this goal, for example, we converted the forklift loader fleet at our subsidiary Becker Stahl-Service this year from fossil fuel to electric power. Other examples include the conversion of our workshop delivery vehicles in Regensburg, Germany, from fossil fuel to electric propulsion, and the gradual switchover of our UK truck fleet to advanced biofuels with up to a 93% cut in carbon emissions. Measures to reduce Scope 3 emissions – meaning greenhouse gas emissions in the upstream and downstream value chain – include dispensing with domestic flights for business travel and increasing the opportunities for working from home.

Above all, however, we see the sustainability transformation of the steel industry as an opportunity to further grow our business and improve our margins.

Under our new Nexigen® umbrella brand, we provide transparent, CO_2-reduced solutions in the categories of materials, processing and logistics, circularity solutions and comprehensive Sustainability Advisory Services for sustainable products and services. In this way, we help our customers build sustainable value chains. We provide transparency for our customers with a rating scale for steel, stainless steel and aluminum products. Categorization on a six-point scale enables customers, on the basis of threshold values, to check and compare carbon emission levels for individual products. The scale is rooted in international, science-based standards and categorizes CO_2-reduced steel according to the certified emissions generated along the entire value chain, from resource extraction to processing. On the basis of this, last December, Klöckner & Co was awarded the prestigious German Sustainability Award. We have already delivered initial quantities of CO_2-reduced steel products to major industrial companies such as Siemens and Mercedes-Benz, thus helping to drive our customers’ decarbonization efforts. Klöckner & Co has also added further CO_2-reduced metal products to its Nexigen® product portfolio and secured initial volumes of carbon-minimized stainless steel from Outokumpu in the reporting year. In addition, Klöckner & Co expects in the future to be able to source up to 250,000 tons of green steel from its Swedish partner H2 Green Steel and to incorporate this into the product and service portfolio. Furthermore, as of the beginning of this year, Klöckner & Co provides customers with an individual Product Carbon Footprint (PCF) for almost every product in the portfolio. This takes into account all emissions generated by a product, from resource extraction to production and delivery at the customer’s factory, or “cradle to customer entry gate”. The PCF is calculated by the Nexigen® PCF Algorithm, which was developed in-house and is certified to internationally recognized standards. In this way, Klöckner & Co is significantly expanding its range of sustainable products and services and can differentiate even further from the competition.

Steel and metal distribution continues to be characterized by large numbers of intermediaries and a lack of transparency, which makes the industry inefficient. Increasing digitalization and automation is therefore a key enabler in enhancing the transparency and efficiency of our supply chains. We are confident that, with our strategy, we can help break down such structures by providing our customers with easy access to complementary products and services in a one-stop shop. After focusing on customer interfaces at the start of our digital transformation, digitalization of the end-to-end process from ordering to shipment has now moved to center stage. Step-by-step automation of subprocesses is not only a key competitive advantage, it also moves Klöckner & Co further towards maximum core process automation, thus ensuring the scalability of the business model. This facilitates our integration of acquired companies and thus also lays a good foundation for long-term profitability. We have been consistently advancing our digital transformation for some years. A key factor in this accelerated progress is our Kloeckner Assistant, with which we are increasingly automating sales processes. This already handled sales of over €1.3 billion by automated means in the reporting year. All major companies are now integrated into this global Klöckner & Co solution.

We continue to do our part in eliminating information asymmetries in steel and related industries as far as possible by digitally connecting with other market players in order to increase efficiency for all. The goal here is for Klöckner & Co to provide the entire range of products and services via all sales channels. In addition, we plan to achieve further organic growth in higher value-added business with the goal of reducing earnings volatility and raising profitability. This is expected to additionally boost our efforts to digitalize and automate our business model in order to be more forward-looking, create added value and be less prone to risk. Examples include investing in 3D lasers so that we can continue to provide higher value-added products and services and expand our customer base. Rolling out our 3D laser capacity across Europe helps make efficient use of our network. Alongside a 3D laser center in the UK and several 3D lasers in Germany and the US, we also have 3D laser capacity in France and the Netherlands. We thus successfully occupy a niche in both Europe and the USA.

Overall, the purpose of all these projects and measures is to reap synergies and make our organization leaner so as to secure efficiency improvements. In addition, we aim for a more rapid response capability to changes in the market environment and, as well as accelerating our digitalization and automation strategy, for more rapid expansion of higher value-added business. Our Center of Excellence in Finance & Administration will also enable us to harmonize internal administrative processes and streamline structures. Procurement structures are also being optimized with the aid of data-driven decision-making and international collaboration. Digitalization is also pivotal to the reduction of carbon emissions as it makes it possible to better anticipate future steel demand and further shrink the emissions footprint in logistics. Data management and automation minimize intransparency and make for efficient resource management, thus benefiting the environment in the long term. The resulting synergies between digitalization and climate action drive potential innovation throughout the value chain.

Operational opportunities

Our "Klöckner & Co 2025: Leveraging Strengths" strategy brings with it numerous opportunities from operational measures. A case in point is our successful ongoing implementation of digitalization and automation, both internally and externally. Our external focus here is on improving and extending customer interface solutions with the aim of enhanced customer experience. Internally, our processes are increasingly digitalized and automated. We aim to boost process speed and efficiency with seamless, end-to-end process integration featuring a very high degree of digitalization and automation. Furthermore, we are working to implement data-driven decision-making along the entire value chain. This creates opportunities to reduce working capital requirements, leading to less volatility in profitability and cash flow generation.

We aim under our strategy to continue growing and to become the leading one-stop shop for steel, additional materials and processing services in Europe and the Americas. Among other measures taking us a big step closer to this goal, we have pooled our digitalization and IT capabilities in kloeckner.i GmbH combined with a fundamental reorganization. The regional business units and the various functions such as sales, procurement, logistics, production and finance thus have a central point of contact to work with that provides support with the digital business transformation and advice on technical solutions. kloeckner.i GmbH is divided by competency areas into Strategy & Transformation, Solution Design & Delivery, Infrastructure & Service Management, Cyber Security and Business Relationship Management. The Strategy & Transformation unit is in charge of the integrated and digitally assisted business transformation. Solution Design & Delivery focuses on the programming and development of in-house digital technologies such as Kloeckner Assistant and other automation solutions, together with the operation and development of our ERP solutions. The Infrastructure & Service Management unit operates and controls our global IT infrastructure. Cyber Security is responsible for ensuring IT security throughout the Group. With a large number of experts with functional experience, Business Relationship Management ensures with professional project management that the various functions work together as smoothly as possible, leveraging synergies and increasing efficiency. The main goal of kloeckner.i GmbH is to develop process optimizations and ideally standardized solutions to cut complexity in internal processes and the IT landscape and to achieve a higher degree of automation, leaving us to focus better than ever on customers and their specific needs.

We took another major step toward digitalization this year in this connection with globally launched initiatives. The goal of these initiatives is to simplify, harmonize and modernize the Group's heterogeneous IT landscape. It also aims to streamline processes between sales and material processing and further digitalize stockyard operations. In sales, too, processes are to be made even more digital and automated as far as possible. We also want to enhance the shopping experience for our customers, for example with real-time order tracking and supply chain transparency. More advanced and homogeneous IT infrastructure and systems will enable our employees to work more efficiently. A further aim is to improve IT support in the stockyards. This gives Klöckner & Co a key competitive edge over smaller competitors who are unable to exploit such synergies. It also facilities faster growth by way of acquisitions. Proven, more efficient processes can be implemented quickly, making it easier to enhance productivity in acquired businesses.

Kloeckner Assistant, a digital product of kloeckner.i GmbH, is an AI-driven application that can now handle all major processing requests. A new core feature added this year is the ability to automatically extract relevant information from unstructured emails. As a next step, we are working to expand the range of order formats that Kloeckner Assistant can handle – even including voice – thus further reducing the need for manual input. In addition, we are improving day-to-day price calculation by optimizing the software we use to provide price recommendations for sales staff throughout the Group. Our pricing system enables us to provide automatically generated, rational pricing recommendations that reflect individual customer behavior. Customer group-based pricing, which categorizes customers based on factors such as purchase history, product demand and quote acceptance rate, provides further support in our pricing decisions. These improvements in the pricing process allow us to provide data-driven price recommendations for individual products and customer groups. The resulting expansion of digital sales will enable us to become even faster and more efficient by further reducing manual order processing effort and generating more data for better, data-driven decision-making. This further increases the scalability of our digital business.

Alongside our in-house activities at kloeckner.i GmbH, we continue to invest at our venture company kloeckner.v through selected venture capital firms, and also directly, in start-ups that support our digitalization strategy with disruptive approaches. At the same time, digitalization provides our Group with the working methods and tools of business start-ups, enabling us to be more agile, faster and more effective in our operations as well as to create added value for customers. With this in mind, we have a diverse range of digital tools in deployment across our various country organizations. Based on such solutions, we are committed to making all processes simpler and more efficient along the entire value chain. We are also working, for example, to implement harmonized procurement processes across our regions and locations so that we can harness data from our digital systems for strategic procurement decisions.

Digitalization has also enabled us to adapt very rapidly as a Group to needs in the transformed world of “New Work” – the changes in employment as a result of globalization and digitalization. For example, we were early adopters of hybrid work arrangements to meet the current and future demands of a changing modern workplace. We consider this an important part of Klöckner & Co’s attractiveness as an employer brand, and hence a competitive advantage in the increasingly difficult market for skilled workers and new talent.

In terms of operational excellence, we constantly strive to improve processes and profitability by eliminating internal process inefficiencies for a lean cost structure and smart resource allocation. As part of efforts toward a lean cost structure, we have cut costs by reducing the number of full-time staff on the administration side, increasing automation and simplifying processes throughout the organization. In addition, we make increasing use of data-driven models for business decisions in sales and procurement in order to balance net working capital. We are certain that centralizing and automating logistics will also help remove inefficiencies and control costs. Instruments such as transport planning tools improve logistics planning based on data and route tracking in order to optimize routes and stops at customer premises.

In logistics, our main focus in recent years has been on digital processes for the paperless stockyard. The goal now is also to secure efficiency gains in transportation management. Transportation costs are a large component of logistics costs and overall steel distribution costs. There is therefore huge potential here in optimization and cost reduction. Following up on the development of a map-based transport planning tool with route optimizer, an app based on the planning system has been developed with logistics and freight managers in Germany, Austria, the Netherlands, Belgium and the UK. Using the app, truck drivers can record full and correct delivery with a digital delivery note. It also helps provide better base data for freight planning. Key freight logistics data, such as stop time at customer premises and any complaints, is documented online and quickly made available to freight planning and sales employees. The route is displayed online, providing the ability to react to changes at short notice. Exploiting process optimization opportunities is thus another key step toward sustainably improving the earnings situation. Work safety also remains a high priority in this regard.

The primary objective of our efficiency enhancement strategy in the USA is to further improve collaboration in sales and other operating functions in order to provide customers with seamless service. To this end, a regional structure ensures that customers have access to our entire range of products and services from a single source. This brings us closer to realizing the full sales potential of our customers in all product areas. We also deploy our strong product expertise on a market-specific and industry-specific basis according to market size, key competitors and customer profiles in order to grow our customer base.

To achieve greater differentiation from competitors, we plan to maintain our broad product portfolio as well as to offer customers more higher value-added products and services. The prime focus here is on customers whose strong vertical integration provides greater scope for us to successfully and profitably sell them such services. More and more, we also supply customers from our network rather than solely from individual sites. This enables us to supply a broader portfolio of steel and metal products, especially in comparison with smaller and mid-size competitors, without adding to inventories. In procurement, we will continue to systematically leverage the economies of scale we have over many competitors. We target major scale economies by focusing quantity requirements on suppliers who grant commensurate terms and by making intensive use of global procurement options. Both in Europe and the USA, this similarly applies not only to materials procurement, but also to procurement of non-merchandising items and services in order to combine and optimize these across national borders, regions and sites.

Overall statement on the opportunity situation of the Group

The most significant opportunity for Klöckner & Co is our development into the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas, as described above. We see a further major opportunity in additionally becoming the industry pioneer in sustainability and in this way gaining a significant competitive advantage, as this means we can provide customers with the best possible support in their growing need for sustainable solutions to fit their business model. As a result of this and our accelerated transformation, supported by selective acquisitions, we believe that Klöckner & Co is ideally positioned to take advantage of opportunities as they arise.

6. Group forecast

After fiscal year 2022, which was significantly impacted by the macroeconomic effects of the Russian war of aggression against Ukraine and by the resulting inflationary dynamics and countermeasures taken by the international central banks, we expect an increasing normalization of the global steel market despite the ongoing macroeconomic challenges.

Overall, we expect a stronger demand dynamic in our key European and US markets and therefore a considerable increase in shipments compared to fiscal year 2022. Despite the renewed rise in steel prices at the beginning of 2023, we expect a lower average price level overall compared to the prior-year period and, correspondingly, a considerably lower level of sales.

In fiscal year 2022, thanks to consistent net working capital management combined with positive price dynamics in the first half of the year, we generated strong operating income (EBITDA) of €417 million before material special effects. As the exceptionally positive price trend seen in the first half of 2022 is not expected to be repeated, we expect EBITDA before material special effects to decline considerably, but to remain at a relatively strong level given the overall significant improvement in the Company's operational positioning, substance and its profitability base.

Following the very positive cash flow development in the reporting year 2022, we also expect a significantly positive cash flow from operating activities in the current fiscal year 2023, although we expect it to be considerably below the prior-year level.

	Shipments (Tto)		Sales (€ million)	
Forecast by segment	2022	Forecast 2023	2022	Forecast 2023
Kloeckner Metals US	2,239	Considerable increase	4,427	Considerable decrease
Kloeckner Metals EU	1,752	Slight increase	3,332	Slight decrease
Kloeckner Metals Non-EU	688	Considerable increase	1,619	Slight increase
Holding and other group companies	-		-	
Group	**4,679**	**Considerable increase**	**9,379**	**Considerable decrease**

	EBITDA before material special effects (€ million)		Cash flow from operating activities (€ million)	
	2022	Forecast 2023	2022	Forecast 2023
Kloeckner Metals US	194	Considerable decrease	316	Considerable decrease
Kloeckner Metals EU	136	Considerable decrease	33	Considerable increase
Kloeckner Metals Non-EU	83	Considerable decrease	58	Considerable decrease
Holding and other group companies	4		– 1	
Group	**417**	**Considerable decrease**	**405**	**Considerable decrease**

"Constant" corresponds to a change of 0–1%, "slight" >1–5% and "considerable" >5%.

Duisburg, March 3, 2023

The Management Board

7. Corporate Governance Statement

The following Corporate Governance Statement pursuant to Section 289f (1) sentence 1 and Section 315d of the German Commercial Code (HGB) is issued jointly by the Management Board and the Supervisory Board, with the Management Board and the Supervisory Board each responsible for their respective parts. The Corporate Governance Statement also includes the report on the Company's corporate governance (see Principle 23 of the German Corporate Governance Code, [also referred to in the following as the "Code"])[3].

The Remuneration Report for the last fiscal year, the auditor's report pursuant to Section 162 of the German Stock Corporation Act (AktG), the applicable remuneration system for the Management Board pursuant to Section 87a (1) and (2) sentence 1 of the German Stock Corporation Act and the most recent remuneration resolution pursuant to Section 113 (3) of the German Stock Corporation Act are available on the Company's website at https://www.kloeckner.com. The Remuneration Report for the last fiscal year and the auditor's report in accordance with Section 162 of the Stock Corporation Act are also included in this Annual Report.

Declaration of Conformity 2022 and Application of the German Corporate Governance Code

The Management Board and Supervisory Board of Klöckner & Co SE are required under Section 161 of the German Stock Corporation Act (AktG) to submit an annual declaration stating that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been and continue to be complied with, or listing those recommendations that have not been or will not be complied with and, if applicable, the reasons why. In the year under review, the Management Board and Supervisory Board of Klöckner & Co SE once again paid close attention to meeting the recommendations and suggestions of the Code. The last annual Declaration was submitted in December 2022. It is reprinted below and is also available on the Klöckner & Co SE website. All Declarations of Conformity previously submitted are also available on the website.

2022 Joint Declaration of Conformity by the Management Board and the Supervisory Board of Klöckner & Co SE pursuant to Section 161 of the German Stock Corporation Act on the German Corporate Governance Code

Except for the deviation listed below, Klöckner & Co SE had complied with all recommendations of the German Corporate Governance Code in the version of December 16, 2019 (published on March 20, 2020 in the Federal Gazette) since the last Declaration of Conformity dated December 13, 2021.

Except for the deviation listed below, Klöckner & Co SE will comply with all recommendations of the German Corporate Governance Code in the version of April 28, 2022 (published on June 27, 2022 in the Federal Gazette) in future:

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[3] Except as otherwise indicated, all references relate to the German Corporate Governance Code in the version of April 28, 2022 published on June 27, 2022.

C.10:
Pursuant to provision C.7 of the Code it may indicate a lack of independence with respect to the company if a member of the Supervisory Board belongs to it for more than 12 years. Prof. Vogel is a member of the Supervisory Board as of May 31, 2006, is its chairman and the chairman of its presidium (being the committee responsible for the remuneration of the Management Board). Albeit the Management Board and the Supervisory Board see no indication for a lack of independence with respect to Prof. Vogel, against the background of provision C.7 of the Code and as a matter of precaution, a deviation is declared with regard to Recommendation C.10.

In the view of the Management Board and the Supervisory Board it is in the interest of the company that Prof. Vogel is a member of the Supervisory Board of the company and serves as its chairman and the chairman of the presidium, even if the term stated in the Code is exceeded. The value of Prof. Vogel for the work of the Supervisory Board should be beyond any doubt. Beside his professional and personal qualifications as well as his experience, particularly as chairman of supervisory bodies, Prof. Vogel also has, due to the long term of his membership to the Supervisory Board, a notably deep knowledge of the company. Furthermore, the Management Board and the Supervisory Board appreciate the continuity represented by Prof. Vogel – particularly against the background of the personal changes within the Management Board during the last years.

Apart from that, with respect to Prof. Vogel, the Management Board and the Supervisory Board, both do not share the concern behind the provision C.7 of the Code that there is an increased risk of conflicts of interest the longer a person belongs to the Supervisory Board. The Supervisory Board continuously monitors the occurrence of potential conflicts of interest with regard to all of its members. Until now, with respect to Prof. Vogel no situation giving rise to a risk of conflict of interest has occurred and there is no reason at hand why such risk should be assumed solely because a certain term of membership is exceeded.

Duisburg/Germany, December 13, 2022

The Supervisory Board

The Management Board

APPLICATION OF THE GERMAN CORPORATE GOVERNANCE CODE

Responsible corporate governance is given high priority at Klöckner & Co. It is geared to sustainable value growth.

In applying the recommendations and suggestions of the Code as our guidance, Klöckner & Co advances the Code's binding objective for German listed companies of promoting the confidence of international and national investors, customers, employees and the general public in the management and supervision of the Company. Except as set out above, the recommendations of the Code as most recently amended were complied with in the year under review. The Management Board and Supervisory Board fundamentally treat suggestions in the German Corporate Governance Code no differently from recommendations. All suggestions in the Code as most recently amended were complied with in the reporting year with the following exceptions:

Suggestion A.8 of the Code states that in the event of a takeover offer, the Management Board should convene an extraordinary general meeting at which shareholders will discuss the takeover offer and, if appropriate, decide on corporate actions. Convening a general meeting poses organizational challenges – even considering the reduced notification periods provided for in the Securities Acquisition and Takeover Act (WpÜG) – and ties up considerable personnel and financial resources. It appears questionable whether the expense involved would also be justified in those cases in which the Annual General Meeting is not required to vote on such matters. For this reason, extraordinary general meetings should be convened only in appropriate cases.

The following should be noted in connection with the application of the Code with regard to the contracts with members of the Management Board:

The contracts with Management Board members Dr. Oliver Falk and John Ganem were entered into prior to publication of the Code as amended December 16, 2019 (the relevant provisions of the Code were not changed by the amendments to the Code as of April 28, 2022). These contracts had an initial term ending July 31, 2022. As set out in the rationale of the Code with regard to Section G.I of the Code as of December 16, 2019, the amendments to the Code did not have to be taken into account in Management Board contracts already in place; for the duration of their contractual term, the contracts therefore continued to be subject to the Code as of February 7, 2017. They complied with that version of the Code. Upon the renewal of the appointments, the two contracts were amended effective August 1, 2022 in line with the amended requirements of the Code and have since complied with all requirements of the Code in the current version of April 28, 2022.

Description of Management Board and Supervisory Board procedures and of committee composition and procedures

Klöckner & Co SE is a European Company under German law whose Articles of Association stipulate a two-tier management system as for a German stock corporation (Aktiengesellschaft). The two-tier system is characterized by strict separation, with no shared membership, between the executive decision-making body (the Management Board) and the advisory and supervisory body (the Supervisory Board). The Management Board and Supervisory Board work closely together to promote the Company's interests. Maintaining a trusting, intensive and ongoing dialog between the two bodies provides a sound basis for responsible and efficient corporate management.

MANAGEMENT BOARD

The Management Board must act in accordance with the interests of the Company and work toward increasing enterprise value on a lasting basis. The Management Board of Klöckner & Co SE bears full responsibility for management of the Group and the Group holding company, taking into account the needs of all stakeholders. In this capacity, the Management Board sets the targets and the strategies for the segments, the holding company and other Group companies and defines the guidelines and principles for the resulting corporate policy. Corporate strategy is developed by the Management Board in consultation with the Supervisory Board.

The Management Board discharges its management responsibility as a collegiate body with joint responsibility for management of the Company. Notwithstanding the overall responsibility borne by all Management Board members, the individual members each manage their allotted responsibilities on their own within the framework of the Management Board resolutions. The members of the Management Board keep each other informed with regard to important measures and developments in their responsibilities. The Chairman coordinates the work of the Management Board and, in particular, organizes and chairs the Management Board meetings. Responsibilities of the Management Board include preparing the Company's interim reports and interim management statements, its annual financial statements and consolidated financial statements as well as the combined management report of Klöckner & Co SE and the Klöckner & Co Group. Moreover, the Management Board must ensure that all legal provisions, official regulations and corporate guidelines are adhered to and take steps to ensure that these are also adhered to by the Group companies (compliance). It also ensures an adequate risk management system and risk control; it has additionally set up an internal control system (ICS). The risk management system and the ICS also cover sustainability-related targets.

In the past fiscal year, the Management Board of Klöckner & Co SE comprised four members, who are appoint-ed and dismissed by the Supervisory Board in accordance with the European Company (SE) Regulation, the German Stock Corporation Act and the Articles of Association: Chairman of the Management Board and CEO Guido Kerkhoff (also responsible for the operational management of Kloeckner Metals Non-EU segment), Chief Financial Officer (CFO) Dr. Oliver Falk, CEO Europe Bernhard Weiß (Kloeckner Metals EU segment) and CEO Americas John Ganem (Kloeckner Metals US segment).

The work of the Management Board is governed, among other factors, by the Rules of Procedure and the schedule of responsibilities laid down by the Supervisory Board. The Rules of Procedure state the responsibilities in each Management Board portfolio, matters that are reserved for the full Management Board, decision-making procedures as well as the rights and obligations of the Chairman of the Management Board. They also contain rules on reporting to the Supervisory Board and a list of transactions for which the Management Board requires Supervisory Board approval. Such approval is necessary for all significant, high-risk or unusual transactions as well as for decisions of fundamental importance to the Company. The Rules of Procedure require the Management Board to hold meetings at least once a month, although the Management Board usually meets twice monthly. At such meetings, the Management Board coordinates its work and makes joint decisions.

In addition to 24 Management Board meetings in the reporting year, six resolutions were also adopted by written procedure outside of Management Board meetings.

SUPERVISORY BOARD

The Supervisory Board of Klöckner & Co SE advises the Management Board and oversees the latter's management of the Company. The Supervisory Board approves the annual budget and financing arrangements and, taking into account the auditor's reports, the annual financial statements of Klöckner & Co SE and the Klöckner & Co Group, the combined management report and the remuneration report prepared jointly by the Management Board and the Supervisory Board, the Group non-financial report, any dependency report and the Corporate Governance Statement. In addition, the Supervisory Board is involved in monitoring the Company's adherence to legal provisions, official regulations and corporate guidelines (compliance), and dealing with the internal control system, the risk management system and data protection management. Responsibilities of the Supervisory Board also include the appointment and dismissal of members of the Management Board, Management Board remuneration, and allocating areas of responsibility among the members of the Management Board.

The Supervisory Board of Klöckner & Co SE comprises six members, all of whom represent shareholders and are generally elected by the Annual General Meeting. The Chairman of the Supervisory Board is Prof. Dr. Dieter H. Vogel; his deputy is Dr. Ralph Heck. As with all members of the Supervisory Board, both have extensive experience in managing and/or supervising international corporations and possess the high level of professional expertise required to carry out their duties. Reasonable costs for external training of Supervisory Board members are borne by the Company. The following Supervisory Board members were considered independent within the meaning of Recommendation C.6 of the Code in the reporting year: Dr. Ralph Heck, Prof. Dr. Tobias Kollmann, Uwe Röhrhoff and Ute Wolf. As the sole shareholder of SWOCTEM GmbH, which is a major shareholder in the Company, Prof. Dr. E.h. Friedhelm Loh is not to be considered independent of a controlling shareholder. Solely as a precaution, due to his membership of the Supervisory Board for more than 16 years, Prof. Dr. Dieter H. Vogel is deemed not to be independent of the Company and of the Management Board, although the Supervisory Board does not see any risk of conflicts of interest. In fact, it is in the interest of the Company for Prof. Dr. Dieter H. Vogel to serve on the Company's Supervisory Board even if the 12-year term stated in the Code (see Recommendation C.7 of the Code) is exceeded (see the further information in the Declaration of Conformity). No members of the Supervisory Board are former members of the Company's Management Board.

The Supervisory Board is directly involved in decisions of fundamental importance to the Company. It also consults with the Management Board on the Company's strategic positioning and regularly discusses with it the development and the status of strategy implementation, including sustainability questions. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and chairs the meetings of the plenary Supervisory Board. Within reasonable bounds, he conducts discussions with investors on Supervisory Board-related matters. In the reporting year, regular meetings of the Supervisory Board were generally conducted in English, with parts of meetings when the Management Board was not in attendance conducted in German; all committee meetings were conducted in German with the exception of the extraordinary meeting of the Executive Committee in December. The Supervisory Board maintains an ongoing, intensive dialog with the Management Board to ensure that it stays abreast of business policy and the business situation, corporate planning and strategy.

Moreover, the Management Board provides regular, timely and comprehensive written and verbal reports to the Supervisory Board. Written reporting centers around the monthly Board Reports, which provide information on the financial position, cash flows and financial performance of the Group and its segments. The reports also cover capital market developments, macroeconomic indicators relevant to Klöckner & Co SE, an assessment of the Company's situation compared with the rest of the industry as well as trends in demand and in steel and metal prices. The Supervisory Board regularly reviews the structure of Board reporting agreed with the Management Board. Where considered necessary or expedient, it has been or will be adjusted accordingly. Items on the agenda at Supervisory Board meetings regularly include the overall economic situation, the industry situation, the business performance of the Group and its operating segments and the performance of Klöckner & Co's share price relative to industry peers. Further information on the work of the Supervisory Board in the reporting year can be found in the Report of the Supervisory Board in this Annual Report.

In accordance with the Supervisory Board's Rules of Procedure, resolutions are adopted by simple majority unless otherwise stipulated by law or by the Articles of Association. All resolutions were adopted unanimously.

SUPERVISORY BOARD SELF-ASSESSMENT

Once a year, the Supervisory Board evaluates and reviews the efficiency of its activities in the form of a self-assessment, with a detailed evaluation every two years. As the previous detailed evaluation was carried out in fiscal year 2020, an additional detailed self-assessment took place according to schedule in the reporting year. This was carried out – without the involvement of an outside consultant – in the form of a combination of a detailed assessment questionnaire to be filled out by the members of the Supervisory Board and individual discussions between the Chairman of the Supervisory Board and the individual Supervisory Board members. The results were evaluated by the Chairman of the Supervisory Board. They were discussed at the December meeting of the Executive Committee and of the plenary Supervisory Board. The Supervisory Board does not consider any changes to be necessary in the preparation, procedure or agendas of its meetings, or in the manner in which tasks are delegated between the plenary Supervisory Board and its committees. The Supervisory Board considers the division of its work to be well balanced between strategic issues, advisory activities and supervisory duties. Other topics discussed included (i) the increased requirements placed on the work of the Supervisory Board and the fact that Supervisory Board remuneration (unchanged since 2013) is to be reviewed accordingly, (ii) the long-term composition of the Supervisory Board (strengthening the aspects of diversity and internationality with regard to the USA), (iii) the content and frequency of Management Board reporting on digitalization and (iv) the instruments for reviewing the corporate culture. The Supervisory Board prepares detailed annual reports for the Annual General Meeting on its work and the main focus of its activities for each fiscal year
(p. 12 et seq.).

SUPERVISORY BOARD COMMITTEES

The plenary work of the Supervisory Board is supplemented by its committees. The Supervisory Board has established the following committees: a three-member Executive Committee and an Audit Committee, which also has three members. The Executive Committee additionally serves as Nomination Committee and Personnel Committee. No additional committees have been established in view of the relatively small number of Supervisory Board members and the resulting high level of efficiency in plenary work. The committees' chairpersons report regularly and comprehensively to the plenary Supervisory Board on the agendas and outcomes of the committee meetings.

EXECUTIVE COMMITTEE

The Executive Committee is composed of the Chairman of the Supervisory Board as Committee Chairman, his Deputy Chairman and one additional member. Thus, the Chairman of the Executive Committee is Supervisory Board Chairman Prof. Dr. Dieter H. Vogel. The remaining members of the Executive Committee are Dr. Ralph Heck, Deputy Chairman of the Supervisory Board, and Prof. Dr. E.h. Friedhelm Loh.

In accordance with the Rules of Procedure, the Executive Committee also acts as a Personnel Committee for the purpose of preparing staffing decisions at Management Board level. The Executive Committee proposes suitable candidates to the Supervisory Board for appointing them as members of the Management Board and in particular makes proposals with regard to their remuneration and the Management Board remuneration system as a whole. It also advises on long-term succession planning for the Management Board (for detailed information, see under "LONG-TERM SUCCESSION PLANNING"). It furthermore fulfills the function of a Nomination Committee, in which capacity it proposes suitable candidates to the plenary Supervisory Board for election to the Supervisory Board at the Annual General Meeting.

AUDIT COMMITTEE

The primary task of the Audit Committee is to scrutinize financial reporting, review the accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system, the audits of the financial statements (notably with regard to the pre-selection, engagement and verification of the independence of the auditor, the services additionally rendered by the auditor, issuance of the audit engagement to the auditor, the quality of the audit, the establishment of focal points for the auditor's activities, and fee arrangements), and compliance, as well as to prepare the Supervisory Board review of the Group non-financial report and any dependency report. The Supervisory Board has also entrusted the Audit Committee with discussing the half-year financial Group report and the quarterly statements with the Management Board ahead of publication and preparing the Supervisory Board resolution on approval of the annual and consolidated financial statements. The Audit Committee discusses with the auditor the assessment of audit risk, the audit strategy and planning and the audit results. The Chairwomen of the Audit Committee regularly exchanges information with the auditor regarding the progress of the audit and reports on this to the Audit Committee. The Audit Committee consults regularly with the auditor without the Management Board's involvement. In the reporting year, the Audit Committee also managed the process of putting the audit for fiscal year 2023 out to tender. For this purpose, it formed a Steering Committee consisting of Ute Wolf and Uwe Röhrhoff to carry out the selection process together with the Company's project team. The Audit Committee made the final decision on the recommendation to the Supervisory Board, including its stated preference, at its meeting in December 2022.

The Chairwoman of the Audit Committee, Ute Wolf, is an independent financial expert and has expertise in the fields of accounting and auditing in accordance with Recommendation D.3 of the Code as amended on April 28, 2022. Alongside Ute Wolf, the other members of the Audit Committee are the Chairman of the Supervisory Board Prof. Dr. Dieter H. Vogel and Uwe Röhrhoff.

In the opinion of the Supervisory Board of Klöckner & Co SE, the Audit Committee meets the requirements under the Financial Market Integrity Strengthening Act ("FISG") and the Code. All members of the Audit Committee have expertise in the field of auditing (that is, special knowledge and experience in the auditing of financial statements, including the auditing of the Sustainability Reporting). Ute Wolf and Uwe Röhrhoff additionally have expertise in the field of accounting within the meaning of FISG and the Code (that is, special knowledge and experience in the application of accounting principles and internal control and risk management systems, including sustainability reporting):

- Due to her many years of experience as chief financial officer of a listed company and prior to that in senior finance positions at various large companies, Ute Wolf has special knowledge and experience in both fields, including sustainability reporting and its audit. She has also served for many years on supervisory boards and audit committees.
- Uwe Röhrhoff has relevant expertise in both fields, including sustainability reporting and its audit, as a result of his many years of experience in various operational positions as Chief Executive Officer (CEO) and previously as Chief Financial Officer (CFO) and in the field of controlling and finance, and also as a member of various supervisory bodies.
- Prof. Dr. Dieter H. Vogel has more than 30 years of experience in executive and supervisory board positions and is a long-standing member of the Company's Audit Committee. He therefore has corresponding special knowledge and experience in the field of auditing, including sustainability reporting and its audit.

The Supervisory Board has formally named Ute Wolf as a member of the Supervisory Board and Audit Committee who has expertise in the field of accounting and Uwe Röhrhoff as a member of the Supervisory Board and Audit Committee who has expertise in the field of auditing. In each case, this includes sustainability reporting and its audit. The Supervisory Board and the Audit Committee possess the requisite sectoral knowledge (as stated above).

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The Supervisory Board holds at least four, and the Executive Committee usually three regular meetings each year. The Audit Committee regularly meets five times a year, but no fewer than four times. Three of those meetings are held to discuss the half-year financial report and the quarterly statements. The bodies also hold meetings on an ad-hoc basis as needed. The relevant documentation is always made available at the meetings of the Supervisory Board and its committees. The Supervisory Board held seven meetings in the year under review, the Executive Committee four and the Audit Committee five.

PROFILE OF SKILLS AND EXPERTISE/OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD/REQUIREMENTS PROFILE FOR SUPERVISORY BOARD MEMBERS

In accordance with Principle 11 of the Code, the Supervisory Board is to be composed in such a way that its members collectively possess the knowledge, skills and professional experience required to properly perform their duties and in compliance with the statutory gender quota.

To this end, the Supervisory Board has prepared a profile of skills and expertise and specific objectives regarding its composition. The profile is intended to ensure that Supervisory Board members collectively have the skills and professional expertise that are essential for the Company's activities. Such skills and expertise include, amongst others, knowledge and experience in respect of the management of a large or mid-sized international company, knowledge and experience in respect of trading/distribution, digitalization/e-commerce, auditing of financial statements, accountancy and accounting (with respect to auditing and accounting including sustainability reporting and its audit), controlling and risk management or internal audit as well as with respect of compliance and the sustainability issues relevant to the Klöckner & Co Group.

Taking into account the best interests of the Company, diversity is also a consideration in the composition of the Supervisory Board. The Supervisory Board should therefore also include members who: (a) are female; (b) have their professional or private principial residence in a country (other than Germany) that is of particular relevance to the Klöckner & Co Group; (c) are under the age of 60; and/or (d) meet the criteria of Section 100 (5) of the German Stock Corporation Act.

Another objective laid out in the Rules of Procedure is that an appropriate number of the members of the Supervisory Board should be independent within the meaning of Recommendation C.6 of the Code, taking into account the ownership structure. The Supervisory Board determines what it considers to be an appropriate number for this purpose on the basis of its own assessment and provides information in this regard in the Corporate Governance Statement. At its meeting on December 13, 2021, the Supervisory Board determined that at least four of its members are to be independent of the company and its Management Board and that at least one member is to be independent of any controlling shareholder. In assessing the independence of its members, the Supervisory Board takes into consideration the aspects referred to in Recommendation C.7 of the Code and the criteria specified in the European Commission Recommendation of February 15, 2005 (see Annex 2 to Commission Recommendation of February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board [2005/162/EC]). Additionally, in order to avoid potential conflicts of interest, Supervisory Board members are not to be members of governing bodies of, or exercise advisory functions at, significant competitors of the enterprise, and are not to hold any personal relationships with a significant competitor. Furthermore, no more than two former members of the Company's Management Board should be part of the Supervisory Board and the Supervisory Board member who chairs the Audit Committee must be independent and must not be a former member of the Company's Management Board whose appointment ended less than two years earlier.

Finally, Supervisory Board members should usually not be appointed beyond the age of 75. The overall term of service as a Supervisory Board Member shall generally not exceed 15 years.

The requirements for nomination to membership on the Supervisory Board depend among other factors on which of the above objectives and criteria are to be prioritized in light of the Supervisory Board's current composition.

STATUS OF IMPLEMENTATION OF THE PROFILE OF SKILLS AND EXPERTISE AND OF COMPOSITION TARGETS/INDEPENDENT MEMBERS OF THE SUPERVISORY BOARD

In the opinion of the Supervisory Board, the criteria and objectives set out above as well as the profile of skills and expertise for the entire Supervisory Board are met with the current composition of the Supervisory Board. The members of the Supervisory Board possess the requisite knowledge, skills and professional experience; the Supervisory Board as a whole has the necessary sectoral knowledge. On the basis of a self-evaluation carried out in the year under review, which consisted of a self-assessment by the individual members of the Supervisory Board and a subsequent evaluation by the Chairman of the Supervisory Board as well as individual discussions between the Chairman of the Supervisory Board and the various members of the Supervisory Board, the implementation status is presented in the form of a matrix, as shown below (see the fourth sentence of Recommendation C.1 of the Code); this qualification matrix was finalized by the Supervisory Board in its meeting in December 2022 and formally adopted in its meeting on March 3, 2023:

Competencies	Prof. Dr. Dieter H. Vogel (Chairman)	Dr. Ralph Heck (Deputy Chairman)	Prof. Dr. Tobias Kollmann	Prof. Dr. E.h. Friedhelm Loh	Uwe Röhrhoff	Ute Wolf
Management of large or mid-sized international company	x	x		x	x	
Trading/Distribution	x	x		x		
Digitalization/e-commerce			x	x		x
Auditing of financial statements (including sustainability reporting)	x				x	x
Accountancy and accounting (including sustainability reporting)	x				x	x
Controlling	x	x		x	x	x
Risk management and internal audit (IKS)					x	x
Compliance	x	x	x			x
Sustainability						
- Environment		x	x	x	x	x
- Social	x	x	x	x	x	x
- Governance	x	x			x	x

Almost all members of the Supervisory Board are or have been in management positions at large or mid-sized international companies, and hold or have held a variety of responsibilities including trading/distribution, auditing of financial statements, accountancy and accounting, controlling, risk management, internal audit and compliance. The Supervisory Board also possesses the expertise recommended by the Code on sustainability issues relevant to the Company. Furthermore, Prof. Dr. Tobias Kollmann is also regarded as an identified digitalization expert. The diversity criterion of internationality has also been met (see page 102). Ute Wolf, as an independent member of the Company's Supervisory Board, meets the requirements of a "financial expert" with expertise in the fields of accounting and auditing (see above).

All members of the Audit Committee have expertise in the field of auditing within the meaning of FISG and the Code. Ute Wolf and Uwe Röhrhoff additionally have expertise in the field of accounting within the meaning of FISG and the Code. The Supervisory Board has formally named Ute Wolf as a member of the Supervisory Board and Audit Committee who has expertise in the field of accounting and Uwe Röhrhoff as a member of the Supervisory Board and Audit Committee who has expertise in the field of auditing. In each case, this includes sustainability reporting and its audit. The requisite sectoral knowledge is fulfilled in the Supervisory Board and the Audit Committee (see above under the heading "Description of Management Board and Supervisory Board procedures and of committee composition and procedures").

Finally, the Supervisory Board also has an appropriate number of independent members. In the Supervisory Board's assessment, Dr. Ralph Heck, Prof. Dr. Tobias Kollmann, Uwe Röhrhoff and Ute Wolf are currently independent within the meaning of Recommendation C.6 of the Code (see page 92). This corresponds to the number determined by the Supervisory Board (see above under the heading "Profile of skills and expertise/Objectives for the composition of the Supervisory Board/Requirements profile for Supervisory Board members": at least four members are to be independent of the company and its Management Board and at least one member is to be independent of any controlling shareholder). Due to the fact that SWOCTEM GmbH is to be qualified as a controlling shareholder, Prof. Dr. E.h. Friedhelm Loh is not to be considered independent of a controlling shareholder. Solely as a precaution (see above), Prof. Dr. Dieter H. Vogel is considered not to be independent of the Company and of the Management Board within the meaning of Recommendation C.7 of the Code. The Code requirement in this regard that over half of all Supervisory Board members be independent of the Company and of the Management Board is therefore likewise satisfied.

ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS

Pursuant to the German Act on Equal Participation of Women and Men in Leadership Positions (as recently amended in 2021 by the Act Supplementing and Amending the Provisions on Equal Participation of Women in Leadership Positions), (i) the Supervisory Board is required to establish a target for women in the Supervisory Board and the Management Board and (ii) the Management Board is required to establish targets for women at the upper two leadership levels below Management Board level.

The Supervisory Board set a target of 16.6% for women on the Supervisory Board and 0% for women on the Management Board in fiscal year 2017. The targets had to be and were met by June 30, 2022.

During the year under review, the Supervisory Board set new targets for the quota of women in the Supervisory Board and the Management Board, to be met until June 30, 2027: 33.33% (i.e., with six members, two members) for the Supervisory Board and 25% (i.e., with four members, one member) for the Management Board. The new targets are both to be met until June 30, 2027. The current quota of women is 16.67% in the Supervisory Board and 0% on the Management Board.

Both as of June 30, 2022 and at the end of the reporting period, the quota of women at Klöckner & Co was 10% at level 1 and 0% at level 2. The reasons for not meeting the targets were the particularly marked underrepresentation of women in management positions in the traditionally male-dominated steel industry and the highly competitive employment market for female managers.

In fiscal year 2022, the Management Board revised the date, originally set in fiscal year 2017, for meeting the targets for the quota of women in the first two management levels below the Management Board from June 30, 2022 to June 30, 2027. The target quota for female managers remain 33.33% at level 1 and 20% at level 2. Level 1 generally comprises head of corporate department functions, while level 2 consists of department head functions.

To increase the quota of women in the organization, Klöckner & Co is committed to strategic career development for female talents. New flexible working models and home working arrangements also help to improve the reconciliation of private and professional life. In addition, there is a need for a diverse corporate culture that more readily recognizes and fosters the added value of holistic diversity. Klöckner & Co is working on this on an ongoing basis. The Management Board firmly believes that innovative thinking requires the inclusion of diverse perspectives. At present, the measures and initiatives described have not yet led to the targeted quota of women being achieved, partly because the increased attractiveness of Klöckner & Co as an employer for female talents and managers is yet not sufficiently well known in the employment market. It is therefore planned to step up our employer branding activities for these target groups.

DIVERSITY POLICY FOR COMPOSITION OF THE MANAGEMENT BOARD AND OF THE SUPERVISORY BOARD

Diversity plays a key role in Klöckner & Co's personnel policy. This also applies to the composition of the Management Board and Supervisory Board. This aspect is already stipulated either by law (in the Act on Equal Participation of Women and Men in Leadership Positions – see above) or in the Code. Klöckner & Co's diversity policy for the Management Board and Supervisory Board is described in the following.

DIVERSITY POLICY FOR COMPOSITION OF THE MANAGEMENT BOARD; OBJECTIVES OF THE DIVERSITY POLICY

The diversity policy for the composition of the Management Board takes into account the following diversity aspects, although it should be noted that, on new appointments, account naturally has to be given to executive market conditions with due regard for industry-specific circumstances.

Age:
In accordance with the Supervisory Board's Rules of Procedure, members of the Management Board should generally not be appointed beyond the age of 67. The Supervisory Board has additionally resolved that, on reappointment of Management Board members who have reached the age of 60 at the time of reappointment, appointments are to be limited to one year as a rule, with members permitted to be reappointed multiple times. This ensures an appropriate and balanced age structure on the Management Board.

Gender:
The target for the percentage of women on the Management Board has been introduced in accordance with the Act on Equal Participation of Women and Men in Leadership Positions. The current target is 25% (i.e. with four members, one member) (see also the section "ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS" on page 97).

Educational/professional background:
By law, the Articles of Association and the Rules of Procedure, the Management Board is tasked with orderly management of the business. This gives rise to certain requirements that must be satisfied by the Management Board as a whole and by the individual Management Board members. These notably include management experience and leadership skills. Further requirements may also arise from the position in question. Diversity with regard to educational and professional background therefore also necessarily follows from the differing responsibilities of the respective Management Board members. In the opinion of the Supervisory Board, this is of value for the work of the Management Board.

Internationality:
A further aspect of diversity is internationality. This can already be part of the educational/professional background where a Management Board member has spent part of his or her career and/or education abroad. Internationality must notably be seen against the backdrop of Klöckner & Co SE's global activities with its core markets in Europe and America.

The aforementioned criteria and the related objectives are generally to be construed relative to, and met by, the Management Board as a whole. Given the size and structure of the Management Board, the Supervisory Board does not consider it appropriate to set specific targets with the exception of the target for the quota of women on the Management Board.

IMPLEMENTATION OF THE DIVERSITY POLICY FOR COMPOSITION OF THE MANAGEMENT BOARD

The Management Board is appointed by the Supervisory Board. In this connection, the Supervisory Board's supervisory and advisory function, ongoing dialog with the Management Board and, in particular, its involvement in strategy place it in a position to include the strategic, economic and factual situation of the Company in its assessment.

Within the Supervisory Board, human resources and succession planning is the responsibility of the Executive Committee which, acting in its capacity as Personnel Committee, submits proposals to the plenary Supervisory Board. To the extent required by the composition of the Management Board, the Executive Committee and the Supervisory Board regularly consult with the Chairman of the Management Board on any suitable internal and external candidates, including with a view to successions. Detailed information is provided under "LONG-TERM SUCCESSION PLANNING." Alongside other requirements in terms of personality and qualifications, and to the extent that the executive market allows, the above-mentioned diversity aspects for Management Board appointments are also taken into consideration in Supervisory Board decisions with regard to succession planning.

OUTCOMES FOR THE MANAGEMENT BOARD IN FISCAL YEAR 2022

In the opinion of the Supervisory Board, the current members of the Management Board ensure an appropriate degree of diversity on the Management Board, in particular through their careers as well as their respective educational and professional backgrounds. With regard to internationality, Bernhard Weiß, for example, is able to look back on numerous international positions in various industries on several continents. As well as in Asia and South Africa, he has notably held various management positions in France for many years. The Management Board has already had a US citizen among its ranks since 2019 in the person of John Ganem being responsible for the Americas segment. In terms of length of service, Management Board members Dr. Oliver Falk and John Ganem have been in office since 2019 and Guido Kerkhoff since 2020; Bernhard Weiß was appointed to the Management Board effective June 1, 2021. Guido Kerkhoff has relevant sectoral knowledge by virtue of his previous service at thyssenkrupp and was able to thoroughly familiarize himself with the Klöckner & Co Group during the initial transition phase alongside Gisbert Rühl. Dr. Oliver Falk and John Ganem have been with Klöckner & Co and with Group companies, respectively, for decades, while Bernhard Weiß was CEO of the French country organization for several years before his appointment to the Management Board. All three consequently have profound knowledge both of the industry and of the activities of the Klöckner Group. With regard to age structure, Guido Kerkhoff's assumption of office as CEO and the departure of Gisbert Rühl in fiscal year 2021 reduced the average age on the Management Board. The renewal of Dr. Oliver Falk's appointment by three years until 2025 when he reaches the age of 63 was decided having due regard to the reappointment requirement referred to above. With regard to the quota of women in the Management Board, the current target of 25% is not yet met. However, this new (and higher) target percentage was only set in the year under review (with an implementation period of five years, i.e. by June 30, 2027) and there have been no intervening changes in the composition of the Management Board. The Supervisory Board will take the new target quota into account in connection with future changes in the composition of the Management Board.

Further information on the members of the Management Board is provided in the CVs on the Company's website and in announcements following the related Supervisory Board resolutions.

LONG-TERM SUCCESSION PLANNING

Long-term succession planning for the Management Board is the responsibility of the Executive Committee and the Supervisory Board and is carried out jointly with the Management Board, taking into account the profile of skills and expertise for the Management Board. The Executive Committee discusses long-term succession planning at regular intervals and coordinates on it with the existing Management Board. Long-term succession planning takes into account, in particular, corporate strategy, the existing composition of the Management Board, and the aspect of diversity. Both internal and external candidates are normally considered for future appointments. In-house candidates comprise various members of the first management level below the Management Board (in particular, country organization CEOs and CFOs), who have regular opportunities to demonstrate their capabilities at meetings of the Supervisory Board and its committees. From time to time, the Executive Committee prepares profiles of requirements and, on that basis, shortlists internal candidates or initiates a search for external candidates. In the next step, candidates are invited for structured interviews. The Executive Committee then provides the Supervisory Board with its nominations for candidates. If deemed necessary, the Executive Committee may make use of outside consultants when compiling profiles of requirements and selecting candidates.

DIVERSITY POLICY FOR COMPOSITION OF THE SUPERVISORY BOARD; OBJECTIVES OF THE DIVERSITY POLICY

In accordance with the Supervisory Board's Rules of Procedure, its members must, as a general rule, possess the knowledge, skills and professional experience required for the proper execution of their duties. Taking into consideration the interests of the Company, the aspect of diversity also has to be taken into account, with the aim of attaining a Supervisory Board that is as diverse as possible in terms of age and gender as well as educational and professional background. The requirements profile for nomination of a Supervisory Board member is largely driven by which of the above objectives and criteria are to be prioritized in light of the Supervisory Board's composition at the time (see also the section, "PROFILE OF SKILLS AND EXPERTISE/OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD/REQUIREMENTS PROFILE FOR SUPERVISORY BOARD MEMBERS", on page 95). Furthermore, specific characteristics of the Company and its ownership structure must be taken into account where possible.

The age limit and regular length of service are geared to ensuring a balanced age structure and also to the objective of finding and retaining suitable candidates with sufficient professional experience and personal aptitude for office. A further aspect is the requisite continuity with a view to ongoing support for corporate development.

With regard to the participation of women in leadership positions, the Supervisory Board set a new target of 33.33% (i.e. with six members, two members) in the reporting year (see also above in the section "ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS" on page 97).

IMPLEMENTATION OF THE DIVERSITY POLICY FOR THE SUPERVISORY BOARD

Members of the Supervisory Board are elected by the Company's Annual General Meeting. For this purpose, the Supervisory Board makes nominations for election that are in turn prepared by the Executive Committee (acting in its capacity as Nomination Committee).

In this connection, the Supervisory Board gives consideration to the aforementioned diversity aspects – taking into account the interests of the Company and the individual circumstances (in particular the available candidates), as well as the requirements of the law, the Code and the Rules of Procedure.

The Supervisory Board also carries out a regular self-evaluation that includes aspects relating to its composition.

OUTCOMES FOR THE SUPERVISORY BOARD IN FISCAL YEAR 2022

Ute Wolf's membership of the Supervisory Board meant that it met the self-selected target of 16.6% for the quota of women members, which it set in fiscal year 2017 for achievement by June 30, 2022. The new target of 33.33% for the quota of women in the Supervisory Board is not yet met. However, it was only set in the year under review with an implementation period of five years, i.e. by June 30, 2027. The Supervisory Board will take the new target percentage into account in future appointments to the Supervisory Board.

With respect to the age structure of the Supervisory Board, Prof. Dr. Dieter H. Vogel exceeds the regular age limit of 75 and has also been a member of the Supervisory Board for over 15 years. However, allowance must be made for the fact that these limits are merely intended as a guide and that there were extensive changes in the composition of the Supervisory Board between 2015 and 2018 and also of the Management Board in the last few years. In this light, the continuity represented by Prof. Dr. Dieter H. Vogel is to be welcomed. His professional and personal qualifications are beyond any doubt. The same applies to Prof. Dr. E.h. Friedhelm Loh, who has also exceeded the above-mentioned regular age limit. His status as a major shareholder also has to be taken into account in this connection.

From the point of view of the Supervisory Board, its composition meets the selected diversity targets (subject to the newly set target for the quota of women in the Supervisory Board, which, however, needs to be met until June 30, 2027). In particular, its members present a welcome mix both of industries and of occupational and educational backgrounds, as can be seen from their CVs, which are published on the Company website and updated annually. The diversity criterion of internationality has also been met:
Dr. Ralph Heck is a Belgian national whose permanent residence is in Switzerland, while Uwe Röhrhoff has served and continues to serve in various parts of the world in both professional roles and in offices held. The Supervisory Board has a balanced age structure (ages 52 to 81) and length of service (from approximately two to 16 years, although Uwe Röhrhoff was already a member of the Supervisory Board of Klöckner & Co SE from 2017 to 2018). Consequently, the Supervisory Board sees no acute need for further action at present with regard to diversity on the Supervisory Board. With a view to the upcoming Supervisory Board elections in fiscal year 2023, the Supervisory Board will take the described diversity criteria as well as the profile of skills and expertise into account to the greatest possible extent when deciding its nominations to the Annual General Meeting.

ANNUAL GENERAL MEETING

The shareholders of Klöckner & Co SE exercise their rights, including their voting rights, at the Annual General Meeting. The most recent Annual General Meeting took place in Duisburg on June 1, 2022. Against the backdrop of the ongoing COVID-19 pandemic during the reporting year, the Annual General Meeting was held as a virtual meeting without shareholders physically present. This option was provided by the legislature at short notice following the outbreak of the COVID-19 pandemic in 2020 and, following an initial extension for 2021, was extended once again for the reporting year. The purpose is to enable general meetings to be held while avoiding risks to the health of shareholders and others involved.

The next Annual General Meeting is scheduled for May 17, 2023. It is the Company's hope that there will be no restrictions due to pandemic conditions or other events and that the Annual General Meeting can be held in person. Irrespective of this, it is examining the alternative option of a virtual Annual General Meeting in accordance with the new Act on Virtual Annual General Meetings and is monitoring developments in the capital market in this regard. The Management Board and Supervisory Board have resolved that the shareholders are to receive all support and information in accordance with the law, the Articles of Association and the recommendations and suggestions contained in the Code. Klöckner & Co SE publishes the invitation of the Annual General Meeting together with all requisite reports and documents in German and English on its website. The entire Annual General Meeting will be broadcast live to the public on our website. The opening of the Annual General Meeting by the Chairman of the Meeting, the Chairman of the Management Board's speech and the report by the Supervisory Board are made available there in recorded form after the Annual General Meeting.

MANAGERS' TRANSACTIONS (PREVIOUSLY: DIRECTORS' DEALINGS)

Under Article 19 of the Market Abuse Regulation (EU) No 596/2014, members of the Management Board and Supervisory Board as well as individuals and legal entities closely associated with such members are required by law to disclose to Klöckner & Co SE and to the German Federal Financial Supervisory Authority (BaFin) all purchases and disposals of shares or related financial instruments, notably derivatives, insofar as the value of the transactions reaches or exceeds a total of €20,000 in a single calendar year. All such disclosures are published immediately by the Company. Klöckner & Co sends the corresponding documentation to BaFin; the information is furthermore saved in the company register. The reports are also available on the Company's website at https://www.kloeckner.com/en/investors/legal-announcements/managers-transactions.html.

FINANCIAL REPORTING AND AUDIT OF THE FINANCIAL STATEMENTS

Financial reporting by the Klöckner & Co Group is performed in accordance with International Financial Reporting Standards (IFRS). The financial statements of Klöckner & Co SE are prepared in accordance with the German Commercial Code (HGB). For reasons of simplicity and clarity, the management report takes the form of a combined management report covering the annual and consolidated financial statements. By law, the auditor of the annual and consolidated financial statements is elected by the Annual General Meeting. We also ensure adherence to auditor independence stipulations. The auditor and Group auditor appointed by the Annual General Meeting 2022 for fiscal year 2022 is KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. German public auditors (Wirtschaftsprüfer) Christoph Velder (since 2018, five signatures) and Ireen Mehdi Zadegan (since 2022, one signature) are the key audit partners. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (or, until 2009, its subsidiary, KPMG Hartkopf + Rentrop Treuhand KG, Wirtschaftsprüfungsgesellschaft, Cologne) has been the auditor for Klöckner & Co SE (or its legal predecessors) since fiscal year 2005. A change of auditor in accordance with the Financial Market Integrity Strengthening Act (FISG) has not yet been necessary because of the tendering procedure carried out for the audit of the financial statements in 2017. Such a change is to be effected, however, for fiscal year 2023 (and thus one year earlier than required by law). In light of this, the audit was put out to tender in the reporting year. Further information on the proposal made to the Annual General Meeting on the election of the auditors of the annual financial statements and consolidated financial statements for fiscal year 2023 will be published together with the notice of the 2023 Annual General Meeting on our website at https://www.kloeckner.com.

The audit mandate for the annual and consolidated financial statements is prepared by the Audit Committee and then discussed and issued by the Supervisory Board.

TRANSPARENCY

Reporting on the Group's situation and on significant events relating to the Group is provided in the Annual Report containing the financial statements and the Management Report as well as other statutory and voluntary disclosures. Other elements of reporting include the half-year financial report and the quarterly statements published after the first and third quarters. A financial statements press conference as well as an analysts' and investors' conference call are held on publication of the Annual Report. On publication of the quarterly statements and half-year report, we hold conference calls for journalists, analysts and investors. In addition, we organize events and numerous consultations with financial analysts and investors in Germany and internationally, as well as with journalists. Regular dates and events relating to Klöckner & Co SE are listed in the financial calendar on our website. We use the Internet as our main channel of communication for providing shareholders and the public with equal access to timely, comprehensive information. Presentations used during events for financial analysts and investors are promptly made available to the general public on our website. We also publish press releases as needed. Information directly related to Klöckner & Co SE that is likely to have significant influence on the price of Klöckner & Co shares or other financial instruments issued by or associated with the Company is additionally published in ad-hoc announcements as required by the Market Abuse Regulation (EU) No 596/2014. Such matters are governed by a Group policy and an internal committee of experts (ad-hoc committee) who obtain outside advice, particularly on legal issues, as needed.

COMPLIANCE

Ensuring adherence to international regulations and fair conduct toward our business partners and competitors is one of our Company's guiding principles. Klöckner & Co SE (the "Company") considers itself to be bound in this connection not only by statutory and other legal provisions. Voluntary obligations and ethical principles are likewise integral to our corporate culture.

A Compliance Management System (CMS) with an associated compliance organization is installed to ensure compliance.

COMPLIANCE ORGANIZATION

The Company's corporate compliance organization consists of the Chief Compliance Officer (who is also the Chief Governance Officer), the Corporate Compliance Office (CCO), the Compliance Committee and the National Compliance Offices (NCOs).

The CCO is part of the Company's GRC organization. The GRC organization consists of the Compliance, Data Protection, Information Security, Risk Management and Internal Control System departments.

Compliance officers at the NCOs keep local employees informed at regular intervals about relevant applicable legal provisions and internal policies. They serve as points of contact for individual questions as they arise.

BASIC ELEMENTS OF THE CMS

The Company's CMS is divided into the following elements:

1. Prevention
2. Detection
3. Reporting and reaction

The appropriateness, implementation and effectiveness of the CMS are regularly reviewed by both the Corporate Internal Audit Department and an outside expert (most recently at the end of 2021).

PREVENTION

Prevention is the most important fundamental element of the CMS. The aim is to create an awareness of compliance risks within the Company, thus enabling such risks to be identified and avoided at an early stage. Various compliance tools are used to achieve this aim.

"TONE FROM THE TOP" AND ZERO TOLERANCE POLICY

The Company's Management Board has unequivocally expressed its policy with regard to compliance violations in "Tone from the Top" published on the Company intranet and website. Breaches of the law, in particular antitrust, anti-corruption, anti-money laundering and human rights violations, are not tolerated in any way and result in sanctions against the offending governing bodies, employees or business partners ("Zero Tolerance Policy").

COMPLIANCE RISK ASSESSMENT

To identify and assess potential compliance risks within the focal areas, the CCO regularly conducts compliance risk assessments with the country organizations. Together with the respective country organization CEOs, the CCO assesses the individual compliance risks in terms of relevance and probability of occurrence for the specific business model together with potential legal and financial impacts on the country organization. On the basis of these assessments, precautionary measures are taken and, where necessary, adjustments made to the CMS.

COMPLIANCE COMMUNICATION AND COMPLIANCE PLATFORM

For compliance communication, the CCO makes use of the Yammer collaboration tool and the Microsoft Teams chat-based virtual workspace. These are used to publish compliance-relevant matters and warnings, for example of current cases of identity fraud. From them, all employees can also directly access the compliance platform.

The compliance platform is available to all employees. Modules currently in use on the platform cover requests and approvals ("Ask Compliance"), vetting business partners ("Due Diligence"), a whistleblower system ("Let Us Know"), the Compliance SharePoint and the integrated Case Management Tool. The Compliance SharePoint serves as a "single point of truth" providing all relevant compliance documents, and is administered centrally by the CCO.

CODE OF CONDUCT, DIRECTIVES AND PROCEDURAL INSTRUCTIONS

The Code of Conduct published on the Company website and elsewhere sets out basic rules and principles as a framework for our business activities and social engagement. Members of the Management Board and all managerial personnel are required to lead by example and have heightened responsibility for ensuring that the Code of Conduct is put into practice. Moreover, all employees are called upon to contribute actively in applying and adhering to these principles across their areas of responsibility and to act with integrity in their work within our Company. In the interest of all employees and to avert damage to the Company, directives and procedural instructions are provided that detail permissible conduct. The country organizations publish the Group guidelines and procedural instructions in their area of responsibility and adopt the measures needed to implement the respective requirements.

COMPLIANCE TRAINING

All Group employees are required to participate in a Group-wide training program to raise awareness of our Code of Conduct. The training program is divided into various modules for the different target groups, whose knowledge is kept up to date through regular refresher training sessions. Mandatory training modules are assigned to employees and completion is monitored in an IT-based learning management system.

BUSINESS PARTNER SCREENING AND ANTI-MONEY LAUNDERING

To prevent corruption risks, the Company has established strict rules on hiring third-party brokers, whose integrity is assessed with the aid of an external service provider before entering into any contract. This review is repeated at regular intervals according to risk.

All customer and supplier relationships are screened against sanction lists relevant to the Company. For this purpose, the Company uses software from an external service provider.

To prevent money laundering, the Company has severely restricted cash payments. Compliance with due diligence requirements under money laundering legislation is monitored by means of organizational measures and IT-based checks.

MANAGEMENT INTEGRITY SCREENING

The top three levels of management and all board members are subject to integrity screening before engagement or appointment.

SUPPLY CHAIN COMPLIANCE

Further measures relate among other things to supply chain compliance. The Company ensures compliance with supply chain due diligence requirements for raw materials from conflict-affected and high-risk areas and restricts the use of certain hazardous substances in electrical and electronic equipment. Dual-use goods and related foreign trade stipulations are centrally monitored with systemic checks in the IT systems.

CAPITAL MARKET COMPLIANCE

Statutory provisions prohibiting insider trading and personal account trading by executives are supplemented by a Group insider-trading policy governing dealings with information that could potentially impact the price of Company shares as well as transactions in Company securities by board members and employees. Individuals who receive access to insider information as part of their work are registered from that point onwards on an insider list as stipulated in the Market Abuse Regulation.

DETECTION

Compliance violations can be reported anonymously to the CCO. Employees and third parties can report potential violations of our Code of Conduct on the Platform's landing page and the Company website. A free-of-charge telephone hotline is also available 24/7 worldwide.

As part of regular ICS auditing, compliance-relevant audit areas are audited in compliance audits under the leadership of Internal Audit. Compliance audits are also carried out on an ad-hoc basis together with Internal Audit – in some cases with the additional involvement of third-party subject-matter experts – in order to detect potential compliance violations.

REPORTING AND REACTION

In a regular reporting cycle and in urgent cases on an ad-hoc basis, the Chief Governance Officer (CGO) and the head of CCO report to the Company's entire Management Board and Supervisory Board on current compliance-related developments in the Group.

Furthermore, the CEO, who is responsible for Compliance, is regularly informed of compliance-related matters through Compliance Risk Assessment reporting and the Compliance Audits as well as during regular compliance meetings and in the annual compliance report.

In line with the Management Board's Zero Tolerance Policy, compliance violations are strictly pursued and sanctioned.

DATA PROTECTION

Ensuring data protection is a key priority for us, and we aim to meet the strict and constantly evolving legal requirements for the protection of personal data in every respect.

Our data protection management system is therefore subject to a continuous revision and improvement process, which also continued during the reporting year. Following the audit of the EU and UK data protection management system and selected risk areas, a special focus was thus placed on updating and tightening our data protection policies. At the same time, new developments in data protection of relevance to Klöckner & Co were analyzed – including, in particular, in the USA, Switzerland and Brazil – and appropriate measures derived and initiated. We also reviewed our contracts with third parties, and particularly contracts with a third-country element. Finally, we further tightened our privacy policies, notably with regard to transparency. These can be viewed at any time on a dedicated data transparency page on our website (https://www.kloeckner.com/en/group/data-transparency.html).

Group Data Protection is a stand-alone department within Governance, Risk & Compliance. With the Group Data Protection Officer and local data protection managers, it ensures compliance with the EU-GDPR and local laws. The Group Data Protection Officer has a direct reporting line to the Management Board. A rolling international training program and extensive communication on data protection issues through our internal social network, intranet and training systems, supplemented by clear “Tone from the Top” communication from the CEO, ensure that our employees have a high level of data protection awareness.

SUSTAINABILITY REPORTING

of Klöckner & Co SE

FACTS **2022**

Winner German Sustainability Award

in the category "Transformation Field Climate"

Lost Time Injury Frequency

5.8

(target value for 2022 of 7.6)

>1,000

Green Steel Experts

Introduction of

Nexigen®

as an umbrella brand for CO_2-reduced customer solutions

Reduce Scope 1 & 2 emissions by 43% compared to SBTi baseline year 2019

CO_2 emissions

45 Tto

Scope 1 emissions

7 Tto

Scope 2 emissions ("market-based")

8,803 Tto

Scope 3 emissions

>1,300

children and young people supported through social projects

>14,600

digital learning units at the Digital Academy completed

Klöckner & Co SE sustainability reporting 2022

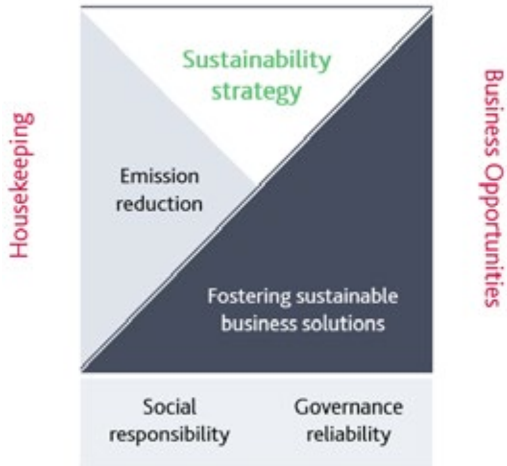
Klöckner & Co is one of the largest producer-independent distributors of steel and metal products worldwide. As we are not tied to any particular steel producer, customers benefit from our centrally coordinated procurement and wide range of national and international sourcing channels from around 50 key suppliers across the globe including the world's largest steel producers. Responsible conduct plays a central role our business model as well as for our self-perception as a company rich in traditions. For us, responsibility means aligning all our business activities with good ethics, social responsibility, environmental stewardship and commercial success. This ethos is enshrined in our Group-wide Klöckner & Co Principles and Values. These ensure that we share a common understanding and provide specific guidance for our conduct on a day-to-day basis. Sustainability along the steel value chain is an issue of particular importance and makes up a core element of our "Klöckner & Co 2025: Leveraging Strengths" strategy. As a distributor and important link in the value chain, we see it as our duty to continuously improve processes in order to minimize the negative and maximize the positive impacts of our business activities. A key driver in communicating our sustainability transformation both internally and externally has been our purpose statement: "We partner with customers and suppliers to deliver innovative metal solutions for a sustainable tomorrow." It guides our daily work, provides direction for our employees and showcases to our customers and business partners what they can count on. In condensed form, it is expressed in our slogan, "Your partner for a sustainable tomorrow."

Our approximately 7,300 employees apply their skills and enthusiasm to meet our customers' needs. We provide customers with end-to-end solutions from procurement through logistics to processing, including individual delivery and 24-hour service – processes that we are increasingly digitalizing and automating. For example, we use a variety of digital tools and portals to enable us to provide our customers and business partners with an even broader spectrum of steel and metal products as well as services. Through our distribution and logistics network comprising around 150 sites in 13 countries, both in Europe and in North America, we serve more than 90,000 customers. Our customer base consists primarily of small to medium-sized steel and metal consumers in the construction industry, the machinery and mechanical engineering industry and the automotive industry, but also includes larger customers (for more in-depth information about Klöckner & Co's business model, see page 30 of the management report).

Sustainability strategy
We embrace our responsibility for the environment, safety and our community. This commitment must be reflected in all our actions and decisions. By enforcing high safety standards, we ensure a safe working environment that protects our employees. In terms of integrity, we are a transparent, authentic and modern company.

We demonstrate accountability and commitment to our decisions and actions, and are dedicated to a culture of dealing openly with failures. With the initiatives that make up our "Klöckner & Co 2025: Leveraging Strengths" strategy, we continue to merge the digital and physical sides of our business and aim to take them to the next level. By 2025, Klöckner & Co aims to become the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas.

Sustainability is at the heart of our “Klöckner & Co 2025: Leveraging Strengths” strategy. We approach our dedicated sustainability strategy from an overarching environmental, social and governance (ESG) perspective and integrate it into our strategic planning.



We believe that in particular innovation, technology and new business models will enable the steel industry's successful sustainability transformation. As part of our Group strategy, we are working as a pioneer of a sustainable steel industry to establish innovative business models by creating a comprehensive portfolio of sustainable customer solutions. Through expanding our product and service portfolio, we are seizing the strategic opportunity to integrate the attractive new business area of sustainable solutions into our business model. We see this transformation as a unique growth opportunity – not just in the future, but already today.

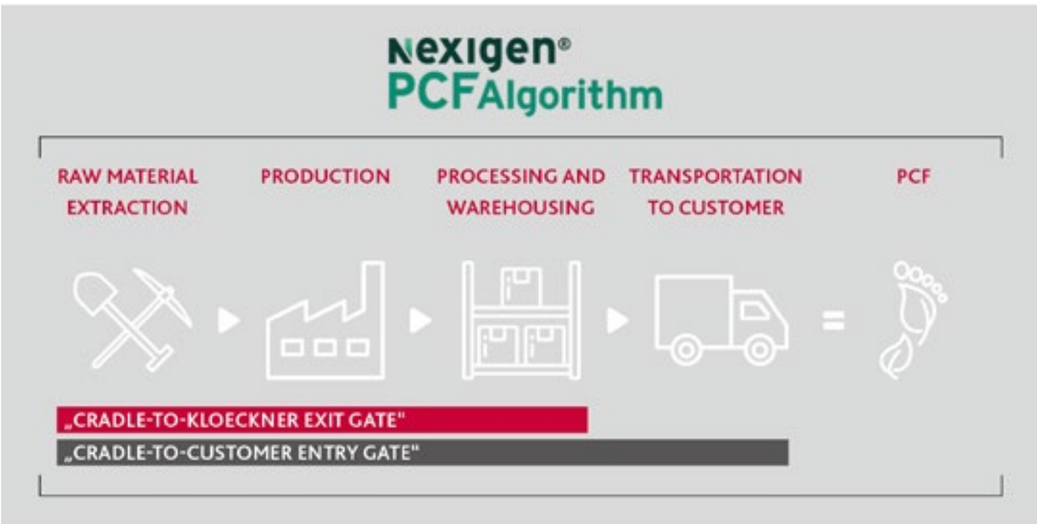
Nexigen®

Under our Nexigen® umbrella brand, we have focused our sustainable product and service portfolio across the Group, providing transparent, CO_2-reduced solutions in the categories of materials, processing, logistics, circularity solutions (closed-loop) and comprehensive Sustainability Advisory Services for sustainable customer solutions. In this way, we are already supporting customers to reliably source CO_2-reduced steel and metal products, while our smart software solutions give them full visibility into the carbon footprint of the products they buy. To provide our customers with optimum support in establishing sustainable value chains, we have introduced rating scales for our CO_2-reduced steel, stainless steel and aluminum products. These scales are rooted in international, science-based standards and categorize the CO_2-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing (cradle to Klöckner exit gate). They serve as a guide and a comparison tool for customers when determining the carbon footprint of end products. Through numerous partnerships, we already offer our customers CO_2-reduced steel and metal products today. Klöckner & Co aims for the two lowest carbon footprint categories (“Prime” and “Pro”) - to account for over 30% of its total product range by 2025 and 50% by 2030.

In addition, as of the beginning of 2023, we now provide customers with an individual Product Carbon Footprint (PCF) for almost every product in our portfolio.

Categorization for carbon steel, in kg CO_2e per ton of steel.

This allows customers to reliably, transparently and easily see the carbon footprint of a product purchased from Klöckner & Co. With the Nexigen® PCF Algorithm, we have developed an innovative tool whose automated PCF calculation methodology is certified by TÜV SÜD. The Nexigen® PCF Algorithm's methodology for calculating the PCF follows the internationally recognized Greenhouse Gas Protocol and ISO 14067, ref. 14040 and 14044, and, in accordance with those standards, calculates the product's cradle-to-customer entry gate emissions. As a result, our customers receive information on the extent to which Klöckner materials can contribute to reducing the carbon footprint of their business activities and their own end products, and can reliably include the cumulative carbon emissions of their products in emissions calculations across the entire value chain, from resource extraction to production and delivery at the customer's factory (hence "cradle to customer entry gate").

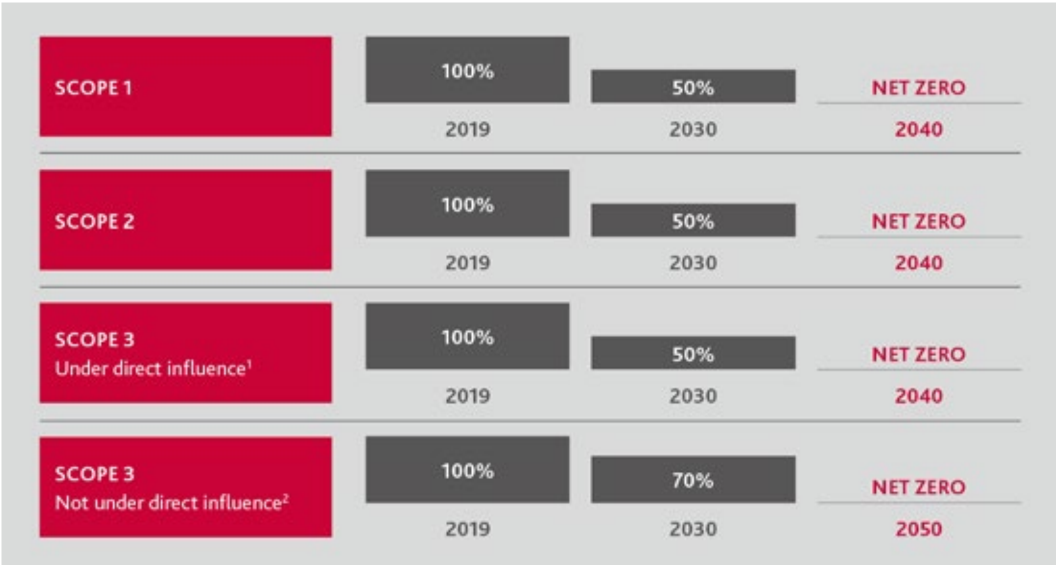


In recognition of our contribution to the decarbonization of the steel industry, we won the prestigious German Sustainability Award 2023 in the Climate Transformation category. This shows the importance of the transformation we have initiated and that Klöckner & Co is also perceived externally as a pioneer of a sustainable steel industry.

Winner of the German Sustainability Award 2023

In addition to the strategic opportunities we see in the sustainable transformation of the steel industry, we are meeting our responsibility to reduce our own emissions and those of our upstream and downstream supply chains. As part of this, we have designated the reduction of carbon emissions as a non-financial target for the variable remuneration of the Management Board, the entire first management level below the Management Board and additional executives at levels two and three.

We are the first company in the world to have our net zero carbon targets recognized by the Science Based Targets initiative (SBTi) as science-based in the regular process in accordance with the latest standards. Klöckner & Co has thus committed to reducing Scope 1 and 2 emissions to net zero by 2040 and emissions in the entire value chain by 2050. Our path to net zero is based on the following science-based medium- and long-term carbon reduction targets:



[1] Scope 3 emissions under direct influence: Fuel and energy-related activities (3.3) [not included in Scope 1 and 2]; waste generated in operations (3.5); business travel (3.6); employee commuting (3.7); downstream transportation and distribution (3.9).
[2] Scope 3 emissions not under direct influence: Purchased goods and services (3.1); capital goods (3.2); upstream transportation and distribution (3.4).

Our corporate goal is the verifiable reduction of emissions from our business activities. As this is a continuous, long-term process, in addition to our reduction measures, we offset all of our Scope 1 and 2 emissions, without taking them into account against our reduction targets.

For us, the dimensions of sustainability also include social responsibility and reliable governance in addition to environmental factors. This is because, for Klöckner & Co, responsible conduct based on ethical convictions paves the way for long-term business success and hence also for sustainability. We shape the social dimension in partnership with our employees, suppliers and customers, as well as with the involvement of the surrounding communities. Occupational safety is a priority in our Company. In particular, we are committed to protecting the health of our employees. To that end, we have created the Safety 1st and Kloeckner Cares initiatives. As part of our social commitment, we provide targeted support for educational programs in the community.

We pledge ourselves to reliable governance, for example by creating transparency and demonstrating commitment. Our responsible business management and control geared toward sustained value creation aim to build trust with business partners, employees, investors at home and abroad as well as the general public.

Sustainability management

As a tradition-rich company, Klöckner & Co considers it its duty to ensure its own future viability by means of long-term, strategic goals. In this process, responsibility for internal and external stakeholders plays an important role that follows from the size and international presence of our business activities. To shape these relationships in the long term and in a responsible manner for the benefit of all, we combine all relevant activities in a Group-wide sustainability management system. The CEO is functionally responsible for the area of sustainability. Responsibility for sustainability management, strategic control for the development of sustainable business solutions, coordinating all sustainability activities and compiling the Group non-financial report lies with the Corporate Strategic Sustainability Department. The internal Sustainability Committee consists of managers from the corporate departments Strategic Sustainability, Investor Relations, Legal & Compliance, Group HR/Communication and Risk Management. It determines the main pillars of the sustainability strategy and, regarding implementation, coordinates its activities closely with the respective segments and their departments within the Klöckner & Co Group. Alongside the expertise bundled in our Sustainability Committee, we purposefully harness our employees' innovative drive. Our employees can use the Company-wide social network Yammer to submit ideas and suggestions, the feasibility of which is subsequently evaluated by Strategic Sustainability as well as by relevant experts.

To reflect the importance of the carbon reduction targets for our Company, these were integrated into the non-financial targets for variable remuneration of the Management Board from fiscal year 2022. Furthermore, the additional targets in the areas of reduction of carbon emissions, occupational safety, digitalization and automation, and employee satisfaction were extended to the entire first management level below the Management Board as well as to additional executives at levels two and three.

Commitment to sustainability and fairness

As a pioneer of a sustainable steel industry, we have signed up to various standards and initiatives Group-wide that demonstrate our ambitious commitment. By pursuing a holistic approach, we aim to actively drive the transformation of the economy and society through the sustainable strategic orientation of our business. Our voluntary commitments demonstrate our ambition and responsibility. For example, we are a supporter of the UN Race To Zero campaign, the Business Ambition for 1.5°C campaign and the Fair Company initiative. In addition, we contribute towards the achievement of the Sustainable Development Goals.

Group non-financial report

This sustainability reporting for 2022 includes the Group non-financial report of Klöckner & Co SE in accordance with Section 315b of the German Commercial Code (HGB), the EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and of the Council and the delegated acts adopted in this respect, as well as the interpretation presented in the section titled "EU Taxonomy" of the Separate Group non-financial report. In the Group non-financial report, we present the non-financial issues of major relevance to our business activities together with the impact of those activities on aspects comprising environmental matters, employee matters, respect for human rights as well as anti-corruption and bribery. This includes the chapters on the areas of action regarding Employees, Responsible Conduct and Environment. In addition, we provide transparent reporting on our broader engagement with regard to sustainability in the chapters on the areas of action Digitalization and Customer Satisfaction. We report on social matters in the social commitment section of the Responsible Conduct chapter. The reporting period for the Group non-financial report is the fiscal year 2022. Unless otherwise specified, the information covers all fully consolidated companies of the Klöckner & Co Group. No framework was used in the preparation of the Group non-financial report, as we do not require a framework in order to present the relevant information in a structured and rigorous manner. We base our climate reporting on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In the medium-term future, we will report in accordance with the Corporate Social Responsibility Directive (CSRD) on the basis of the European Sustainable Reporting Standards (ESRS).

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was engaged to provide a limited assurance review of our sustainability report, which contains the Group non-financial report, for the period January 1, 2022 to December 31, 2022.

Materiality analysis

The topics to be included in the Group non-financial report are specified and formulated within the context of our sustainability management. Our definition of sustainability comprises all areas that contribute to securing long-term success – i.e. the future viability – of Klöckner & Co. We review the reporting topics on an ongoing basis in order to ensure that we are advancing the key issues that are material to a sustainable, forward-looking strategy in a dynamic market environment. In 2020, we conducted a detailed materiality analysis. The prioritization of the issues reflects their business relevance (net assets, financial position and results of operations, innovation and reputation) as well as the impacts of our business activities and the upstream supply chain on the environment and on society. Those topics were categorized as material that meet the bar for double materiality. The aggregate results were coordinated with the CEO to ensure comprehensive and integrated reporting for the Group. The topics deemed material are the focus areas of this report. With regard to the action areas and (material) topics included in the 2020 materiality analysis, our Sustainability Committee once again discussed, validated and confirmed their relevance for 2022. The reporting topics remain unchanged from the prior year.

Action areas and reporting topics (material topics are highlighted in color)

	TOPICS	CSR-RUG (HGB) CLASSIFICATION
EMPLOYEES	Occupational health and safety	Employee matters
	Employee development	
	Fair working conditions	
	Demographic change	
RESPONSIBLE CONDUCT	Corporate governance	Anticorruption and bribery
	Human rights in the supply chain	Respect for human rights
	Social commitment	Social matters
	Antitrust risks	Anticorruption and bribery
ENVIRONMENT	Environmental impact of logistics	Environmental matters
	Sustainable business models	
	Conservation of natural resources	
DIGITALIZATION	Digital transformation	Group-specific aspects
CUSTOMERS	Customer satisfaction	Group-specific aspects

The materiality analysis carried out according to the CSR Directive Implementation Act yielded the following six material reporting topics at Klöckner & Co: Occupational health and safety, employee development, antitrust risks, the environmental impact of logistics, digital transformation and customer satisfaction. These topics represent the three obligatory aspects of employee matters (employee development; occupational health and safety), anti-corruption and bribery (antitrust risks) and environment (environmental impact of logistics) according to the HGB. Respect for human rights and social matters, both obligatory aspects, are not included in the six material topics derived from the materiality analysis. Two material topics – customer satisfaction and digital transformation – go beyond the obligatory aspects and are specific to the Group. Aspects that go beyond the obligatory aspects, but are derived from the materiality analysis are material according to HGB criteria and are components of obligatory non-financial reporting.

Apart from the topics identified in the materiality analysis, we also report on topics that are significant to Klöckner & Co in connection with sustainability: human rights in the supply chain, corporate governance, fair working conditions, demographic change and social commitment. This way, our reporting covers the two obligatory aspects of respect for human rights (human rights in the supply chain) and social matters (social commitment), which are required by the HGB. Additionally, in line with its increased strategic importance for the Group, we address the topic of sustainable business models as well as providing an insight into environmental topics of relevance to our Company in the section on conservation of natural resources. Our sustainability management is aligned with the five areas of action Employees, Responsible Conduct, Environment, Digitalization and Customers. They also form the chapters of this report.

EU taxonomy
In 2019, the EU Member States agreed to reduce net greenhouse gas emissions to zero by 2050 as part of the "European Green Deal". Europe is to be the first continent to become climate-neutral. As part of the "European Green Deal", the EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, places obligations on companies to operate more sustainably.

The EU taxonomy requires companies to review and evaluate whether and to what extent their activities fall under the definition of "environmentally sustainable activities". Six environmental targets have been defined by the EU for this purpose: (1) "climate change mitigation", (2) "climate change adaptation", (3) "sustainable use and protection of water and marine resources", (4) "transition to a circular economy", (5) "pollution prevention and control", and (6) "protection and restoration of biodiversity and ecosystems". To date, activities have only been defined for the first two environmental targets of the EU taxonomy, namely climate change mitigation and climate change adaptation.

The percentage of taxonomy-aligned activities has to be reported for the first time for the 2022 reporting year. Activities are taxonomy-aligned if they meet the following three criteria. In order to make a substantial contribution to at least one of the environmental targets, an economic activity must meet the substantial contribution criteria and do not significantly harm any of the other environmental targets. An environmentally sustainable economic activity must also meet social criteria referred to as minimum safeguards. These relate to recognized frameworks such as the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The EU Taxonomy Regulation is focused primarily on sectors that can make a substantial contribution and whose transformation therefore has a material influence on achieving the stated targets.

Dynamic regulatory environment and limited interpretability

There are as yet no assessment criteria for Klöckner & Co SE's sales revenue-generating economic activities. Because of this, an adequate presentation is not possible due to the lack of regulatory coverage of our activities under the EU taxonomy. This limits the representativeness and interpretability of the figures with regard to taxonomy eligibility and taxonomy alignment of Klöckner & Co's sales. Given the dynamic regulatory development, we expect that criteria will be defined for our sales-generating economic activities in the future and that these will allow us to report more comprehensively. We are already aware of the in particular strategic importance that sustainability has for our business (see page 111 regarding our sustainability strategy). We report on our climate targets and sustainable business solutions in the Environment chapter, starting on page 138.

IDENTIFICATION OF TAXONOMY-ELIGIBLE ACTIVITIES

After identifying the potential main activities based on the product groups and services of Klöckner & Co, we conclude that the following economic activities are initially taxonomy-eligible according to the Delegated Act C:

- Activity 6.6. "freight transport services by road": According to Annex I of the Delegated Act, this economic activity includes the purchase, financing, leasing, rental and operation of vehicles in class N1, N2 or N3 for freight transport services by road, fulfilling EURO VI E or its successor,. Klöckner & Co mainly makes use of N3 class vehicles for freight transport due to the high payload capacity required. Freight transport by Klöckner & Co with vehicles that meet the above criteria can therefore be taken into account as a taxonomy-eligible economic activity within the meaning of the EU taxonomy. Only Klöckner & Co trucks that at minimum comply with emission level E were taken into account. In addition, it should be noted that we provide the logistics services that fall under category 6.6 generally in conjunction with other activities belonging to steel distribution that are not covered by the EU taxonomy.

In addition, Klöckner & Co has identified the following additional taxonomy-eligible activities in terms of CAPEX and OPEX which are not directly related to the product and service portfolio:

- Activity 6.5. "transport by passenger cars and commercial vehicles"

- Section 7 "construction and real estate activities", in particular the activities "installation, maintenance and repair of energy efficiency equipment" (7.3.), "installation, maintenance and repair of renewable energy technologies" (7.6.) and "acquisition and ownership of buildings" (7.7).

Beyond these, no taxonomy-relevant activities were identified within our business activities, either separately or in the aggregate. One activity not yet covered by the EU taxonomy comprises sustainable logistics solutions as part of the recycling process. Klöckner & Co is involved in various initiatives in this area. In addition to its already extensive recycling activities, in recent months it has launched projects that create a closed scrap loop for the project partners. We are thus moving early to lay the foundation for business models based on circularity. Customers' scrap is returned directly to the metal producer. This precisely traceable scrap, in turn, reduces the negative climate impact of metal production by replacing emissions-intensive pig iron in the production process. We are thus consistently implementing our sustainability strategy, which has a strong focus on business solutions.

DERIVATION OF KEY FIGURES

As the EU has not yet specified any screening criteria for the material economic activities of Klöckner & Co SE, the possible scope of EU taxonomy reporting for our Company is very limited. This results in the small percentages stated in the following with regard to taxonomy eligibility and taxonomy alignment. The share of all taxonomy-eligible economic activities (activity 6.6) in total sales in the fiscal year 2022 amounted to less than 0.1% of the total sales reported in the Annual Report (see Note [7] to the consolidated financial statements). Capital expenditure ("eligible CAPEX") related to assets or processes associated with taxonomy-eligible economic activities was differentiated by asset class. In fiscal year 2022, 25% of Klöckner & Co's capital expenditure was taxonomy-eligible. Total capital expenditure is the sum of the additions disclosed in Note (16) Intangible assets and property, plant and equipment to the consolidated financial statements from (a) additions to intangible assets excluding goodwill, (b) property, plant and equipment, and (c) leases.

In fiscal year 2022, taxonomy-eligible operating expenses amounted to around 4% of the total EU taxonomy-relevant expenses. Total operating expenses as defined by the EU taxonomy include maintenance and repair costs, building renovation measures, as well as short-term leasing expenses.

All taxonomy-eligible capital expenditure relates to capital expenditure on property, plant and equipment. Capital expenditure on activity 6.6 "freight transport services by road" currently does not meet the technical screening criteria for various reasons. The activities identified as taxonomy-eligible relate exclusively to the purchase of services and products of taxonomy-eligible activities of other companies, comprising CAPEX (c) and OPEX (c). In respect of these services and products, the proof of taxonomy alignment is required to be provided by our service providers and suppliers. However, there is a lack of transparency with regard to the information required. It is therefore not possible to provide a definitive assessment of the taxonomy alignment of the reported CAPEX (c) and OPEX (c).

Given the dynamically changing nature of EU taxonomy legislation, we note that our impact analysis may be subject to gradual future adjustments.

Our taxonomy-relevant disclosures are listed in full at the end of the Group non-financial report.

No reportable risks

Risk assessment

A risk assessment has been conducted for all material issues under the CSR Directive Implementation Act. This investigated whether our business activities or our direct supply chain give rise to material non-financial risks for reportable aspects under Section 315c read in conjunction with Section 289c (3) HGB. The investigation took into account the risks' probability of occurrence and the scale of negative impacts on each aspect. No reportable non-financial risks were identified. Further information on non-financial opportunities and risks that we have identified is provided in the "Risks and opportunities" section of the management report.

TCFD Index

The Task Force on Climate-related Financial Disclosures (TCFD), founded by the G20 Financial Stability Board (a grouping of 19 countries and the European Union representing major developed and emerging economies), has developed a unified framework for reporting climate-related risks and opportunities. The framework focuses on the disclosure of financial risks that companies are exposed to as a result of climate change. Klöckner & Co considers the recommendations of the TCFD to be a useful extension of reporting on climate-related risks and opportunities, enabling them to be disclosed in a more comprehensible manner. A content overview is provided in the following index to the TCFD recommendations. The index contains references to relevant passages regarding the core elements recommended by the TCFD: governance, strategy, risk management as well as metrics and targets. Not all recommendations can be implemented in detail at the current time.

Core elements	Climate-related disclosures
Governance	
Disclose the organization's governance around climate-related risks and opportunities	As part of its overall responsibility for the Group-wide risk management system, the Management Board bears responsibility for climate-related risks and ensures that the sustainability strategy is implemented. The CEO is functionally responsible for the area of sustainability. The Corporate Strategic Sustainability Department is responsible for sustainability management. In addition, there is an interdisciplinary Sustainability Committee made up of managers from various corporate departments at Klöckner & Co SE. **Additional information:** ▪ Annual Report 2022 (Risks and opportunities) ▪ Sustainability Reporting 2022 (Sustainability management)
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	Klöckner & Co views the issue of sustainability in the steel industry as a strategic opportunity and has enshrined its sustainable transformation in the Group strategy, "Klöckner & Co 2025: Leveraging Strengths." Klöckner & Co aims to become the leading one-stop shop for steel, other materials and processing services in Europe and the Americas as well as a pioneer for sustainability in the steel industry. On the way to a sustainable steel industry, we will utilize the strategic opportunities presented by decarbonization. Klöckner & Co works continuously to expand its portfolio of sustainable products and services to further establish its role as a pioneer of a sustainable steel industry. Based on our risk assessment, we currently do not see any significant climate-related risks for Klöckner & Co. In particular, our broad supplier base and decentralized location structure allow us to reduce the impact of physical climate risks. The high volatility of energy prices is regarded as a significant strategic risk. The growing relevance of environmental and sustainability issues, such as carbon pricing, could put additional upward pressure on energy prices in the long term.

	In response to this challenge, the Group is further rolling out its sustainability concept. This includes initiatives such as the tracking and monitoring of carbon emissions and actions to optimize the vehicle fleet and energy consumption in general. To reduce environmental risks, we have set ourselves ambitious climate targets. In addition, our transformation relies on advancements and innovations in the upstream supply chain, which accounts for the majority of carbon emissions from the products we sell. We are addressing this risk by already moving today to forge strategic partnerships for the procurement of CO_2-reduced products. **Additional information:** ▪ Sustainability Reporting 2022 (Sustainability strategy) ▪ Sustainability Reporting 2022 (Risk assessment) ▪ Annual Report 2022 (Risks and opportunities) ▪ Link: https://www.kloeckner.com/en/sustainability/sustainability-strategy.html

Risk management	
Disclose how the organization identifies, assesses and manages climate-related risks	Klöckner & Co integrated the assessment and management of climate-related risks into Group risk management in 2022. Four risk categories are distinguished in the risk assessment: Transformation risks, physical risks, regulatory risks and reputation risks. Group risk management is organized in a decentralized Company-wide network and is steered by a central risk management function. The Corporate Risk Management Department reviews, validates and evaluates the risks identified and assessed by risk owners according to risk category from the perspective of the Company as a whole. The primary objectives of the risk management system are to identify and assess material risks and, above all, the early detection and active reduction of potential going concern risks. Any significant risks identified are monitored on an ongoing basis in order to prevent, reduce, transfer or limit their potential negative impact. A risk assessment is conducted annually for all material non-financial risks. **Additional information:** ▪ Annual Report 2022 (Risks and opportunities) ▪ Sustainability Reporting 2022 (Risk assessment)

Metrics and targets	
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Current climate metrics consist primarily of the measurement of the carbon footprint from Scope 1, 2 and 3 emissions, as well as the measurement of progress towards our ambitious climate targets. Klöckner & Co is committed to halving its Scope 1 and Scope 2 emissions by 2030. With regard to Scope 3 emissions under direct influence, we are likewise going to achieve a 50% reduction by 2030. We look at the entire supply chain – including Scope 3 emissions not under direct influence. We will achieve a 30% reduction of these carbon emissions by as early as 2030. In addition, we have set ourselves further ambitious targets as part of the "kloeckner takes action 2040" initiative. Klöckner & Co plans to reduce all carbon emissions under direct influence (Scope 1, Scope 2 and Scope 3 emissions under direct influence) to net zero by 2040. Emissions not under direct influence – primarily from externally sourced steel products – are to be cut to net zero by 2050. These targets have been validated by the SBTi. As reducing carbon emissions is central to the mitigation of climate-related risks, we consider Scope 1, 2 and 3 emissions to be key metrics. The bonus structure has been adapted to ensure that we reach our climate targets and to underscore their importance. As a result, the agreements now also incorporate the achievement of emission reduction targets. They apply to the entire first management level below the Management Board as well as to additional executives at levels two and three. **Additional information:** ▪ Sustainability Reporting 2022 (Sustainability management) ▪ Remuneration Report 2022 ▪ Website: https://www.kloeckner.com/en/sustainability/kloeckner-takes-action-2040.html

Sustainable Development Goals

The United Nations 2030 Agenda for Sustainable Development lays the foundation for shaping global economic progress in harmony with social justice and within the Earth's ecological limits. At its core are 17 Sustainable Development Goals (SDGs). We support the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals. The goals defined by the United Nations are on an equal footing and mutually dependent – but in the context of our business activities, some of the goals and indicators have particular relevance for our economic activities. For these goals, we see a special responsibility and opportunities for influence that vary depending on the goal. We take into account the positive influence that Klöckner & Co has on the achievement of the goals. We support the goals by continuously improving our business processes and services while reducing the negative and maximizing the positive impacts of our business activities. Our areas of action for sustainability are reflective of the high relevance that the pursuit of these specific goals has for us. We evaluate our action areas on a regular basis, taking into account the views of internal and external stakeholders as well as the impact of our actions on the environment and society.

Sustainable Development Goals with particular relevance for sustainability management at Klöckner & Co:

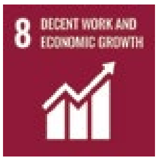
A safe and healthy working environment

An important prerequisite for our success and sustainable development is the safety and well-being of our employees and business partners. With our Group-wide "Safety 1st" program, we aim to protect our employees, provide safe working conditions and minimize health risks. Klöckner & Co stands for safe, fair and clean labor standards and processes. For this reason, we use the lost time injury frequency (LTIF) indicator as a non-financial performance indicator.

As a Group operating globally, we pay special attention to respecting human rights as well as social and ecological aspects in our global supply chains. Our policy is to onlywork with partners who have equivalent standards and demand the same from their own suppliers. We have expanded our Supplier Code of Conduct further in the reporting year.

Read more about how we create a safe working environment in the chapters Environment, Employees and Responsible Conduct.

Future-proof employment based on diversity and high-quality training



Klöckner & Co is committed to providing an appreciative and prejudice-free working environment. We leverage different ways of thinking, experiences, perspectives and lifestyles for innovative strength and the Company's long-term success. We want to drive sustainable economic growth through diversity and the efficient use of resources. In terms of equal opportunity, the inclusion of women in specialist and management positions is an important concern for us as well. We aim to increase the number of women in management roles throughout the Group.

We promote reasonable and fair labor and social standards. In addition, we assume social responsibility – for example through monetary and in-kind donations, knowledge transfer and the personal engagement of our employees.

Learn more about high-quality training and continued education for our employees, respect for human rights, and sponsorship activities with a focus on education in the chapters Employees, Responsible Conduct and Digitalization.

Active climate change mitigation and the promotion of sustainable products and services

Klöckner & Co is the first company in the world to have all net zero carbon targets recognized by the Science Based Targets initiative (SBTi) as science-based targets in the regular process in accordance with the latest standards. The initiative previously already recognized our medium-term emission reduction targets for 2030 as science-based targets.

The sustainable strategic orientation of our business makes us pioneers in our industry and means we can actively drive the sustainable transformation of the economy and society. We are committed to reducing the environmental impact of our own business activities and increasingly establishing elements of a circular economy. We are also involved in climate change mitigation projects in countries where we do not have business activities.

Read more about our measures to reduce emissions and how we are further developing sustainable and digital product solutions and services in the chapters Environment, Digitalization and Customers.

EMPLOYEES

In the **Employees action area,** *we cover our employees' skills, knowledge and behaviors. These also include the following topics that are material to non-financial reporting: occupational health and safety, employee development and, in addition, fair working conditions and demographic change.*

For Klöckner & Co, qualified, motivated and healthy employees are the basis on which added value is created: added value for our employees, our company and ultimately for our customers. If we are to strengthen motivation across the entire workforce, nurture talent from within our own ranks, recruit new talent and secure employee loyalty, we need a working environment that is characterized by long-term security, supportiveness, professionalism and mutual respect.

This is also reflected in our Klöckner & Co principles for all employees, which guide our day-to-day conduct and for which we clearly specify responsibilities. They are: We take responsibility. We create added value. We are team players. We develop ourselves. We discover new things. We make things possible. Our values form the foundation for our strategy, "Klöckner & Co 2025: Leveraging Strengths": We are committed to staff empowerment, safety, responsibility, credibility and sustainability. A motivating style of leadership, empowering people and fostering a culture of innovation through self-determination, talent development and incentivization are the basis for this. They allow us to advance our innovative capacity, take advantage of opportunities and grow the value of our Company. We continuously optimize our organization, becoming more agile and adaptable to thrive in an environment of continuous change.

In the fall of 2022, we once again conducted a Group-wide employee survey. Almost all of the Group's subsidiaries participated. Compared to the previous year's survey, the results remained largely stable with a slightly positive trend. The participation rate increased from 64% to 69%. The questions that received the most positive responses were whether employees feel they are treated with respect by their immediate supervisor (88%; 2021: 86%), whether their immediate supervisor safeguards the team's occupational safety at work (84%; 2021: 83%) and whether everyone knows how they can contribute to the Company's goals (83%; 2021: 85%). Almost three out of four respondents (73%; 2021: 76%) would recommend Klöckner & Co as an employer. As in the prior year, slightly more than 10% of employees see room for improvement in the feedback culture. Since the survey was conducted with site-level granularity, we can take targeted measures in our response to issues such as the way feedback is handled. The results of the survey are used to rigorously implement change management. They provide the basis for initiating new HR management measures and developing our culture.

Employee development

Continuing education is a key component of our corporate culture. That is why we offer employees a wide variety of continuing education and personal development opportunities. Our activities are directed at continually refining and enhancing workforce qualifications and skills and promoting talent from within our own ranks. Particularly with a view to demographic change, recruiting and securing talent for the long term is central to our corporate success. Our Group-wide HR strategy, known as the Klöckner & Co People Strategy, serves as a guiding framework for forward-looking employee management throughout the Group. In the country organizations, local HR departments manage and implement the measures within our Klöckner & Co People Strategy.

More than 51,000 in-house training courses completed

Continuing education is a high Group-wide priority at Klöckner & Co., more than 51,000 in-house courses were completed in a broad spectrum of areas within the reporting year. The majority of these courses were in IT security, compliance and digital skills development as part of the Digital Academy. In line with the high priority given to sustainability in our organization, we also provided an e-learning course on the subject of responsibility and future opportunities. Additionally, in connection with the development of our Nexigen® classifications, more than 1,000 sales employees in our country organizations were trained in CO_2-reduced steel and metal products. Employees receive feedback on their behavior and performance up to four times a year during reviews, and individual wishes and training courses are incorporated as part of target agreements. Our internal training programs are of particular importance:

Internal continuing education program	Type	Content	Scope
CREAR Sales	Sales training	Communication Establishing/ strengthening customer relations	Europe-wide
Sales X	Sales training	Field work	US-wide
Initial development program (Country talent pool)	Young talent development	Strengthening strategic and specialist skills Change management	Europe-wide
Emerging Leaders Program	Leadership potential development	Business management issues Leadership skills Change management Agile working methodologies	Group-wide
Leading for Success	Leadership potential development	Communication Personality management Lean management Change management	US-wide
Leadership Empowerment Program	Management training	Business management issues Leadership skills Change management Agile working methodologies	Group-wide
Senior Experience Program	Development training 55+	Impact planning for the future career phase	Europe-wide

For career starters and students, Klöckner & Co offers internships and working student positions across the Group, so that they can apply and integrate content from their studies in real-life business situations. Our German activities follow the quality standards of the Handelsblatt Fair Company Initiative – Germany's largest employer initiative – to which Klöckner & Co reaffirms its commitment each year. We also offer a large number of apprenticeships and equivalent programs to provide young people with a career entry point while ensuring that Klöckner & Co is able to secure access to well-qualified young talent. In Germany, the percentage of the workforce accounted for by apprentices in the reporting year was 2.6% (2021: 3.5%).

Occupational health and safety

As a steel distributor with a high percentage of employees employed at our stockholding locations, occupational health and safety is a key issue for us and is a major element of our internal safety, health, environment and quality (SHEQ) policy. A healthy and safe working environment both protects our employees and supports smooth process workflows.

In addition to the legal requirements, the topic of occupational safety is addressed at various levels of Klöckner & Co. At a corporate strategic level, all our occupational safety activities since 2013 have been brought together under the Safety 1st initiative. With guidance from a worldwide survey conducted in 2018titled Safety Perception, recommendations were made that serve as the basis for continuous improvements.

LTIF reduced to 5.8 in 2022

The Group-wide goal of our occupational safety initiatives and activities is a consistent reduction in occupational accidents as measured by the lost time injury frequency (LTIF). This is defined as the number of accidents/number of hours worked x 1,000,000. We take accidents into account from the first working day lost. Changes in the LTIF are a firm feature of regular Management and Supervisory Board meetings, in which monthly reporting is carried out. The LTIF was reduced from 7.0[3] in the prior year to 5.8 in the reporting year. This once again brought the Group-wide LTIF significantly below the self-imposed annual target value of less than or equal to 7.6. The target for 2023 is an LTIF value of less than or equal to 5.9.[4]

Within the Group, regular exchange on occupational safety is ensured by a global working group consisting of the relevant managers from our country organizations. It meets at least three times a year and is responsible for monitoring overall activities and coordinating our occupational safety strategy. The working group reports directly to the chief operating officers.

All the major European country organizations have already implemented occupational health and safety certification, usually under the international standard OHSAS 18001/ISO 45001. Apart from that, a Group-wide minimum standard always applies to safety requirements, independent of whether a country organization is pursuing certification.

At country and branch level, occupational safety teams at each of our country organizations work continuously to systematically reduce the risk of accidents and to raise occupational safety awareness among the workforce. Officers at each country organization are responsible for the regional rollout of adopted measures, subject accident causes to plausibility checking, perform risk analyses and coordinate cross-site training.

Local occupational health and safety officers are present at branch level to raise the awareness of employees. This is, for example, executed using training courses and training videos as well as visual management tools such as posters. In addition, all visitors are asked to follow the safety rules. To mark the International Labor Organization's (ILO) annual World Day for Safety and Health at Work, a “Safety Heroes” poster campaign to promote mindfulness and motivate employees was designed at headquarters and made available to the country organizations. Activities were also organized in the country organizations themselves. Kloeckner Metals France, for example, hosted a workshop series on the most common accident causes.

[3] Prior-year figure restated.
[4] The LTIF applies solely to Klöckner & Co employees. Commuting accidents are not included.

Our operational processes are also optimized with individual improvements on an ongoing basis. Examples include a series of training videos and a Safety 1st e-learning course that is a firm feature of the onboarding process for new employees. The vital importance of this topic is also addressed on Yammer, our internal social network. Pertinent information is regularly shared within the Group, which in turn helps to increase awareness. At the same time, employees remind each other to always observe safety rules and motivate one another to maintain good performance.

Accidents are always avoidable and preventive action enables us to proactively avert loss or harm to employees or our business. In the event that an accident does happen, the occupational health and safety officer analyzes it in the local teams together with those concerned in order to identify measures for improvement and systematically avoid a repeat occurrence. The country organization officer files a detailed accident report to the holding company's occupational health and safety officer via our reporting system. Additional specific action is taken in the event of any unusual occurrences such as a spate of similar accidents at one country organization or site. Occupational safety is always the first topic on the agenda at the monthly business update calls with the Management Board, the management boards of the country organizations and department heads at the holding company. This creates continuous awareness at the top management level.

Safety measures during the COVID-19 pandemic and hybrid working

Klöckner & Co's most valuable asset is the health and safety of our employees. Since the start of the global COVID-19 pandemic at the beginning of 2020, the Group as well as the country organizations have routinely developed hygiene concepts and safety measures according to the needs and requirements and have repeatedly relaxed or tightened them depending on the course of the pandemic. At the onset of the pandemic, the advanced degree of digitalization at Klöckner & Co meant that employees could perform most of their work at home and continue doing business. This development prompted us to issue a new Group-wide guideline on hybrid working in 2021. It is considered our future standard for sustainable modern working: Anybody who wants to work remotely can do so – as far as the Company's needs permit. We recommend working from home a maximum of three days per week and two days in the office, including two fixed team days in the office each month. The new guideline also has an additional advantage in terms of climate change mitigation. By reducing our employees' commutes, we are lowering carbon emissions.

Fair working conditions

For Klöckner & Co, fair working conditions are the basis for the motivation, and hence productivity, of our employees. We are therefore committed to ensuring a working environment characterized by mutual respect and free from discrimination of any kind. In this way, we aim to create an environment that fosters motivation and creativity. The CEO is functionally responsible for Group HR, which includes the definition of and adherence to fair working conditions. With our Code of Conduct, we ensure, among other things, that our colleagues, applicants and business partners are met with respect and judged according to their qualifications, skills and performance. We respect diversity of cultural, ethnic and religious backgrounds and are committed to the principle of equality. Detailed rules of conduct for our employees are set out in our Code of Conduct on our website, www.kloeckner.com. For management, this means resolving critical situations, supporting employees and thus ensuring a constructive and respectful working environment. To do justice to its importance, the topic of respectful interaction is a component of the Group-wide compliance training for all employees.

In general, we strive to increase diversity in our workforce as well as to foster creativity and an innovative spirit in the Company with employees of differing cultural backgrounds, lifestyles and values. For us as an international Group, serving our customers day in, day out in numerous countries around the world calls for strong teams with high levels of diversity. Our digital unit kloeckner.i stands out here in particular, encompassing employees from over 28 different countries. To advance diversity management more actively and in all dimensions, Klöckner & Co signed the Charta der Vielfalt, or Diversity Charter, in April 2021. The association that goes by the same name is the largest employer initiative in Germany for the promotion of diversity in companies and institutions. Irrespective of any site's geographical location, the voluntary commitments that were entered into are valid throughout the entire Group. These include fostering a respectful organizational culture, recognizing diversity inside and outside the organization, and implementing the charter in internal and external dialog.

However, diversity of nationality is not the only important consideration for Klöckner & Co. We also aim to appoint women to specialist and management positions. The percentage of women employed at management levels one to three below Management Board level Group-wide has already been raised from 8% in 2011 to 16% in the reporting period (2021: 18%). The aim is to further increase their share to 21% by 2024.

The success of our approach to promoting women in managerial positions is demonstrated by the top-ten rankings in the 2015 to 2021 iterations of the “Frauen-Karriere-Index” (Women Career Index), a regular survey conducted by Barbara Lutz Index Management GmbH. In the 2022 survey, based on objective corporate data on the promotion of women in management positions, Klöckner & Co was singled out yet again as one of the top ten companies out of over 200 participants.

RESPONSIBLE CONDUCT

*The **Responsible Conduct action area** encompasses the topic of antitrust risks, which is material to the Group non-financial report, and also elaborates on the topics of corporate governance, human rights in the supply chain and Klöckner & Co's social commitment.*

Klöckner & Co takes a holistic approach to responsible conduct. Consequently, although it is defined here as a single action area, it may also be regarded as an overarching concept that encompasses all other action areas. This is because, for Klöckner & Co, responsible conduct based on ethical convictions paves the way for long-term business success and hence also for sustainability.

Ensuring adherence to international regulations and fair conduct toward our business partners and competitors is one of our Company's guiding principles. Klöckner & Co considers itself to be bound in this connection not only by statutory and other legal provisions. Voluntary obligations and ethical principles are likewise integral to our corporate culture. These include the Davos Manifesto on sustainable value creation, which we co-signed in January 2020, and the German Industry Code of Responsible Conduct for Business to which we committed in May 2011.

An integral part of our corporate culture is compliance on the part of our employees and business partners, constituting the basis of corporate responsibility. Alongside consistent respect for human rights, social responsibility and sustainability, adherence to our fundamental corporate values and principles is of central importance to us. We have formulated these in our Code of Conduct, which is based on the following core values:

- Responsibility and credibility
- Sustainability and safety
- People empowerment.

Compliance with this is the direct responsibility of each individual and cannot be delegated.

Compliance
As an international group with numerous supplier and customer relationships worldwide, Klöckner & Co aims to ensure integrity and responsibility both within the Company and in interactions with business partners, as well as to establish responsible relationships. As a fundamental rule, we aim to avoid situations involving potential corruption or antitrust conduct and to counteract potential violations at an early stage. Every employee is called upon to actively help implement the Klöckner & Co compliance program within their sphere of responsibility.

One of Klöckner & Co's fundamental principles is that our employees act in accordance with prevailing competition law. We are committed to free competition and the recommendations of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of December 17, 1997. Klöckner & Co also endeavors to comply with all anti-corruption laws of the countries in which we do business, including the UK Bribery Act and the US Foreign Corrupt Practices Act.

Compliance Organization

To support compliance with these stipulations, we use a compliance management system (CMS) based on the OECD Principles of Corporate Governance. Focal areas of this system include competition law, anti-corruption, anti-money laundering and compliance with the sanctions and foreign trade regimes relevant to Klöckner & Co. Responsibility for the onward development, control and implementation of the compliance management system lies with our compliance organization, which provides employees with regular information and training on relevant statutory provisions as well as internal policies and procedural instructions.

Compliance management system based on OECD principles

The Company's corporate compliance organization consists of the Chief Governance Officer, the Corporate Compliance Office (CCO), the Compliance Committee and the National Compliance Offices (NCOs). The CCO is part of the Company's GRC organization. The GRC organization consists of the Compliance, Data Protection, Information Security, Risk Management and Internal Control System departments. The compliance officers at the NCOs are available as contacts for individual questions. The appropriateness, implementation and effectiveness of the CMS are regularly reviewed by both the Corporate Internal Audit Department and an outside expert (most recently at the end of 2021).

Prevention

Prevention is the most important fundamental element of the CMS. The aim is to create an awareness of compliance risks within the Company, thus enabling them to be identified and avoided at an early stage. Various compliance tools are used to achieve this aim.

The Company's Management Board has unequivocally expressed its policy with regard to compliance violations in the "Tone from the Top" published on the Company website and on #DigiDesk (intranet). Breaches of the law, in particular antitrust, anti-corruption, anti-money laundering and human rights violations, are not tolerated in any way and result in sanctions against the offending governing bodies, employees or business partners ("Zero Tolerance Policy").

Zero Tolerance policy

For compliance communication, the CCO makes use of the Yammer collaboration tool and the Teams chat-based virtual workspace. These are used to publish compliance-relevant matters and warnings, for example of current cases of identity fraud. From them, all employees can also directly access the compliance platform. Modules currently in use on the platform cover requests and approvals ("Ask Compliance"), vetting business partners ("Due Diligence"), a whistleblower system ("Let Us Know"), the Compliance SharePoint and the integrated Case Management Tool. The Compliance SharePoint serves as a "single point of truth" providing all relevant compliance documents, and is administered centrally by the CCO.

Compliance risk assessment

To identify and assess potential compliance risks within the focal areas of the CMS, the CCO regularly conducts compliance risk assessments with the country organizations. Together with the managing directors of the various country organizations, the CCO assesses the individual compliance risks in terms of relevance and probability of occurrence for the specific business model together with potential legal and financial impacts on the country organization. On the basis of these assessments, precautionary measures are taken and, where necessary, adjustments made to the CMS. In cooperation with the Corporate Internal Audit Department, compliance audits are also carried out in our country organizations as part of the scheduled ICS audits to verify adherence to the compliance tools and the implementation of the rules.

Code of Conduct, directives and procedural instructions

The Code of Conduct published on the Company website and elsewhere sets out basic rules and principles as a framework for our business activities and social engagement. Members of the Management Board and all managerial personnel are required to lead by example and have heightened responsibility for ensuring that the Code of Conduct is put into practice. Moreover, all employees are called upon to contribute actively in applying and adhering to these principles across their areas of responsibility and to act with integrity in their work within our Company. In the interest of all employees and to avert damage to the Company, directives and procedural instructions are provided that detail permissible conduct. The country organizations adopt the measures needed to implement the respective requirements.

Compliance training

All Group employees are required to participate in a Group-wide training program to raise awareness of our Code of Conduct. The training program is divided into various modules for the different target groups, whose knowledge is kept up to date through regular refresher training sessions. Mandatory training modules are assigned to employees and completion is monitored in an IT-based learning management system.

As part of the onboarding program, classroom training and e-learning programs familiarize new employees with the content of the Code of Conduct and raise awareness of, for instance, compliance-related issues such as anti-discrimination measures, antitrust law, corruption risks and money laundering risks. We first separate employees into different target groups which then receive training tailored to their specific areas of work. In the reporting period, some 1,920[5] employees underwent training. Upon starting work for the Group, new employees in certain target groups, especially those who come into contact with officials, customers, suppliers and service providers, must complete basic compliance training in addition to Code of Conduct training. In the reporting period, 866[5] employees were registered for basic compliance training. In addition, we provided basic compliance refresher training to 2,431[5] employees during the reporting period. The focus of this training was on refreshing antitrust rules.

Corruption prevention

To prevent corruption risks, the Company has established strict rules on hiring third-party brokers, whose integrity has to be assessed with the aid of an external service provider before entering into any contract. This review is repeated at regular intervals according to risk. All customer and supplier relationships are screened against sanction lists relevant to the Company. For this purpose, the Company uses software from an external service provider. To prevent money laundering, the Company has severely restricted cash payments. Compliance with due diligence requirements under money laundering legislation is monitored by means of organizational measures and IT-based checks. The top two levels of management and all board members are subject to integrity screening before engagement or appointment.

[5] Data for the period October 1, 2021 to September 30, 2022.

Detection and reporting
Compliance violations can be reported anonymously to the CCO. Employees and third parties can report potential violations of our Code of Conduct on the Platform's landing page and the Company website. A free-of-charge telephone hotline is also available 24/7 worldwide. The effectiveness of our CMS is reflected in the figures: We had no serious breach of our guidelines to report this year, and none of our twelve[6] reviews of individual business sites by Internal Audit identified any antitrust risks, corruption or bribery infringements.

In a regular reporting cycle and in urgent cases on an ad-hoc basis, the Chief Governance Officer (CGO) reports to the Company's entire Management Board and Supervisory Board on current compliance-related developments in the Group. Furthermore, the CEO, who is responsible for Compliance, is regularly informed of compliance-related matters through Compliance Risk Assessment reporting and the Compliance Audits as well as during regular compliance meetings and in the annual compliance report. In line with the Management Board's Zero Tolerance Policy, compliance violations are strictly pursued and sanctioned.

Human rights in the supply chain
Klöckner & Co SE and the country organizations pay attention to ethically correct and compliant behavior in business dealings. This concerns both our own Company and all upstream parts of our value chain. We expect everyone in our supply chain to follow the same principles.

As stated in our Code of Conduct and moreover in our Group human rights policy, Klöckner & Co does not tolerate any violation of the principles set out in them. Alongside observance of laws and human rights, these principles include, in particular, the prohibition of child labor and any form of forced labor, ensuring workforce health and safety, the freedom of association and assembly as well as compliance with the statutory minimum wage and working hours.

Revised Supplier Code of Conduct for all core suppliers

In order to clearly convey this expectation to our suppliers, we thoroughly revised our Group-wide Supplier Code of Conduct in the reporting year, among other things to take into account the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains. Our Supplier Code of Conduct now has an even stronger focus on the prevention of human rights and environmental risks, and formulates our clear expectation that our suppliers actively identify and assess such risks in their own operations and supply chains, and prevent or minimize them within their sphere of influence. Suppliers who refuse to recognize our Supplier Code of Conduct and who have not established an equivalent code of conduct within their own organization are systematically excluded from future purchases. Equivalence is established by the CCO.

[6] Data for the period October 1, 2021 to September 30, 2022.

Prudent and responsible product procurement is of special importance to Klöckner & Co. For example, a key goal in the procurement process is to ensure that minerals contained in our products are not from conflict states. The Company ensures compliance with supply chain due diligence requirements for raw materials from conflict-affected and high-risk areas and restricts the use of certain hazardous substances in electrical and electronic equipment. Dual-use goods and related foreign trade stipulations are centrally monitored with systemic checks in the IT systems. Of particular interest in this regard are conflict minerals such as columbite tantalite (coltan), cassiterite, gold, wolframite and derivatives, which include tantalum, tin and tungsten. The annual review of our product portfolio in 2022 showed that less than 0.1% of our products possibly contain tantalum, tin or tungsten. We use the Responsible Minerals Initiative's "Conflict Minerals Reporting Template" to systematically track the provenance of conflict minerals for all relevant suppliers should our customers request corresponding proof. We expect our suppliers, together with their subcontractors, to trace conflict minerals at least to where they were smelted and to commit to standard reporting processes. We further expect our suppliers to retain the relevant documentary proof for five years and to submit it to Klöckner & Co on request. Should a supplier fail to provide proof of origin for conflict minerals, further purchases from that supplier are systematically blocked. The same applies if the supplier does not acknowledge the above principles regarding the source of conflict minerals. In the 2022 reporting year, no suppliers needed to be blocked for failure to provide proof.

Supply Chain Act

The Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains (Supply Chain Act) adopted in July 2021 also affects Klöckner & Co from 2024 onwards. It aims to improve the international human rights situation by setting requirements for responsible supply chain management for certain companies. Although we will not be subject to the requirements of the Act on Corporate Due Diligence Obligations in Supply Chains until 2024, we already began preparing for our future due diligence obligations in the reporting period. This includes the revision of the Supplier Code of Conduct described in this report and an update to our "Let Us Know" complaints management system. We continue to work on the systematic development of measures, and further tools to meet human rights and environmental due diligence obligations are being developed and implemented throughout the Company.

Social commitment

Klöckner & Co operates in 13 countries worldwide, maintains around150 sites and employs around 7,300 people. This gives rise to responsibility not only for our employees, but also toward the regions in which our headquarters and branches are located. We consequently give our commitment to the immediate surroundings of our sites and, in this way, play our part in addressing social challenges.

Our goal is for the financial support we provide to benefit those who really need it. Donation and sponsoring activities are conducted autonomously by our country organizations as they are best placed to judge individual needs in their region. They are provided in a framework of Group-wide procedural instructions through which we ensure that our activities have a common thrust while being tailored to individual local conditions. The focus of our activities is on supporting selected scientific, sports, art and cultural projects along with ongoing promotion of education initiatives and the integration of refugees into our society. In order to avoid conflicts of interest, we do not as a matter of principle donate to political parties, individuals, for-profit organizations or organizations whose goals conflict with our corporate governance principles or could harm our reputation. Social commitment enjoys a high priority at Klöckner & Co, which is why it is managed in the CEO's immediate orbit via the Corporate Strategic Sustainability Department at the holding company and monitored by the Corporate Compliance Office. Projects and other matters are explored in regular consultations with the CEO. Our CEO personally checks on our social commitment, especially activities in the region, for example by visiting partner schools.

Klöckner & Co has a clear long-term strategy for supporting non-profit projects in Germany: our aim is to long-term improve educational opportunities for disadvantaged children who live in our immediate vicinity. To achieve this goal, our contributions center on local projects to educate children and young people or to address their basic needs, with the aim of benefiting as many young people as possible. For over ten years now, we have focused on neighborhood work in the Marxloh area of Duisburg, where a large number of residents have a migrant background. In this area, we work with schools, children's and youth services as well as additional regional partners.

Over 1,300 children and teenagers supported through social projects

In 2012, we joined forces with the Ruhr Piano Festival Foundation and created a multi-award-winning education project to foster children's musical and artistic development, which was initially launched at two schools. Over 800 children and teenagers from five schools in Marxloh now participate. Since 2021, there has also been a program for daycare centers, with content closely based on a musical early education provided at elementary schools.

In the reporting year, Klöckner & Co also reaffirmed its social commitment to the ReDI School of Digital Integration (ReDI School), a non-profit coding school, and will continue to support the organization's Kids and Youth Program in Duisburg's Marxloh neighborhood as the main sponsor. The coding school has developed very positively since the joint inauguration of the Duisburg-Marxloh site in 2019:compared to the prior year, the number of participating students increased from 340 to 500. The significant growth notwithstanding, the Kids and Youth Program remains focused on promoting job integration, acquiring technical and soft skills, and building media skills. In addition, Klöckner & Co supported the PlayTech Summer Camp, which was held for the first time by the ReDI School in the reporting year in cooperation with AWO Integration Duisburg. The camp gave Ukrainian children a chance to discover the creative potential of programming languages and other digital technologies. Its focus was not only on offering children the opportunity to learn German through technology and strengthen their media skills, but also on creating a space for informal interaction, play and fun. In the reporting year, Klöckner & Co also launched a fundraising campaign with employees in which people could participate by making a private donation in support of the United Nations High Commission for Refugees (UNHCR). The organization supports people displaced by the Russian aggression war against Ukraine. Klöckner & Co topped up the fundraising campaign with an additional €50,000, which it transferred to the UNHCR together with the funds donated by employees.

In our international business, each country sets its own priorities within the framework of our donation policy. Our country organization in the USA, for example, works with Ronald McDonald House Charities as a national partner – a non-profit family and children's charity organization that helps families with sick children in times of need. In the Kloeckner Cares program, the national country organizations also support regional organizations that address the needs of their communities. The program also enables employees to get involved by volunteering to help those in need.

ENVIRONMENT

In our business, it is not only economic criteria that play a role but also environmental criteria. In the ***Environment action area****, we address the sustainable transformation of our products and services and the environmental impacts of logistics, this being where we have a major influence on reducing emissions. This is also a material reporting topic for Klöckner & Co. In this chapter, we also report on activities designed to build an emission-free value chain and on the conservation of natural resources.*

Environmental impact of logistics

Environmental protection is an important part of our SHEQ policy – our internal occupational safety, health, environment and quality policy. This international Group policy covers all relevant environmental aspects, from the conservation of natural resources and the implementation of renewable energy to the reduction of emissions and waste. Governance functions related to sustainability are the responsibility of the Corporate Strategic Sustainability Department. The CEO is functionally responsible for this area. Local implementation is the responsibility of our country organizations, which decide on specific measures and initiatives.

Optimizing logistics processes and reducing carbon emissions

A part of our business model that has direct environmental impact consists of shipping products to customers by truck. One of Klöckner & Co's key tasks in the Environment action area is therefore minimizing the environmental impact of our logistics processes along our supply chain. In this context, a high-quality data base and digitalization are vital to the implementation of efficiency measures as they ensure transparency, which leads to sustainable actions along the entire value chain. Thanks to this supply chain optimization, we can achieve positive effects by reducing waste in procurement, material planning, production, processing, transportation and logistics. This reduces incorrect shipments, cuts inventory and warehousing costs and reduces the number of shipments transported. To this end, we endeavor to influence the environmental impact of logistics at three levels in our value chain as a matter of principle: the receipt of goods, internal transport and delivery to our customers.

Through the targeted coordination of suppliers and the receipt of goods at level one coupled with enhanced inventory management at level two, we aim to reduce the internal transport between our sites. This is achieved, for example, through optimized inventory allocation and by continually checking our internal network structures in each country organization. By monitoring and reporting relevant KPIs such as transport, warehousing costs and shipments, we can see where networks require adjustment. These measures create synergies in processing and customer deliveries. In addition, our United Kingdom country organization Kloeckner Metals UK and our German country organization Becker Stahl-Service are already certified at all sites to the ISO 14001 environmental standard, which also covers logistics.

Kloeckner Metals UK has held BES 6001 certification for responsible sourcing since 2020, achieving the higher "good" certification rating in 2021 and 2022. BES 6001 is an independent certification system that rates and assesses manufactured products in terms of their responsible sourcing. It covers corporate governance, supply chain management and management requirements for sustainable development such as social and economic impacts. The specialized steel fabricator Kloeckner Metals UK Westok was awarded the Steel Construction Sustainability Charter at Gold level. The objective of the Charter is to further advance steel as a sustainable form of construction.

Gradual conversion of the vehicle fleet

On the third level, we pay particular attention to the efficiency of our delivery routes. Efficient planning quality of delivery tours requires adherence to delivery deadlines, optimal capacity utilization of the trucks and route-optimized route planning. This led us to launch a universal rollout of transportation planning software back in 2017. It is in operation throughout our EU country organizations with the exception of France. The transportation planning software delivers the data we need to reduce the fuel consumption of the trucks we use. This can include tactics such as avoiding empty runs and fine-tuning delivery frequencies. Since the beginning of 2020, Kloeckner Metals Germany, Kloeckner Metals UK and Kloeckner Metals Benelux have been using the ePOD app as a way to further improve logistics processes. This solution is still being tested in France. The app supports drivers in planning their delivery routes and forms the basis for digital documentation and transparency along the supply chain. On-board computers give the drivers in our modern fleet feedback on driving behavior, vehicle speed and engine speed, thus helping to reduce truck fuel consumption and hence carbon emissions as well. In addition, our drivers in Germany and the United Kingdom are provided with road training and regular feedback on their driving behavior.

In addition to the efficiency and digitalization measures already implemented, we are also committed to the long-term conversion of our logistics vehicles from combustion engines to more sustainable options and electric mobility. Our US country organization has already carried out a pilot test with an electric truck in 2022. At our subsidiary Becker Stahl-Service, the forklift fleet at the Bönen site was converted from combustion engines to electric systems in the reporting year, resulting in annual carbon emission savings for the site of around 100 tons. Also during the reporting year, Klöckner Metals UK invested in 40 new trucks that will run on certified hydrogenated vegetable oil. Overall, the vehicles offer a 90% reduction in carbon emissions over the entire fuel supply chain ("well to wheel") compared to conventional diesel vehicles. 20 of these trucks already entered service in 2022 and another 20 will be added to the fleet in early 2023. With these measures, we are expanding our portfolio of sustainable logistics services and enabling our customers to extend their sustainable value chain.

Sustainable business models

SBTi net zero carbon targets

In 2022, we became the first company in the world to have our net zero carbon targets recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process in accordance with the latest standards. This means that our reduction path is in line with the current state of scientific knowledge and therefore with the Paris Climate Agreement target of limiting global warming to 1.5 °C.

We took another step toward more sustainable business models in the reporting year with the publication of rating scales for our CO_2-reduced steel, stainless steel and aluminum products. These scales are rooted in international, science-based standards and categorize the Csee the fourthO_2-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing (cradle to Klöckner exit gate). In this way, we provide transparency for our customers in the fast-growing and otherwise non-transparent market for CO_2-reduced steel and metal products. By developing this classification, we aim to avoid greenwashing and help our customers chart out clear paths to future carbon reductions. Through numerous partnerships, we already offer our customers CO_2-reduced steel and metal products today. Klöckner & Co aims for the two lowest carbon footprint categories – "Pro" (< 700kg CO_2/t) and "Prime" (< 400 kg CO_2/t) – to account for over 30% of the total product range by 2025 and 50% by 2030.

Nexigen® as umbrella brand for CO_2-reduced customer solutions

We focused our CO_2-reduced product portfolio in the reporting year under the new Nexigen® umbrella brand. In this way, we offer transparent, CO_2-reduced solutions in the area of materials, operations and logistics that help our customers establish their sustainable supply chains. We were already able to make the first delivery of "Pro" and "Prime" category CO_2-reduced steel under the Nexigen® brand to our longstanding customers Mercedes-Benz and Siemens in 2022.

In recognition of our contribution to the decarbonization of the steel industry, we won the prestigious German Sustainability Award 2023 in the Climate Transformation category. This shows the importance of the transformation we have initiated in the industry and that Klöckner & Co is also perceived externally as a pioneer of a sustainable steel industry.

Conservation of natural resources

Reduction of Scope 1 and 2 emissions by around 43%

As part of the "Kloeckner Takes Action 2040" initiative, our Company has made reducing emissions from our operations and supply chain a top priority in terms of our environmental activities. Our Scope 1 and 2 greenhouse gas emissions amounted to 52.7 thousand tons of CO_2e in 2022. This means that we have already achieved a reduction in our Scope 1 and 2 emissions by around 43% relative to our 2019 SBTi baseline and are currently at a level on our SBTi target path that has been projected for 2028.

GREENHOUSE GAS EMISSIONS

(in Tt CO_2e)	2022
Scope 1	45.3
Scope 2 ("market-based") [7]	7.4
Scope 3 [8, 9, 10, 11]	8,803
Thereof purchased goods and services (Scope 3.1)	*8,179*

[7] "Location-based" (as defined by the GHG Protocol) emissions amounted to 27.6 thousand t CO2e in 2022.
[8] In accordance with GHG Protocol, not included Scope 3 categories: Upstream leased assets (3.8), processing of sold products (3.10), use of sold products (3.11), end-of-life treatment of sold products (3.12), downstream leased assets (3.13), franchises (3.14) and investments (3.15).
[9] Calculation methodology for material Scope 3 categories: Purchased goods and services (3.1): average-data method; upstream transportation and distribution (3.4): distance-based method.
[10] System boundaries in accordance with GHG Protocol: The categories purchased goods and services (3.1) and capital goods (3.2) include cradle-to-gate emissions. The remaining categories include activities directly associated with Klöckner & Co. All calculations relate in each case to the full activity data for the reporting year.
[11] Major reference sources for emission factors: Ecoinvent, Ecometrica, Defra, Ademe.

An important lever in achieving our Scope 1 & 2 reduction targets is the use of renewable energy. Many of our sites have already switched to renewable electricity. This means that 58% of our global electricity consumption already came from renewable sources in 2022. In addition, we installed photovoltaic systems in the reporting year at our sites in Neumarkt am Wallersee (Austria) and Araucária (Brazil), thus enabling our country organizations to power their warehouses with renewable energy generated on-site. We plan to bring further photovoltaic systems into operation in 2023.

Furthermore, we continue to work on ways to lower carbon emissions related to our employees' mobility. We already published an updated travel expense policy in 2021 that generally does not permit domestic flights within Europe and provides for offsetting for all flights longer than 1,500 kilometers. Our hybrid working policy (target: 30% remote work for administrative positions) remains in place beyond the pandemic period and is also intended to lower the emissions associated with commuting. With our revised company car policy, which was published in the reporting year, we have initiated a transformation process to electrify the fleet and centralize fleet management. This gives us more flexibility in a dynamic environment. As part of this, we are currently working on deploying charging infrastructure with a smart charging management system at all Klöckner sites in Germany.

Our prime focus is on direct emission reduction and avoidance. However, the technical scope for completely eliminating carbon emissions remains limited and will continue to evolve over the coming years. For this reason, in addition to our reduction measures, we decided to offset all of our Scope 1 and 2 carbon emissions from 2022 onwards, without taking them into account against our reduction targets. With our offsetting activities, we support two climate change mitigation projects in Nepal and Rwanda. Both of these projects are certified to the high-quality Gold standard of the Swiss Golden Standard Foundation. They are renewable energy and energy efficiency projects that demonstrably prevent greenhouse gas emissions that would otherwise be generated. In addition, they have health and environmental benefits for local communities. As a result, Klöckner & Co is already carbon-neutral with regard to Scope 1 and 2 emissions. We plan to reduce the use of offsetting measures to a minimum in coming years.

In the area of energy management – besides the switch to renewable energy – our main focus is on reducing energy consumption through smart control and conversion to new technologies. Our Group-wide energy consumption amounted to 271 GWh in 2022.

ENERGY CONSUMPTION

(in GWh)	**2022**
Total energy consumption	271.0
Thereof direct energy consumption	*178.3*
Thereof indirect energy consumption	*92.7*

In our active water and waste management, we take care to use resources responsibly and protect the environment, as described in our global SHEQ policy. This also ensures compliance with applicable local regulations and standards. Since we use almost no water in our processing, our water impact is extremely low and essentially results in conventional domestic wastewater. Wastewater is also part of the OHSAS 18001 and ISO 45001 standards, to which the majority of our sites are certified. Our water withdrawal amounted to 118.8 thousand m^3 in 2022. We have no operational processes that result in significant water consumption. Our wastewater volume is consequently equal to our water withdrawal volume. As a by-product of our operations, we generated a total of 144.9 thousand tons of waste in the reporting year, of which steel scrap accounted for the largest share at 91%. Because of its importance in the manufacture of CO_2-reduced products, this scrap is generally sent for recycling. In this way, Klöckner & Co supports the transformation of the steel industry into a circular economy.

WATER WITHDRAWAL AND WASTE

	2022
Water withdrawal in thousand m^3	118.8
Waste in thousand t	144.9
Thereof steel scrap in %	*91*

DIGITALIZATION

The digital transformation at Klöckner & Co is at the center of the Group strategy. In addition to the opportunities presented by the transformation toward digitalization and automation, however, we also recognize the challenges it presents for our employees. We are meeting this culture change with measures described in the ***Digitalization action area****.*

Digitalization and automation at Klöckner & Co
Building on our pioneering role in the digitalization of the steel industry, we will further leverage our potential and extend it to cover the level of automation.We continue to develop innovative digital solutions and digitalize our internal core processes. With seamless, end-to-end process integration featuring a very high degree of digitalization and automation, we can take process speed and efficiency to high levels along the entire value chain.

Besides the systematic digitalization of internal and external processes, an essential component of this digital transformation is a profound cultural shift within the Company. Therefore, our employees need to gradually develop their digital mindset in order to share in our migration to Industry 4.0. All members of the Klöckner & Co SE Management Board are working unitedly to advance our transformation into a digital platform enterprise. However, the CEO bears particular responsibility for implementing the strategy. He receives regular status and progress updates from the relevant functional managers.

Since its establishment in 2014, our digital unit kloeckner.i has launched many key projects for Klöckner & Co's digital transformation. This enabled us to play a pioneering role in the steel industry at an early stage. All Group-wide IT and digital capabilities are now combined under the umbrella of kloeckner.i. In order to set ourselves apart from the competition even more pronouncedly, we are expanding our digitalization efforts and further automating our internal value chain. We will drive the successful transformation in our markets with results-focused innovation and the development of digital tools. Agility, cross-functional collaboration and employee empowerment are key prerequisites for a successful transformation and better performance. With all our innovative, transformative IT competencies and services united under one roof, our operating units will benefit from more streamlined collaboration and faster development, time to launch and integration of feedback.

kloeckner.i gives the country organizations a central point of contact that provides not only operative business expertise, but also support with the digital business transformation and advice on technical solutions. They support the operating business through numerous activities such as conducting projects, developing more efficient processes and helping define the specifications for tools. The Product department defines digital product visions. In addition to providing technical customer service and expanding our e-commerce solutions on an ongoing basis, this department works on applications such as data-driven, algorithm-based pricing. Engineering focuses on the development and implementation of the technology strategy. Meanwhile, IT Infrastructure creates the framework for digital business processes by operating various systems and tools in the cloud or connecting them with one another via interfaces in order to ensure data flows and provide users with access to high-performance and, most importantly, secure systems.

Innovative skills for all employees

To ensure that all employees embrace and see themselves as part of the changes, we have prepared a broad range of measures offering everyone the opportunity to acquire digital know-how at their own speed. Employees have access to job-specific, in-house training courses via our Group-wide Digital Academy in order to selectively broaden their digital skills. The academy offers numerous online courses for users, mostly with the aim of enhancing these skills. In addition, all courses have been available on the user-friendly new Talentsoft learning platform since 2022. Our employees have already completed over 14,600 courses since the launch of the Klöckner & Co Digital Academy. A goal for the future is to offer more training content on sustainability. This is reflected by a planned expansion of content for 2023 and the transformation of the Digital Academy into the Kloeckner Academy.

Another key driver of our culture change is extensive internal communication with the aim of helping employees understand the need for the digital transformation and providing them with the tools they need to navigate the new structures and address any concerns they may have. As early as 2014, Klöckner & Co introduced the Yammer social network throughout the Company. Our employees use the hierarchy-free communications portal to exchange ideas, hold discussions and as a valuable information resource. The CEO invites all employees to engage in open dialog on Yammer and uses the tool – in addition, for instance, to regular insight talks – as a communication channel, among other things, for reporting on the progress of our digital transformation. In order to improve collaboration within the Group, promote agility and inspire enthusiasm for innovation, Klöckner & Co further enhanced the internal #DigiDesk platform in the reporting year. All employees are able to use Microsoft Office 365 applications via the cutting-edge intranet. The SharePoint environment also includes the Digital Academy and the employee magazine.

Agility is a key prerequisite for speeding up internal processes and responding instantly to customers' changing wishes – and thus gaining an edge over competitors in the marketplace. A wide range of courses, training and communications initiatives such as Yammer campaigns and posters have helped to establish agile working methods ever more firmly in the Group. The open learning format known as "Espresso Call," focusing on digital topics, is now firmly established. Held on Microsoft Teams, these live video sessions last 30–60 minutes each and feature experts who explain all the essentials of digital and strategic topics. The growing number of participants enrolled in our Digital Academy shows that our employees are responding positively to the training opportunities we offer and have strong interest in improving their digital skills. This is similarly reflected in the constructive suggestions and ideas put forward by employees with regard to optimizing the speed and quality of our processes.

CUSTOMERS

*In the **Customers action area** we describe the customer-centric approach with which we conduct our business. Customer satisfaction is a topic of great importance to us. This along with the resulting customer loyalty are key factors for us that secure Klöckner & Co's long-term market success.*

Customer satisfaction

As an international steel and metal distributor, we aim to offer customers the highest quality and optimum service. Reliable service strengthens our position as the connecting link between customers and suppliers on a lasting basis. High product quality, an extensive range of services and our digital solutions make us a reliable partner to customers from all industries.

We aim to make precisely the products our customers need available to them when they need them. That is a challenge considering the current pressure on supply chains and the wide range of applications.

We aim for a high level of customer proximity both personally and geographically. As a result, the country organizations have full responsibility for ensuring customer satisfaction. Headquarters cannot maintain customer relationships in the same way that local offices are able to. The country organizations work on customer satisfaction continuously through their close customer relationships, collaboration and surveys.

Kloeckner Assistant automates the sales process

That is why, in keeping with the design thinking approach, we always conceptualize products and services, sales channels and innovations as well as the development of digital tools and applications from the customer's perspective. Accordingly, we actively involve our customers in the process and selectively analyze their personal wishes and needs. This enables us to fulfill customers' needs faster and more efficiently thanks to a variety of digital tools, which we continue to develop on an ongoing basis. Applications such as Kloeckner Assistant automate large parts of the administrative sales process. The AI-driven application was further improved in the reporting year and is now able to process plain-text messages as well as PDF files automatically. This new core feature further accelerates the processing of quotes and orders while reducing the likelihood of incorrect shipments. Kloeckner Assistant is thus an increasingly important tool in automated quotation and order processing, and our customers benefit from more rapid fulfillment of their orders.

Using various agile working methods from the start-up world, we keep product development moving forward and on target. We conduct results-driven interviews with customers and use new insight methods such as mapping customer journeys. These involve visualizing the customer experience, from initial contact with the product through the entire use process to long-term product adoption. The resulting insights help us fine-tune our products, tools and services. On this basis, we first develop what is referred to as a "minimum viable product" – one that initially meets just the most basic requirements. We also apply the Lean Startup approach in a variety of in-house projects. As this involves meeting only the most important requirements in the initial stage, we plan to use this approach to develop significantly more rapidly. Improvements can be added progressively later on. That way, we minimize the risk of tying up capacity for new product features that ultimately offer no added value for customers.

Our digital unit in Berlin, kloeckner.i, maintains regular contact with customers to obtain information on their requirements of the digital product portfolio and their level of satisfaction with it, and to develop it in line with their needs. In 2022, kloeckner.i continued the ongoing work of improving the range of digital product offerings and enhancing ease of use. During the reporting year, the e-commerce portal interface was further enhanced to put it on a new technological and user-friendly basis. All new designs underwent a standardized process of validation and iterative improvement with customers and independent reviewers.

Customer surveys

In addition, customers are regularly asked whether they are satisfied with the service provided by Klöckner & Co. A customer survey with more than 30,000 participants was conducted on the website during the reporting year. The accumulated customer feedback helps to continuously improve the digital system landscape and workflows. In 2022, over 76% of online shop customers said they were fully or partly satisfied with the Klöckner & Co e-commerce portal.

All customers of our German and Austrian country organizations are asked to give their opinions on various aspects through annual surveys. Aspects covered include availability, product range, product quality, product availability, the product processing range, employee proficiency, delivery time, delivery punctuality, order documentation and complaint handling. The regular customer surveys we carry out in our country organizations help to ensure the effectiveness of our working approaches and gain insights into how they are being received.

Trend in customer satisfaction

Scale of 1 (very satisfied) to 6 (not at all satisfied)

	2020	2021	2022
Kloeckner Metals Germany	1.84	1.84	1.96
Kloeckner Metals Austria	1.75	2.05	1.66

We use these surveys to constantly improve our systems and workflows and initiate measures to enhance customer loyalty. For Klöckner & Co, satisfied customers pave the way for sustained growth.

Overview EU Taxonomy Sales 2022

				Substantial contribution criteria						
Economic activities (1)	Code(s) (2)	Absolute sales (3)	Proportion of sales (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	
		kEUR	%	%	%	%	%	%	%	
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1 Environmentally sustainable activities (Taxonomy-aligned)										
Sales of environmentally sustainable activities (Taxonomy-aligned) (A.1)										
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
Sales of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)										
Total (A.1 + A.2)										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES										
Sales of Taxonomy-non-eligible activities (B)		9,378,685.63	100.00							
Total (A + B)		**9,378,685.63**	**100.00**							

	DNSH criteria										
	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of sales 2022 (18)	Taxonomy-aligned proportion of sales 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

Overview EU Taxonomy CAPEX 2022

				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute CAPEX (3)	Proportion of CAPEX (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		kEUR	%	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Transport by passenger cars and commercial vehicles	6.5	1,401.62	1.09						
Freight transport services by road	6.6	24,747.32	19.17						
Installation, maintenance and repair of energy efficiency equipment	7.3	660.71	0.51						
Installation, maintenance and repair of renewable energy technologies	7.6	118.74	0.09						
Acquisition and ownership of buildings	7.7	5,305.44	4.11						
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		32,233.83	24.97						
Total (A.1 + A.2)		32,233.83	24.97						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CAPEX of Taxonomy-non-eligible activities (B)		96,859.31	75.03						
Total (A + B)		**129,093.15**	**100.00**						

DNSH criteria										
Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CAPEX 2022 (18)	Taxonomy-aligned proportion of CAPEX 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

Overview EU Taxonomy OPEX 2022

				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute OPEX (3)	Proportion of OPEX (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		kEUR	%	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Transport by passenger cars and commercial vehicles	6.5	430.98	0.65						
Freight transport services by road	6.6	1,970.59	2.95						
Installation, maintenance and repair of energy efficiency equipment	7.3	106.75	0.16						
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,508.32	3.76						
Total (A.1 + A.2)		2,508.32	3.76						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OPEX of Taxonomy-non-eligible activities (B)		64,287.70	96.24						
Total (A + B)		66,796.02	100.00						

	DNSH criteria										
	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OPEX 2022 (18)	Taxonomy-aligned proportion of OPEX 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To Klöckner & Co SE, Duisburg, Germany

We have performed a limited assurance engagement on the separate non-financial group report of Klöckner & Co SE, Duisburg, (hereinafter the "Company") for the period from 1 January to 31 December 2022 (hereinafter the "Separate Non-financial Group Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Separate Non-financial Group Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy" of the Separate Non-financial Group Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as the executive directors consider necessary to enable the preparation of a Separate Non-financial Group Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy" of the Separate Non-financial Group Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Separate Non-financial Group Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Separate Non-financial Group Report, other than the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Separate Non-financial Group Report.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Company's sustainability organization and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Separate Non-financial Group Report
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Separate Non-financial Group Report
- Evaluation of CO_2 compensation certificates exclusively with regard to their existence, but not with regard to their impact

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion
Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January to 31 December 2022 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB] and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Separate Non-financial Group Report. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Restriction of Use
We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt, March 3, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
WIRTSCHAFTSPRÜFERIN
(GERMAN PUBLIC AUDITOR)

ppa. Christopher Hintze
WIRTSCHAFTSPRÜFER
(GERMAN PUBLIC AUDITOR)

REMUNERATION REPORT

der Klöckner & Co SE

All references in the remuneration report to websites contain unaudited voluntary information that has been critically read by the auditors

Remuneration Report

This Remuneration Report summarizes the main features of the remuneration systems for the Management Board and the Supervisory Board and describes the structure and the amounts of remuneration in the reporting year. The Remuneration Report takes into account the recommendations of the German Corporate Governance Code (hereinafter referred to as the "Code") in the version of April 28, 2022, published on June 27, 2022. In accordance with Section 162 (1) of the German Stock Corporation Act, the Remuneration Report was prepared jointly by the Management Board and Supervisory Board and is audited by the auditor.

Review of fiscal year 2022

Following 2021, in which the Group generated its best results since the 2006 IPO in a fiscal year dominated by the COVID-19 pandemic, the business performance of the Group as a whole was significantly impacted in the 2022 reporting year by the macroeconomic effects of the Russian war of aggression against Ukraine and the monetary policy shift by central banks in response to rising inflation rates. The conflict in Ukraine led to significant price increases in the market during the first half of the year. However, a marked price correction set in over the remainder of the reporting year, with a negative impact on Group operating income in the second half-year. The effects of this were mitigated by consistent net working capital management and an active inventory reduction drive. On the demand side, negative effects came from ongoing shortages of semiconductor products for the automotive industry and the deteriorating macroeconomic environment in the second half of the year.

For further information on the business development of Klöckner & Co in the reporting year, please refer to the Management Report for fiscal year 2022.

Management Board remuneration

Annual General Meeting vote on the 2021 remuneration system; appraisal
On May 12, 2021, the Annual General Meeting of the Company approved the new remuneration system for the Management Board as submitted by the Supervisory Board, with a majority of 71.2% of valid votes cast. At its meeting following the Annual General Meeting (also on May 12, 2021), the Supervisory Board then adopted that remuneration system (hereinafter also referred to as the "2021 Remuneration System") in the form submitted to and approved by the shareholders. At its meeting in December 2021, the Supervisory Board consulted intensively on the outcome of the vote and on the related points of criticism raised with regard to the 2021 remuneration system (among other things regarding the personal investment in shares as a long-term incentive component (in the sense of an LTI component) and the possibility to provide a discretionary bonus). For further details, please see the relevant information in the Remuneration Report 2021.

Annual General Meeting vote on the Remuneration Report 2021; appraisal
The Company's first Remuneration Report in accordance with Section 162 of the Stock Corporation Act (AktG) was approved at the Annual General Meeting of the Company on June 1, 2022 with a majority of 91.26% of votes cast. Following the not satisfactory voting result for the 2021 remuneration system, the Company held numerous discussions with investors and proxy advisers and incorporated the findings from those discussions into the Remuneration Report 2021. Despite the encouraging voting outcome on the Remuneration Report 2021, the Supervisory Board continues to address both the 2021 remuneration system and continuous improvement of the remuneration report. The Supervisory Board constantly monitors developments and trends in the market and annually reviews options for improving the Management Board remuneration system.

Remuneration systems
For a better understanding and transparency, the main features of both remuneration systems applicable in the reporting year are presented in the following.

BRIEF DESCRIPTION OF THE 2021 REMUNERATION SYSTEM

The 2021 remuneration system takes into account all requirements under the Act Implementing the Second Shareholder Rights Directive (ARUG II) and under the Code in the version dated March 20, 2020 that was in force at that time; as the relevant Code provisions on management board remuneration are unaltered, the 2021 remuneration system also fully complies with the now current version of the Code. The 2021 remuneration system is outlined in brief below (a more detailed description of the 2021 remuneration system is available on the Company's website at https://www.kloeckner.com/en/group/management-board/management-board-remuneration.html).

Under the 2021 remuneration system, remuneration for Management Board members consists of non-performance-related (fixed) and performance-related (variable) components.

The **non-performance-related remuneration** consists of a fixed salary, retirement provisions and ancillary benefits.

- **Fixed salary:** The fixed salary is paid in twelve equal monthly installments at the end of each month net of statutory tax and social insurance deductions. If a member of the Management Board is appointed or leaves partway through the year, the fixed salary is paid pro rata temporis.

- **Retirement provisions:** For retirement provision, each member of the Management Board receives an annual amount not exceeding 40% of the applicable fixed salary (gross), paid in twelve equal monthly installments at the end of each month in compliance with tax and social insurance stipulations (effectively as cash compensation for retirement provision). Should a member of the Management Board wish instead to receive retirement provision in the same amount in the form of payments by the Company into a reinsured pension fund, the Company may accommodate this by making such a payment; if desired, also in advance at the beginning of the year.

- **Ancillary benefits:** The contractual ancillary benefits primarily include customary additional benefits such as insurance premiums (such as occupational and non-occupational accident insurance, liability insurance, industrial criminal law expenses insurance and general legal expenses insurance) as well as the provision of communication devices and a company car for business and private use (in the case of the CEO potentially including driver). Ancillary benefits can vary in value from year to year due to person and occasion related issues but are limited to a maximum of 10% of the fixed salary. The ancillary benefits and hence the 10% limit do not apply to the reimbursement of expenses to which Management Board members are entitled by law, or to inclusion in D&O insurance in the interests of the Company, although Management Board members must bear the deductible required under the German Stock Corporation Act.

In addition to the non-performance-related remuneration components, all Management Board members receive **performance-related variable remuneration** in the form of a bonus, the amount of which initially depends on the degree to which certain targets are achieved in a fiscal year.

- **Target bonus:** The basis for determining the amount of the annual bonus is its target amount (target bonus). This is the bonus to which a member of the Management Board is entitled under his or her contract at 100% achievement of the specified targets. According to the degree of over- or underachievement of the specified annual targets, the annual bonus increases or decreases on a target achievement curve specified when setting the targets. If annual targets are exceeded, the bonus may therefore exceed the target bonus. It is capped, however, at 200% of the target bonus (Cap). There is no guaranteed minimum target achievement; in the worst case scenario, therefore, there may be no payout at all. If a member of the Management Board is appointed or leaves partway through a year, the bonus is paid pro rata temporis.

- **Personal investment component:** Beyond the annual target achievement, the annual bonus shall also provide incentives for long-term and sustainable growth in the value of the Company. By including long-term target factors, the targets to be set annually are intended to promote the strategic and sustainable development of Klöckner & Co (see below under "Targets and target remuneration (target amount for direct remuneration; target total remuneration)"). In addition, the members of the Management Board must use the majority of the bonus amount after statutory tax and social insurance deductions to purchase shares in the Company and hold them on a long-term basis. To ensure that the personal investment component exceeds the remaining cash component, Management Board members are required to purchase such shares for a flat 30% of their gross annual bonus. Assuming a 50% tax and social insurance burden, 60% of the annual net bonus is consequently converted into the personal investment component. The personal investment component may increase or decrease relative to the cash component depending on the individual tax and social insurance burden but should always exceed the net amount of the cash component after statutory tax and social insurance deductions. The shares are normally purchased on the first stock market trading day of the month following payout of the cash component. Shares purchased as part of the personal investment component are subject to a four-year lock-up period. Once this lock-up period expires, Management Board members are free to sell or continue to hold the shares. The personal investment makes the multi-year performance of the Klöckner & Co share price a key determining factor of the variable Management Board remuneration.

- **Cash component:** The bonus amount remaining after deduction of the personal investment component is paid out to Management Board members following the Supervisory Board meeting at which the annual financial statements are adopted for the respective reporting year. Assuming a 50% tax and social insurance burden, 40% of the annual net bonus is consequently paid out.

Discretionary bonus: In exceptional instances, to reward special performance and successes on the part of members of the Management Board, the Supervisory Board may, at its reasonable discretion, grant an extraordinary bonus (discretionary bonus). The total annual bonus granted, including any extraordinary bonus, may not exceed 200% of the target bonus. The Supervisory Board may make the granting of a discretionary bonus to a member of the Management Board conditional upon the Management Board member using part or all of the discretionary bonus to purchase shares in the Company.

Clawback: The Company may claw back performance-related remuneration (bonuses) if, after payment, it transpires that the audited and adopted consolidated financial statements on which the bonus entitlement is based were objectively in error and therefore, in accordance with the relevant accounting standards, are subsequently corrected either retrospectively or in the current consolidated financial statements, and a smaller or zero bonus entitlement would have arisen on the basis of the corrected audited consolidated financial statements.

Targets and target remuneration (target amount for direct remuneration; target total remuneration): The bonus is calculated for each fiscal year and depends on the degree of target achievement in relation both to financial and to non-financial targets.

For the financial targets, the Supervisory Board sets annual targets for financial key performance indicators and their respective weighting in calculation of the bonus amount. They are weighted relative to the non-financial targets in such a way that the financial targets account for 60% to 80% of the target bonus at 100% achievement of all financial and non-financial targets.

With regard to financial targets, the Supervisory Board sets targets for selected financial key performance indicators at the level of the Group as a whole. The following financial performance indicators are generally used for this purpose:

- Earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for any material special effects.
- Operating Cash flow (OCF).

In place of or in addition to EBITDA and OCF, the Supervisory Board may specify financial indicators out of the following list if it is convinced that they are more suitable as performance indicators for the development of Klöckner & Co: EBIT (earnings before interest and taxes), net cash flow (cash flow from operating activities less cash flow from investing activities and less repayments of lease liabilities), net financial debt (financial liabilities plus transaction costs less cash and cash equivalents), ROCE (return on capital employed, measured as EBIT over average capital employed), ROE (return on equity, measured as EBIT over equity) and relative capital market performance (the capital market performance of Klöckner & Co shares relative to an index). When deciding on the determination and weighting of the key performance indicators, the Supervisory Board ensures a continuously effective incentive structure.

The Supervisory Board sets non-financial targets each year by specifying between three and six performance indicators from the following list of strategy and sustainability targets that are of importance to the strategic and sustainable development of the Company, including its corporate social responsibility (CSR).

- Strategy: (1) Business development, (2) Market development and exploitation, (3) Transformation and digitalization targets, (4) Optimization/efficiency improvements, (5) Leadership qualities and strategic priorities, (6) Corporate structure and organization and (7) Strategic projects
- Sustainability: (1) Compliance and risk management, (2) Customer satisfaction, (3) Employee-related targets (including health and satisfaction), (4) Diversity, (5) Advancements in innovation, (6) Succession planning, (7) Reporting and communication, (8) Reducing CO_2e emissions and sustainable use of resources

As with the financial targets, the Supervisory Board also lodges measurable criteria to the non-financial targets so that a precise degree of target achievement can be determined after the end of a fiscal year. They are weighted relative to the financial targets in such a way that the non-financial targets account for between 20% and 40% of the target bonus at 100% achievement of all financial and non-financial targets.

The Supervisory Board sets a target amount for direct remuneration for each member of the Management Board. This comprises the fixed salary plus the target amount for the annual bonus assuming 100% target achievement.

Under the 2021 remuneration system, the target amount for the annual bonus accounts for approximately 60% of the target amount for direct remuneration, with – assuming a 50% tax and social insurance burden – the long-term variable remuneration in the form of the personal investment component accounting for approximately 36% and the short-term variable remuneration in the form of the cash component accounting for approximately 24% of the target amount for direct remuneration (see above, under "Performance-related remuneration").

An additional remuneration component alongside the target amount for direct remuneration is the contribution to retirement provision, which is to be granted in the amount of 20% to 40% of the fixed salary, along with ancillary benefits, which are to be granted to Management Board members up to a maximum of 10% of the fixed salary. In total, retirement provision and ancillary benefits are thus limited to a maximum of 50% of the fixed salary or 20% of the target amount for direct remuneration. The target amount for direct remuneration (comprising the fixed salary and the target amount for the bonus), the contribution to retirement provision and the ancillary benefits normally comprise all remuneration components and hence the target total remuneration.

Maximum remuneration: The Company's maximum expense for a member of the Management Board can be calculated for each fiscal year on the basis of the fixed salary, the capped annual bonus and the likewise capped retirement provision and ancillary benefits. In addition, in accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act, the 2021 remuneration system specifies an absolute euro figure for the maximum amount of remuneration granted to a Management Board member in a given fiscal year (maximum remuneration). The maximum remuneration is set for the Chairman of the Management Board at €6.4 million per year, for the Deputy Chairman of the Management Board at €4.0 million per year and for the remaining members of the Management Board at €2.2 million per year. This is not the level of remuneration targeted by the Supervisory Board, however, and merely constitutes the absolute upper limit of the total annual remuneration achievable under the remuneration system.

The described remuneration structure applies uniformly to all Management Board positions. In keeping with the principle of collective Management Board responsibility, the targets for Management Board members are generally set on a uniform basis. The Supervisory Board reserves the right to set individual targets for specific Management Board members if it deems it necessary to provide a differential incentive structure among the members of the Management Board. In addition, the remuneration system permits the agreement of benefits for newly appointed members of the Management Board when they take up their position (such as to compensate for benefits foregone on leaving previous employment) and to compensate for currency risks in the case of Management Board members whose habitual place of residence is outside of the eurozone.

A more detailed description of the 2021 remuneration system, including inter alia the possibility for deviations from its stipulations and for termination related benefits, is available on the Company's website at https://www.kloeckner.com/en/group/management-board/management-board-remuneration.html.

SCOPE OF THE NEW 2021 REMUNERATION SYSTEM (GRANDFATHERING FOR EXISTING SERVICE CONTRACTS) AND PRESENTATION OF THE PREVIOUS REMUNERATION SYSTEM

a) Grandfathering for prior contracts (Guido Kerkhoff, John Ganem and Dr. Oliver Falk)
In accordance with the transitional provisions under ARUG II and the Code, the scope of the new 2021 remuneration system is limited to contracts entered into subsequent to its adoption (see Section 26j (1) of the Introductory Act to the Stock Corporation Act (EGAktG) read in conjunction with Section 87a (2) of the German Stock Corporation Act; rationale with regard to Section G of the Code in the version of December 16, 2019). The previous remuneration system for members of the Management Board of Klöckner & Co SE therefore applies to the service contracts that were already in place on May 12, 2021 with Guido Kerkhoff, Dr. Oliver Falk and John Ganem (2016 Remuneration System – see below).

The service contract entered into with Guido Kerkhoff in fiscal year 2020, amended at the beginning of 2021 and extended in September 2022 effective September 1, 2023 already took into account the revised version of the Code in 2020 and complies both with that version as well as with the current Code; it also already takes into account and complies with the requirements of the new 2021 Remuneration System, even though these did not yet apply when the contract was originally signed. For the duration of their initial contract term, the contracts in place from 2019 with Management Board members Dr. Oliver Falk and John Ganem were exclusively governed by the Code as of February 7, 2017. In connection with their extension effective August 1, 2022, these two contracts were amended in line with and since then fully comply with the new 2021 Remuneration System. The contract newly entered into with Bernhard Weiß in fiscal year 2021 was subject to the new 2021 remuneration system from the outset. It complies with all requirements of the remuneration system and hence also with those of the current Code.

b) Prior remuneration system (2016 remuneration system)
The prior remuneration system (hereinafter also the "2016 Remuneration System") was approved at the Annual General Meeting on May 13, 2016 with a majority of 87.03% of votes cast and complies with all recommendations of the Code as of February 7, 2017.

The 2021 Remuneration System presented above is ultimately developed based on the 2016 remuneration system. The Supervisory Board comprehensively reviewed the 2016 remuneration system, in particular with a view to the requirements under the new provisions of the German Stock Corporation Act and of the Code, and modified it where necessary. A more detailed description of the 2016 remuneration system is contained in the Company's past annual reports, most recently in the Annual Report 2020 from page 106 onwards, available on the Company's website at https://www.kloeckner.com/en/investors/publications.html.

The 2016 remuneration system likewise consists of non-performance-related and performance-related remuneration. The non-performance-related remuneration comprises the fixed salary, retirement provisions and ancillary benefits. The retirement provision consists in part of defined-benefit and in part of defined-contribution components; like the ancillary benefits, it is uncapped.

The performance-related variable remuneration likewise includes a bonus, the amount of which initially depends on the degree to which certain targets are achieved in a fiscal year. The target bonus is subject to the same system as in the 2021 remuneration system; the Supervisory Board set the targets for target achievement at its discretion, basing them in the past, as in the new system, on financial targets such as EBITDA and operating cash flow as well as on other non-financial targets.

The personal investment component likewise follows the same system as in the 2021 remuneration system, with the target bonus – to be invested in shares in the Company – most recently in the amount of 51% of the annual bonus (for administrative purposes in the amount of 25.5% of the bonus before deductions). The lock-up period under the 2016 remuneration system was three years rather than four.

While the 2016 remuneration system included similar provision for a discretionary bonus, it did not feature a clawback arrangement.

Consideration of a resolution under Section 120a (4) of the German Stock Corporation Act
On June 1, 2022, the Annual General Meeting of the Company approved the Remuneration Report 2021 with a majority of 91.26% of valid votes cast. No points of criticism or critical questions were raised with regard to the Remuneration Report 2021. In light of this, the Supervisory Board sees no fundamental need to change the nature and scope of reporting with regard to Management Board remuneration. It nevertheless continues to address both the remuneration system and continuous improvement of the remuneration report (see above, under "Annual General Meeting vote on the Remuneration Report 2021; appraisal").

Remuneration in fiscal year 2022

CURRENT MEMBERS/MEMBERS IN OFFICE IN FISCAL YEAR 2022

a) Description of the remuneration structure
The remuneration structure for members of the Management Board in office in the reporting year is outlined in the following. It should be noted that the new 2021 remuneration system applied in full in the reporting year solely to Bernhard Weiß and partly to Dr. Oliver Falk and John Ganem from August 1, 2022, the effective date of their contract amendments. In all other cases, the 2016 remuneration system was or is subject to a "grandfathering" and continues to apply, as the contracts in question were signed before the 2021 remuneration system was adopted (see above). The new service contract entered into with Guido Kerkhoff in fiscal year 2020 and amended at the beginning of 2021 also already takes into account and complies with the requirements of the new 2021 Remuneration System, even though this did not yet apply at the conclusion of the contract. It can therefore be stated that all existing Management Board contracts have been in line with the 2021 remuneration system since August 1, 2022 (even though that remuneration system does not yet apply to Guido Kerkhoff's contract due to grandfathering). The amounts stated below correspond to the contractually agreed annual remuneration; in the event of appointment to or departure from the Management Board during the year, they are therefore reduced pro rata temporis.

Fixed salary: The annual fixed salary for the full reporting year was as follows:

- Guido Kerkhoff (CEO since May 13, 2021): €930,000 (2021 €864,194),
- Dr. Oliver Falk: €438,750 (2021: €420,000),
- John Ganem: €438,750 (2021: €420,000),
- Bernhard Weiß (member of the Management Board since June 1, 2021): €406,000 (2021: €336,000).

Target bonus: The variable annual bonus as target bonus at 100% target achievement (maximum possible target achievement 200%) for the full reporting year was as follows:

- Guido Kerkhoff (CEO): €1,380,000 (2021: €1,278,740),
- Dr. Oliver Falk: €637,500 (2021: €600,000),
- John Ganem: €637,500 (2021: €600,000),
- Bernhard Weiß: €580,000 (2021: €480,000).

The above fixed salary and target bonus figures for the reporting year take into account for Dr. Oliver Falk and John Ganem the salary adjustments upon their reappointment partway through the year effective August 1, 2022 (fixed salary increased from €420,000 to €465,000 per year and target bonus increased from €600,000 to €690,000 per year) and for Bernhard Weiß the salary adjustment effective March 1, 2022 (fixed salary increased from €336,000 to €420,000 per year and target bonus increased from €480,000 to €600,000 per year). The difference in the amount of Guido Kerkhoff's remuneration relative to fiscal year 2021 is due to an adjustment upon his appointment as CEO partway through the year effective May 13, 2021 (see the Remuneration Report 2021).

John Ganem's service contract includes a stable-value clause for his bonus to limit effects of potential changes in the US dollar exchange rate. According to this, notwithstanding the amounts stated in the previous paragraph (i.e., €600,000 up to July 31, 2022 and €690,000 from August 1, 2022), the target bonus is the equivalent of USD 650,000 (up to July 31, 2022) and USD 740,000 (from August 1, 2022) if that amount is the higher one. The same stable-value adjustment applies to the bonus cap (USD 1,300,000 up to July 31, 2022 and USD 1,480,000 from August 1, 2022). This stable-value clause may result in a higher euro amount due to exchange rate movements. The USD amount was determined in each case on the basis of the exchange rate at the time the contract (or contract extension) was signed.

Target amount for direct remuneration: The annual target amount for direct remuneration (fixed salary plus bonus at 100% target achievement) for the full reporting year was as follows:

- Guido Kerkhoff (CEO): €2,310,000 (2021: €2,142,934),
- Dr. Oliver Falk: €1,076,250 (2021: €1,020,000),
- John Ganem: €1,076,250 (2021: €1,020,000),
- Bernhard Weiß: €986,000 (2021: €816,000).

Personal investment component: Members of the Management Board are required to invest the majority of the annual bonus in shares in the Company, which are subject to a lock-up period. The remuneration system that applies to the Management Board members determines the percentage and the length of the lock-up period. The figures are calculated for administrative purposes assuming 50% tax on the gross bonus amount.

- Guido Kerkhoff (CEO): 60% of the annual bonus (30% of the gross annual bonus), four-year lock-up period
- Dr. Oliver Falk: 60% of the annual bonus (30% of the gross bonus), four-year lock-up period (applies to the entire annual bonus for the reporting year, i.e. including the portion of the annual bonus for fiscal year 2022 attributable to the period before the contract renewal took effect)
- John Ganem: 60% of the annual bonus (30% of the gross annual bonus), four-year lock-up period (applies to the entire annual bonus for the reporting year, i.e. including the portion of the annual bonus for fiscal year 2022 attributable to the period before the contract renewal took effect)
- Bernhard Weiß: 60% of the annual bonus (30% of the gross annual bonus), four-year lock-up period

In accordance with the Market Abuse Regulation, the respective share purchases are reported and published as managers' transactions stating the volume and purchase price; all details may be viewed on the Company's website (https://www.kloeckner.com/en/investors/legal-announcements/managers-transactions.html).

Discretionary bonus: No extraordinary bonus was awarded for the reporting year (a discretionary bonus was most recently awarded in 2010). The Management Board contracts provide for the possibility of awarding such a bonus, however, with the sum total of the discretionary bonus and annual bonus capped at the above-mentioned maximum amount for the annual bonus.

Ancillary benefits: Ancillary benefits primarily include insurance premiums (accident insurance, travel/baggage insurance, liability insurance, industrial criminal law insurance, general legal expenses insurance and, for John Ganem in the USA, life insurance and disability insurance); with the exception of certain insurance policies for John Ganem in the USA, amounts for group insurance policies are not included in the remuneration tables pursuant to Section 162 of the German Stock Corporation Act. In addition, copayments are provided for health insurance contributions, in the USA on a voluntary basis and in Germany in the form of compulsory employer contributions (only the amounts of voluntary copayments for John Ganem in the USA are included in ancillary benefits, not the compulsory employer contributions for health and long-term care insurance in Germany). Ancillary benefits additionally include private use of a company car (included in remuneration at the taxable benefit-in-kind rate); Management Board member John Ganem receives a cash car allowance in place of a company car. Telecommunications devices provided to members of the Management Board may also be used privately (in line with the tax treatment, no amount for this ancillary benefit is accounted for as remuneration). Finally, the Company pays tax consultancy costs incurred by John Ganem in connection with his service for Klöckner & Co SE.

The Company has directors and officers (D&O) insurance, including insurance for members of the Management Board. This is not considered as ancillary benefits for the purposes of the 2021 remuneration system as it is in the Company's interest. The members of the Management Board do, however, have to bear the deductible required under the German Stock Corporation Act.

Retirement provision: Pursuant to his original contract, Management Board member Dr. Oliver Falk received an entitlement for a defined-benefit pensions plan in accordance with the rules of Essener Verband (continuation of his pension plan as an employee of Kloeckner Metals Germany GmbH (formerly Klöckner & Co Deutschland GmbH) before his appointment as member of the Management Board), and a fixed annual amount of €50,000 as cash compensation for retirement provision that he must use to provide for his own retirement income (defined-contribution plan). As of August 1, 2022, the effective date of his service contract extension, the defined-benefit pensions plan was discontinued and the cash compensation for retirement provision (defined-contribution plan) was increased to €175,000 per year (pro rata temporis for the reporting year). Irrespective of this, any obligations in connection with pension benefits granted and earned in the past generally continue to apply. From August 1, 2022, only any costs necessary for benefit entitlement (service cost; increase in accordance with the Articles of Association) continue to be supplied in this regard.

Management Board member John Ganem had a comparable defined-benefit pensions plan until July 31, 2022 commensurate with the arrangements applicable to him at the US subsidiary prior to his appointment to the Management Board, which likewise include a life-long pension. These local arrangements additionally include supplementary defined-contribution components that are likewise included as retirement benefits. As of the effective date of his contract extension on August 1, 2022, also with respect to John Ganem a changeover took place to cash compensation for retirement provision (defined-contribution plan) with an annual amount set at the US dollar equivalent of €175,000 (pro rata temporis for the reporting year). The US subsidiary also makes top-up payments into a defined-contribution plan as part of local retirement provision for upper management. In the case of John Ganem, too, notwithstanding the changeover described above, any obligations in connection with pension benefits granted and earned in the past generally continue to apply.

Guido Kerkhoff and Bernhard Weiß receive a fixed annual amount, as cash compensation for Company retirement provision, of €350,000 (Guido Kerkhoff) and €100,000 (Bernhard Weiß; amount as of March 1, 2022 onwards; prior to that €80,000 per year) that they must use to provide for their own retirement income (defined-contribution plan).

b) 2022 targets and target achievement

The targets determined for variable remuneration in the reporting year, and the amounts earned in the reporting year (2022 annual bonus) applying the performance criteria previously specified by the Supervisory Board to the figures in the 2022 annual financial statements, are set out in the following description and subsequent tables.

As in past years, the Supervisory Board set targets for variable remuneration for fiscal year 2022, among other things as financial targets on the basis of Group budget figures including EBITDA before material special effects and operating cash flow, once again placing a special focus for fiscal year 2022 on EBITDA as the primary management metric for corporate performance. These financial targets account for a total notional proportion of 80%: 50% for EBITDA and 30% for operating cash flow. The achievement and implementation of non-financial targets (digitalization and automation, CO_2e emissions, leadership and employee satisfaction, and occupational safety) are factored into the bonus calculation in fiscal year 2022 at a weighting of 20%. For the reporting year, the targets and their weighting were set uniformly for all Management Board members.

The individual targets are as follows (notional proportion of the total in brackets for each target):

- EBITDA before material special effects (50%); EBITDA is earnings before interest, taxes, depreciation and amortization and impairments and impairment reversals on intangible assets and property, plant and equipment; material special effects include, for example, major restructuring programs, significant non-operating effects and prior-period effects.

- Cash flow, i.e. cash flow from operating activities (operating cash flow) (30%)

- Strategy/digitalization (5%)
  - Share of digital sales in total sales (2.5%), measured as the percentage of sales invoiced automatically via digital channels, such as the Kloeckner Assistant, EDI or other web-based platforms
  - Sales automation (2.5%), measured as the “customer order automation rate” – the percentage of zero touch orders (i.e. orders processed without manual intervention) in orders processed via digital channels in specific organizational units

- Sustainability/reduction in CO_2e emissions (5%), measured as the reduction in Scope 1 and 2 emissions (in accordance with the Greenhouse Gas Protocol; the targets are based on the 1.5-degree decarbonization path in line with the Klöckner & Co Group’s net zero carbon targets recognized as science-based targets by the Science Based Targets initiative (SBTi));

- Sustainability/employee satisfaction (5%), measured on the basis of the results of the annual employee survey, put to the entire workforce comprising a rating scale of 1 (not at all applicable) to 5 (fully applicable) with the following questions included in the analysis:
  (1) I am confident that Klöckner & Co SE Management Board (Guido Kerkhoff, Dr. Oliver Falk, John Ganem and Bernhard Weiß) is steering the company in the right direction.
  (2) I know the strategy “Klöckner & Co 2025: Leveraging Strengths” with its elements Customer Growth, Digitalization & Value Chain Automation, Operational Excellence and Leveraging Assets & Partner Network. And I know the meaning of that strategy for the organization I am working for.
  (3) I like working here.
  (4) I would recommend the Company as a good employer.

- Sustainability/accident rate (5%), measured by the number of lost-time accidents per million hours worked (the "LTIF" rate) in the Company

Calculation of target achievement for the individual targets:

There is no cap or floor for the individual targets, so that target achievement levels of less than 0% or more than 200% are also possible. The target achievement rates for the individual targets are calculated on a linear basis using predefined targets consisting of the target value for 100% target achievement and the values for 0% and 200% target achievement.

The target corridors and their derivation for the individual targets are set out in the following.

- EBITDA before material special effects:
    - Target (100%): €300 million
    - 0% value: €0
    - 200% value: €600 million

  The target value was derived from the Group budget for fiscal year 2022, whereas an even slightly higher target was taken here for remuneration purposes. The 0% value was set at €0, resulting in a 200% value of €600 million.

- Cash flow from operating activities (operating cash flow):
    - Target (100%): €265.1 million
    - 0% value: €0
    - 200% value: €530.3 million

  The target value was derived from the Group budget for fiscal year 2022. The 0% value was set at €0, resulting in a 200% value of €530 million.

- Strategy/digitalization:
  - Digital sales as percentage of total sales:
    - Target (100%): 55.0%
    - 0% value: 46.1%
    - 200% value: 63.9%

    The target value was derived from the Group budget for fiscal year 2022. The 0% value of 46.1% was based on the figure from the most recent available quarterly financial statements when the targets were set (Q3 2021); the 200% value of 63.9% was then determined arithmetically.

  - Sales automation:
    - Target (100%): 40.0%
    - 0% value: 31.0%
    - 200% value: 49.0%

    The target value was derived from planned improvements in sales and IT processes for fiscal year 2022. The 0% value of 31.0% was based on the figure from the most recent available quarterly financial statements when the targets were set (Q3 2021); the 200% value of 49% was then determined arithmetically.

- Sustainability/reduction in CO_2e emissions:
    - Target (100%): 14.4%
    - 0% value: 0%
    - 200% value: 28.8%

  The target value was derived from the long-term CO_2e emission reduction roadmap. The 0% value was set at 0% as the reduction is measured as a percentage change from the emission level for the 2019 base year (91.9 kt CO_2e, in accordance with the Greenhouse Gas Protocol; the targets are based on the 1.5-degree decarbonization path in line with the Klöckner & Co Group's net zero carbon targets recognized as science-based targets by the Science Based Targets initiative (SBTi)); the 200% value of 28.8% was then determined arithmetically.

- Sustainability/employee satisfaction:
    - Target (100%): 4.0
    - 0% value: 3.1
    - 200% value: 4.9

The target value was derived from the rating scale as the targeted level of employee satisfaction and leadership for the Group. The 200% value was set at 4.9, since this was considered to be the maximum achievable average value with a scale of up to 5.0 and in view of the number of respondents; the 0% value of 3.1 was then determined arithmetically.

- Sustainability/accident rate:
    - Target (100%): 7.6
    - 0% value: 11.4
    - 200% value: 3.8

  The target value was derived from the long-term accident rate reduction roadmap. The 200% value was set at half of the 100% target level; the 0% value of 11.4 was then determined arithmetically.

These target figures were then used to calculate the target achievement rates for the individual targets. The target achievement level for the targets EBITDA before material special effects, cash flow from operating activities (operating cash flow) and reduction in CO_2e emissions is based on the following calculation:

$$Target\ achievement\ in\ \% = \frac{Actual}{Target\ 100\%}$$

Example: EBITDA before material special effects

$$Percentage\ target\ achievement\ for\ EBITDA\ before\ material\ special\ effects\ =$$

$$\frac{€417\ million}{€300\ million} = 138.9\%$$

The target achievement level for the targets digital sales as a percentage of total sales, sales automation, employee satisfaction and accident rate is based on the following calculation:

$$Target\ achievement\ in\ \% = 1 - \frac{(Actual - Target\ 100\%)}{(Target\ 0\%\ - Target\ 100\%)}$$

Example: Digital sales as percentage of total sales

$$Target\ achievement\ in\ \% = 1 - \frac{(44.3 - 55.0)}{(46.1 - 55.0)} = \ -20.2\%$$

Calculation of total target achievement:

Total target achievement is then calculated as the sum total of the individual target achievement levels weighted by their respective notional proportion of the total. The maximum total bonus achievable for 2022 (cap) is 200% of the individual target bonus. The floor is 0%.

In table form, the targets and their weightings for the reporting year are as follows:

Target indicator		Target		Notional proportion
Target achievement	0%	100%	200%	
Financial targets				
EBITDA before special effects	€0 million	€300 million	€600 million	50%
Operating cash flow	€0 million	€265 million	€530 million	30%
Non-financial targets				
Digitalization: Increase in digital sales as share of total sales	46.1%	55.0%	63.9%	2.5%
Digitalization: Increase in automatically processed orders as share of total orders	31.0%	40.0%	49.0%	2.5%
Reduction of CO_2e emissions	0.0%	– 14.4%	– 28.8%	5.0%
Employee satisfaction/Leadership	3.1	4.0	4.9	5.0%
Occupational safety: Lost-time accidents (LTIF rate group)	11.4	7.6	3.8	5.0%

The resulting target achievement was as follows for the targets in fiscal year 2022:

Criterion and target	Proportional target achievement				
(€ thousand)	Target	Relative proportion	Actual figure	Target achieve-ment	Notional proportion
Financial targets					
EBITDA before special effects	300,000	50%	416,657	138.9%	69.4%
Operating cash flow	265,149	30%	405,165	152.8%	45.8%
Non-financial targets					
Digitalization: Increase in digital sales as share of to-tal sales	55%	2.5%	44.3%	– 20.2%	– 0.5%
Digitalization: Increase in automatically processed orders as share of total orders	40%	2.5%	34.0%	33.3%	0.8%
Reduction of CO_2e emissions	– 14.4%	5%	– 42.6%	295.8%	14.8%
Employee satisfaction/Leadership	4.0	5%	3.95	94.4%	4.7%
Occupational safety: Lost-time accidents (LTIF rate group)	7.6	5%	5.8	147.4%	7.4%
Total					**142.5%**
Cap					-

(€ thousand)	Target bonus	Target achievement	Earned bonus
Guido Kerkhoff, CEO	1,380	142.5%	1,966
Dr. Oliver Falk, CFO	638	142.5%	908
John Ganem, CEO Americas[1)]	643	142.5%	916
Bernhard Weiß, CEO Europe	580	142.5%	826

1) For John Ganem, in view of the contractually agreed stable-value clause to compensate for exchange rate movements, a figure of USD 687,500 was used for the target bonus in the calculation for the reporting year; the euro amounts stated above were determined using the exchange rate available on February 13, 2023. The actual payment amount is based on the exchange rate applicable on the payment date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year

c) Remuneration granted and due in 2022 under Section 162 of the Stock Corporation Act (including relative proportions)

The table below shows the remuneration granted and due – within the meaning of Section 162 of the German Stock Corporation Act – to each of the Management Board members in office in the reporting year, including all fixed and variable remuneration components and their relative proportions.

The figures comprise fixed remuneration (fixed salary, ancillary benefits and cash compensation for retirement provision; in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary) earned and paid out in the reporting year, together with variable remuneration components earned in the re-porting year, irrespective of whether the latter fall due and are paid out in the fiscal year 2023 now in progress (earned remuneration-based interpretation).

With regard to items included in the amounts shown for ancillary benefits and retirement benefits, please see the information provided under heading a) above. Accordingly, amounts for group insurance policies are not included (with the exception of certain insurance policies for John Ganem in the USA); the same applies for paid compulsory employer contributions for health and long-term care insurance in Germany. Payments in connection with defined-contribution plans in the USA are accounted for as retirement contributions, while Section 162 of the German Stock Corporation Act does not require the disclosure of expenses for defined-contribution plans (we nevertheless additionally include such amounts at the bottom of the table for comparability; further information is provided under n)).

MANAGEMENT BOARD REMUNERATION GRANTED AND DUE IN **2022** UNDER SECTION 162 OF THE STOCK CORPORATION ACT[1]

	Guido Kerkhoff, CEO (since May 13, 2021)				Dr. Oliver Falk, CFO			
	2021		2022		2021		2022	
(€ thousand)	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion
Non-performance-related remuneration components								
Fixed salary	**864**	23%	**930**	29%	**420**	25%	**439**	30%
Retirement contributions/payments; cash compensation for retirement provision	**314**	8%	**350**	11%	**50**	3%	**102**	7%
Ancillary benefits	**13**	0%	**13**	0%	**17**	1%	**13**	1%
Total non-performance-related remuneration components	**1,191**	**32%**	**1,293**	**40%**	**487**	**29%**	**554**	**38%**
Performance-related remuneration components								
One-year variable remuneration (annual bonus)[2) 3)]	**2,556**	68%	**1,966**	60%	**1,200**	71%	**908**	62%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act	**3,747**	**100%**	**3,259**	**100%**	**1,687**	**100%**	**1,462**	**100%**
Expense for defined-benefit pension plans in accordance with IFRS[5)]	**-**		**-**		**116**		**63**	

	John Ganem, CEO Americas[6]				Bernhard Weiß, CEO Europe (since June 1, 2021)			
	2021		2022		2021		2022	
(€ thousand)	Amount	Relative propor-tion	**Amount**	**Relative proporti on**	Amount	Relative propor-tion	**Amount**	**Relative proporti on**
Non-performance-related remuneration components								
Fixed salary	420	25%	439	30%	196	24%	406	30%
Retirement contribu-tions/payments; cash com-pensation for retirement pro-vision	12	1%	87	6%	47	6%	97	7%
Ancillary benefits	40	2%	46	3%	7	1%	9	1%
Total non-performance-related remuneration components	472	28%	572	38%	250	31%	512	38%
Performance-related remuneration components								
One-year variable remunera-tion (annual bonus)[2) 3) 4)]	1,200	72%	916	62%	560	69%	826	62%
Total remuneration within the meaning of Section 162 of the German Stock Corpo-ration Act	**1,672**	**100%**	**1,488**	**100%**	**810**	**100%**	**1,338**	**100%**
Expense for defined-benefit pension plans in accordance with IFRS[5)]	204		-		-		-	

1) Remuneration earned for Management Board service in the reporting year excluding variable remuneration paid in the reporting year but earned in the previous fiscal year for the previous fiscal year; no remuneration is paid for offices held within the Group.
2) Variable remuneration is subject to an obligation that it be used in part to purchase shares in the Company as a long-term remuneration component (see **f)** below).
3) For John Ganem, in view of the contractually agreed stable-value clause to compensate for exchange rate movements, a figure of USD 687,500 was used for the target bonus in the calculation for the reporting year; the euro amounts stated above were determined using the exchange rate available on February 13, 2023. The actual payment amount is based on the exchange rate applicable on the payment date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year.
4) Bernhard Weiß was CEO of French Group company Kloeckner Metals France S.A.S. until his appointment to the Management Board of Klöckner & Co SE as of June 1, 2021; his total gross salary earned for that period, including company car and ancillary benefits, amounts to €196 thousand (this amount is not part of Management Board remuneration as it is no remuneration for Management Board service).
5) Disclosure made for comparability purposes (not a disclosure in accordance with Section 162 AktG); for further information, see n) below).
6) In addition to his contract as member of the Management Board of Klöckner & Co SE, John Ganem also has a contract as CEO of the US country organization; an offsetting arrangement applies, as a result of which the presentation is uniform.

d) Remuneration in 2022 on the basis of prior Code tables (benefits granted and benefits received)

For better comparability with past figures, remuneration for the members of the Management Board in office in the reporting year is shown voluntarily in the following based on the model tables relating to section 4.2.5(3) of the Code as of February 7, 2017.

Granted compensation	Guido Kerkhoff, CEO (since May 13, 2021)				Dr. Oliver Falk, CFO			
(€ thousand)	2021	2022	2022 (Min.)	2022 (Max.)	2021	2022	2022 (Min.)	2022 (Max.)
Fixed compensation	864	930	930	930	420	439	439	439
Ancillary benefits[1)]	327	363	363	363	67	116	116	116
Total	**1,191**	**1,293**	**1,293**	**1,293**	**487**	**555**	**555**	**555**
One year's variable compensation	1,278	1,380	-	2,760	600	638	-	1,275
Multi-year variable compensation[2)]					-	-	-	-
Total	**2,469**	**2,673**	**1,293**	**4,053**	**1,087**	**1,193**	**555**	**1,830**
Postemployment benefits	-	-	-	-	116	63	63	63
Total compensation	**2,469**	**2,673**	**1,293**	**4,053**	**1,203**	**1,256**	**618**	**1,893**

Granted compensation	John Ganem, CEO Americas				Bernhard Weiß, CEO Europe (since June 1, 2021)			
(€ thousand)	2021	2022	2022 (Min.)	2022 (Max.)	2021	2022	2022 (Min.)	2022 (Max.)
Fixed compensation	420	439	439	439	196	406	406	406
Ancillary benefits[1)]	53	135	135	135	54	105	105	105
Total	**473**	**574**	**574**	**574**	**250**	**511**	**511**	**511**
One year's variable compensation[3)]	600	643	-	1,286	280	580	-	1,160
Multi-year variable compensation[2)]	-	-	-	-	-			
Total	**1,073**	**1,217**	**574**	**1,860**	**530**	**1,091**	**511**	**1,671**
Postemployment benefits	204	-	-	-	-	-	-	-
Total compensation	**1,277**	**1,217**	**574**	**1,860**	**530**	**1,091**	**511**	**1,671**

1) Including amounts for the reporting year paid in lieu of corporate pension benefits which must be invested in a private post-retirement scheme: Guido Kerkhoff €350 thousand (2021: €314 thousand), Dr. Oliver Falk €102 thousand (2021: €50 thousand), John Ganem €73 thousand (2021: €0 thousand), Bernhard Weiß €97 thousand (2021: €47 thousand).

2) The members of the Management Board in office in the reporting year did not participate in the stock option program for the Management Board in place until the end of 2015. However, Dr. Oliver Falk and Bernhard Weiß still hold virtual stock options from their service as CEOs of country organizations within the Klöckner & Co Group; benefits received in this regard do not constitute Management Board remuneration and are not included in the table.

3) For John Ganem, in view of the contractually agreed stable-value clause to compensate for exchange rate movements, a figure of USD 687,500 was used for the target bonus in the calculation for the reporting year; the euro amounts stated above were determined using the exchange rate available on February 13, 2023. The actual payment amount is based on the exchange rate applicable on the payment date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year

Proceeds	Guido Kerkhoff, CEO (since May 13, 2021)		Dr. Oliver Falk, CFO	
(€ thousand)	2021	2022	2021	2022
Fixed compensation	864	930	420	439
Ancillary benefits[1)]	327	363	67	116
Total	**1,191**	**1,293**	**487**	**555**
One year's variable compensation	2,556	1,966	1,200	908
Multi-year variable compensation[2)]				
Total	**3,747**	**3,259**	**1,687**	**1,463**
Postemployment benefit	0	0	116	63
Total compensation	**3,747**	**3,259**	**1,803**	**1,526**

Proceeds	John Ganem, CEO Americas		Bernhard Weiß, CEO Europe (since June 1, 2021)	
(€ thousand)	2021	2022	2021	2022
Fixed compensation	420	439	196	406
Ancillary benefits[1)]	53	135	54	105
Total	**472**	**574**	**250**	**511**
One year's variable compensation[3)]	1,200	916	560	826
Multi-year variable compensation[2)]				
Total	**1,672**	**1,490**	**810**	**1,337**
Postemployment benefit	204	0	0	-
Total compensation	**1,876**	**1,490**	**810**	**1,337**

1) Including amounts for the reporting year paid in lieu of corporate pension benefits which must be invested in a private post-retirement scheme: Guido Kerkhoff €350 thousand (2021 €314 thousand), Dr. Oliver Falk €102 thousand (2021: €50 thousand), John Ganem €73 thousand (2021: €0 thousand), Bernhard Weiß €97 thousand (2021: €47 thousand).

2) The members of the Management Board in office in the reporting year did not participate in the stock option program for the Management Board in place until the end of 2015. However, Dr. Oliver Falk and Bernhard Weiß still hold virtual stock options from their service as CEOs of country organizations within the Klöckner & Co Group; benefits received in this regard do not constitute Management Board remuneration and are not included in the table.

3) For John Ganem, in view of the contractually agreed stable-value clause to compensate for exchange rate movements, a figure of USD 687,500 was used for the target bonus in the calculation for the reporting year; the euro amounts stated above were determined using the exchange rate available on February 13, 2023. The actual payment amount is based on the exchange rate applicable on the payment date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year.

e) Fixed and variable remuneration including relative proportions and explanatory notes on conformity with the applicable remuneration system

Proportions of total remuneration

The relative proportions accounted for by each remuneration component are shown in the table under heading c) above.

Conformity with the applicable remuneration system

The remuneration is in conformity with the applicable remuneration system, although it should be noted that, under the grandfathering arrangement for Guido Kerkhoff, Dr. Oliver Falk and John Ganem, the prior 2016 Remuneration System continued to apply in the reporting year (for Dr. Oliver Falk and John Ganem for the period up to July 31, 2022). That remuneration system did not provide for fixed ratios between or any caps for individual remuneration components as the cap was based on the maximum 200% target achievement. The service contract entered into with Guido Kerkhoff in fiscal year 2020 and amended at the beginning of 2021 already takes into account and complies with the requirements of the new 2021 remuneration system, even though this did not yet apply at the conclusion of the contract and therefore also does not apply to date.

In particular, where applicable, the requirements of the 2021 remuneration system were complied with as regards the ratio of fixed and variable remuneration to the target amount for direct remuneration (40:60, excluding ancillary benefits and retirement provisions), as are the requirements on the ratios of the retirement provisions and ancillary benefit amounts to the fixed salary (retirement provisions: 20% to 40%; ancillary benefits: 10% maximum); no remuneration has been granted that is not covered by the applicable remuneration system (see also the table under k).

To the extent that Management Board members Dr. Oliver Falk and John Ganem continued to be granted defined-benefit pension plans in the reporting year, those benefits were based (in line with the remuneration system applicable at the time) on contractual arrangements made prior to the adoption of and are not subject to the new 2021 remuneration system. The requirements on the relative maximum pension benefit and ancillary benefit amounts relative to the fixed salary do not apply in this connection for the same reason; these benefits are consequently not to be included in the calculation in this regard.

f) Promotion of the Company’s long-term development

In the sense of an LTI component, the requirement for a majority of variable remuneration to be invested in shares in the Company with a specified lock-up period ties the value of benefits received by the members of the Management Board to the share price and, because of the multi-year lock-up period, to the long-term development of the Company. This aligns Management Board performance goals more closely with shareholder interests. The amounts and percentages for the required personal investment in shares for the reporting year are shown in the table below:

PERSONAL INVESTMENT 2022[1]

(€ thousand)	Guido Kerkhoff, CEO	Dr. Oliver Falk, CFO	John Ganem, CEO Americas	Bernhard Weiß, CEO Europe
Performance-related remuneration, gross	1,966	908	916	826
Personal investment amount	590	272	275	248
Personal investment amount, gross[2]	1,180	545	550	496
Personal investment percentage, gross[2]	60%	60%	60%	60%

1) On the basis of remuneration granted and due in 2022 under Section 162 of the Stock Corporation Act (see c) above).
2) Gross amount of personal investment calculated assuming notional 50% tax and social insurance burden.

The targets governing the amount of variable remuneration are also based on long-term strategic developments (such as growth and milestones in digitalization and under the multi-year strategy) and also include sustainability targets (for the targets for the reporting year, see b) above). As a result, remuneration is geared in several respects to promotion of the Company's long-term development.

g) Comparative analysis of annual changes in Management Board remuneration, the Company’s financial performance and average employee remuneration

The table below shows the percentage change in the remuneration of members of the Management Board in comparison to the financial performance of Klöckner & Co SE and changes in average employee remuneration on a full-time equivalent basis.

The financial performance of Klöckner & Co SE is presented on the basis of the following key performance indicators (KPIs): (i) net income (or net loss) of Klöckner & Co SE, (ii) Group EBITDA before material special effects and (iii) Group cash flow from operating activities. The latter two KPIs are also major determinants of variable remuneration for the Management Board.

Average employee remuneration is determined on a full-time equivalent basis for two groups: (i) senior management worldwide (management level 1, meaning CEOs and CFOs of country organizations and heads of corporate departments at Klöckner & Co SE) and (ii) the total workforce worldwide.

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN MANAGEMENT BOARD REMUNERATION PURSUANT TO SECTION 162 (1) NO. 2 OF THE STOCK CORPORATION ACT

Management Board Compensation[1]	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Current members of the Management Board					
Guido Kerkhoff[2]	-	-	-	387%	– 13%
Dr. Oliver Falk	-	-	143%	41%	– 13%
John Ganem	-	-	147%	40%	– 11%
Bernhard Weiß[3]	-	-	-	-	65%
Former members of the Management Board					
Gisbert Rühl[4]	– 6%	26%	8%	– 30%	– 71%
Bill Partalis[8]	– 93%	0%	0%	0%	0%
Financial performance					
Net income Klöckner & Co SE	– 107%	– 613%	94%	3,233%	– 61%
EBITDA before material special effects (Group)	4%	– 46%	– 10%	664%	– 51%
Cash flow from operating activities (Group)	– 24%	240%	– 21%	– 290%	232%
Average employee remuneration on full-time equivalent basis					
Senior management worldwide (Level 1)[5, 6]	2%	– 18%	15%	– 2%	– 5%
Total workforce worldwide [7]	– 2%	4%	3%	10%	– 4%

1) Total remuneration within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (fiscal years 2017 to 2020 pro forma).
2) Guido Kerkhoff was appointed to the Management Board as of September 1, 2020; the total remuneration for 2020 relates to the period subsequent to his appointment.
3) Bernhard Weiß was appointed to the Management Board as of June 1, 2021; the total remuneration for 2021 used as a basis therefore relates solely to the period subsequent to his appointment.
4) Gisbert Rühl left the Management Board as of May 12, 2021; the remuneration for fiscal year 2021 used as a basis consists of Management Board remuneration up to his departure and the pension paid after his departure in fiscal year 2021.
5) The comparison group comprises the management of country organizations and heads of corporate departments at Klöckner & Co SE.
6) For the years 2018 to 2021, adjustments in the calculation model result in deviations from the figures shown in the Annual Report 2021 of 1pp (2017-2018), 3pp (2018-2019), 9pp (2019-2020), –12pp (2020-2021). For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect of 2pp (2017-2018), –2pp (2018-2019), 3pp (2019-2020), 1pp (2020-2021).
7) For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect, resulting in deviations from the figures shown in the Annual Report 2021 of 0pp (2017-2018), –3pp (2018-2019), 0pp (2019-2020), 2pp (2020-2021).
8) For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect, resulting in deviation from the figures shown in the Annual Report 2021, of 0pp (2017-2018), –5pp (2018-2019), 2pp (2019-2020), 3pp (2020-2021).

h) Shares and stock options granted or awarded

No shares or stock options were granted or awarded to members of the Management Board in the reporting year. However, the Management Board members in office are required – in the nature of a long-term incentive (LTI) remuneration component – to invest the majority of the variable remuneration for the reporting year in shares in the Company ("personal investment" – see under heading f) above).

The former virtual stock option (VSO) program for members of the Management Board was discontinued at the end of 2015. No more VSOs were in existence in the reporting year. For further details on the VSO program, please see the Annual Report of the Company for fiscal year 2015. The Management Board members in office during the reporting year did not participate in the above-mentioned VSO program for members of the Management Board. Any VSOs from prior non-Management Board service and any payments based on such VSOs are not considered remuneration for Management Board service and are therefore not included in this report.

i) Clawback of variable remuneration components

No clawback of variable remuneration components took place in the reporting year.

j) Maximum remuneration

The maximum remuneration specified in the 2021 remuneration system, defined in the 2021 remuneration system as an absolute euro figure for the maximum amount of remuneration granted to a Management Board member in a given fiscal year, applied in the reporting year solely to Bernhard Weiß and pro rata for Dr. Oliver Falk and John Ganem and was complied with (for Bernhard Weiß as an ordinary member of the Management Board, the maximum remuneration was €2.2 million; for Dr. Oliver Falk and John Ganem, the maximum remuneration was €916,667 pro rata temporis for the period covered by the 2021 remuneration system (August 1, 2022 to the year-end)). Reference is made in this regard to the table under heading k). This also shows the ratios of retirement and ancillary benefits to the fixed salary, as described under heading e). Guido Kerkhoff's remuneration for the reporting year was also below the maximum remuneration (not yet applicable to his service contract) of €6,400,000.

The 2021 remuneration system and the maximum remuneration specified in it do not yet apply to the remaining remuneration, whereas this grandfathering arrangement for John Ganem and Dr. Oliver Falk ended on August 1, 2022, the effective date of their contract extension (see above, under "Grandfathering arrangement for prior contracts (Guido Kerkhoff, John Ganem and Dr. Oliver Falk)"). The 2016 remuneration system instead provides for variable remuneration to be capped at 200% of the target bonus. This requirement was met at all times.

k) Deviations from the 2021 remuneration system

To the extent that the 2021 remuneration system applied, no departures from it arose in the reporting year. With regard to the requirements on maximum remuneration (see j) above) and on the ratio of retirement and ancillary benefits to the fixed salary (see e) above), this is additionally evident from the table below

REQUIREMENTS UNDER THE 2021 REMUNERATION SYSTEM[1)]

(€ thousand)	Guido Kerkhoff, CEO (since May 13, 2021)	Dr. Oliver Falk, CFO[1), 2)]	John Ganem, CEO Americas[1), 2)]	Bernhard Weiß, CEO Europe[1)]
Maximum remuneration				
Maximum remuneration under the remuneration system 2021	-	917	917	2,200
Total remuneration 2022	-	680	701	1,337
Ratio of non-performance-related remuneration components of target amount for direct remuneration in 2022[4)]				
Ratio of ancillary benefits to fixed salary (%) (stipulated: max. 10%)	-	1.92%	9.99%	2.11%
Ratio of retirement benefits to fixed salary (%) (stipulated: 20-40%)[3)]	-	37.63%	39.50%	23.81%

1) The requirements under the 2021 Remuneration System applied only to Bernhard Weiß in the reporting year and partially to Dr. Oliver Falk and John Ganem (from August 1, 2022).
2) Maximum remuneration for Dr. Oliver Falk and John Ganem calculated pro rata temporis (full-year maximum remuneration for an ordinary member of the Management Board: €2,200,000); the total remuneration for 2022 relates to remuneration earned from August 1, 2022.
3) Under the requirements of the remuneration system, retirement provision for Bernhard Weiß for the entire reporting year and for Dr. Oliver Falk and John Ganem from August 1, 2022 consists exclusively of a defined-contribution plan (cash compensation tied to the purpose of servicing retirement provision; in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary).
4) The underlying figures for Bernhard Weiß are to be found in the table "Remuneration granted and due under Section 162 of the Stock Corporation Act". For Dr. Oliver Falk and John Ganem, the amounts earned in each case from August 1, 2022 were used as a basis.

No use was made in the reporting year of the authorization for temporary deviations provided in the 2021 Remuneration System.

l) Third-party benefits; intra-group offices

No member of the Management Board was granted or awarded benefits by a third party in the reporting year for service on the Management Board. The members of the Management Board were not granted any additional remuneration for any offices held within the Klöckner & Co Group (see under heading c) above).

m) Benefits in the event of early termination of Management Board service

Management Board service contracts provide for compensation in the event of early termination other than for cause. This compensation depends on the remaining term of the service contract, but is capped at two years' annual remuneration (severance payment cap). The existing service contracts do not provide for a special right of termination in the event that a specific control threshold is exceeded in relation to voting rights in the Company (change-of-control clause).

Management Board members are subject to a 24-month post-contractual non-competition covenant compensated for by payment of half of their most recent total remuneration (fixed salary plus bonus at 100% target achievement) p.a. unless the Company waives the clause. The Management Board contracts already provide for any severance payment to be deducted from such amounts. The personal investment requirement is waived in this instance.

No changes to these arrangements were made in the reporting year.

n) Benefits in the event of regular termination of Management Board service (retirement provisions)

To the extent that retirement provisions for individual members of the Management Board in office in the reporting year comprise benefits subsequent to regular termination of Management Board service, their present value and the Company's expense in this regard during the reporting year (service cost in accordance with IFRS) are presented in the table below.

PENSION COMMITMENTS FOR MANAGEMENT BOARD MEMBERS IN OFFICE IN THE REPORTING YEAR – PRESENT VALUES AND EXPENSE AMOUNTS[1)]

(in €)	Reporting date	Present value[2)]	Service cost 2022[2)]
Dr. Oliver Falk	Dec. 31, 2022	4,298,118	63,136
John Ganem	Dec. 31, 2022	2,179,595	-

1) There were changes in the pension commitments in the reporting year: Retirement provision for Dr. Oliver Falk and John Ganem was switched in its entirety as of August 1, 2022 to a defined-contribution plan.
2) IFRS amount.

Aside from the above (i.e., with the exception of Dr. Oliver Falk and John Ganem), the members of the Management Board in office solely receive amounts for private retirement provision in accordance with their service contracts (cash compensation for retirement provision). Benefits in the event of regular termination of Management Board service are no longer provided. The service contracts with Management Board members Dr. Oliver Falk and John Ganem switched to the purely defined-contribution retirement benefits system with cash compensation effective August 1, 2022 (in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary as part of local retirement provision).

o) Benefits and payments related to the termination of Management Board service in the reporting year

There were no benefits and payments in the reporting year related to the termination of Management Board service.

FORMER MEMBERS OF THE MANAGEMENT BOARD

Remuneration granted and due to former members of the Management Board (other than those who left office prior to January 1, 2013) for the reporting year pursuant to Section 162 of the German Stock Corporation Act is shown in the table below.

REMUNERATION FOR FORMER MEMBERS OF THE MANAGEMENT BOARD GRANTED AND DUE IN FISCAL YEAR 2022 UNDER SECTION 162 OF THE STOCK CORPORATION ACT

	Bill Partalis, CEO Americas (until December 31, 2017)		Gisbert Rühl, CEO (until May 12, 2021)	
(€ thousand)	Amount	Relative Proportion	Amount	Relative share
Retirement benefits / pensions	105	100%	610	100%

In the reporting year, total compensation of €137 thousand was paid to other former members of the Management Board (2021: €124 thousand). Provision for pension obligations to former members of the Board of Management and their surviving dependents amount under IFRS to €20,001 thousand (2021: €8,450 thousand).

Changes in the Management Board remuneration in the reporting year

The service contracts with Dr. Oliver Falk and John Ganem were extended for three years effective August 1, 2022 on the extension of their appointment as members of the Management Board. At the same time, their contracts were adapted to requirements of the new 2021 remuneration system and hence to those of ARUG II and the current Code. The share of the personal investment required to be made out of the annual bonus was increased and the lock-up period extended to four years (long-term component). A clawback arrangement was also introduced and retirement provision switched to a defined-contribution plan in the form of cash compensation for the purpose of retirement provision (in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary as part of local retirement provision). In addition, remuneration was adjusted/appropriately increased.

The remuneration for Bernhard Weiß was increased slightly effective March 1, 2022. This adjustment was based on an agreement made at the time of Bernhard Weiß's appointment and was made having regard to his scope of responsibilities and his performance. The new remuneration corresponds to the salary of the remaining ordinary members of the Management Board in their first period of appointment.

Finally, Guido Kerkhoff's appointment as Chief Executive Officer and his service contract were extended by a further three years in the reporting year effective September 1, 2023. As of the effective date of the extension, his remuneration will also be adjusted/appropriately increased.

In all cases, the above-mentioned adjustments/increases in Management Board remuneration were decided following and on the basis of an appropriateness assessment applied by the Supervisory Board. As well as responsibilities, performance and the increased length of service, this also took into account predecessors' remuneration and both a horizontal and a vertical benchmarking were conducted.

Target setting for 2023

ASSESSMENT OF APPROPRIATENESS

Criteria with respect to the appropriateness of Management Board remuneration include an individual Management Board member's responsibilities and performance, the enterprise's business situation, success and future prospects, the extent to which the remuneration matches that of industry peers and the remuneration structure within the Company. Both positive and negative developments are taken into account when determining performance-related remuneration components. Remuneration shall overall be internationally competitive and to give incentives geared to the Company's sustainable growth and a sustained increase in enterprise value in a dynamic environment.

In setting the 2021 remuneration system and the targets and target total remuneration for 2023, the Supervisory Board applied horizontal benchmarking based partly on an independently compiled study of remuneration paid to regular management board members and CEOs at other companies. Due to a lack of comparable German companies in the steel distribution industry, other wholesalers and comparable international companies were included in the analysis. The peer group used consisted of German SDAX®-listed (at the time of peer group selection) companies of comparable size (sales and workforce), the SDAX® average and international peer companies. In addition, vertical benchmarking was carried out against the remuneration for senior management (management level 1) and the Group workforce as a whole (in both cases worldwide).

The Supervisory Board, through the Presidium, regularly reviews the currently applied remuneration system with regard to its appropriateness and structure (components and fixed and variable remuneration amounts) and with a view to any need for adjustment. The appropriateness of Management Board remuneration relative to each Management Board member's tasks and performance, to the enterprise's situation and to usual levels of remuneration is additionally reviewed annually when setting target total remuneration for the next year.

TARGETS FOR FISCAL YEAR 2023

The Supervisory Board set the targets for fiscal year 2023 at its December meeting in the reporting year. In conformity with the 2021 Remuneration System, it set and weighted both financial and non-financial targets.

a) Financial targets

The financial targets relate to EBITDA before material special effects and operating cash flow and are based on the Group budget, although the EBITDA targets have been increased above the budget figures. As in the prior year, EBITDA before material special effects has a weighting of 50% and operating cash flow a weighting of 30%. In respect of the above-mentioned financial targets, an adjustment (increase) is planned for the expected effects of the agreed acquisition of National Material of Mexico (pro rata temporis from the closing of the transaction in fiscal year 2023).

b) Non-financial targets

The Supervisory Board based the non-financial targets on three focal areas:

For the strategic component, the focus is once again placed on digitalization. The targets set here – each with a weighting of 1.5% – are the share of digital orders to be generated ("digital orders," defined as the number of orders received via digital channels as a percentage of the total number of orders) and the share of digital quotes to customers ("digital quotes," defined as the number of quotes generated digitally as a percentage of the total number of quotes). To these is added, with a weighting of 2%, the efficiency of the digital ordering processes ("average changes processed via digital channels," defined as the number of manual corrections to orders received via digital channels as a percentage of the total number of digital orders). As in the prior year, the two further focal areas relate to the aspect of sustainability (environmental, social and governance, ESG) and have been incorporated as non-financial targets: reduction in CO_2e emissions – which comes under the environmental category but is also part of the Group strategy – and employee-related targets. Likewise as in the prior year, the targets for this purpose are as follows, with a weighting of 5% each: Reduction in CO_2e

emissions, employee satisfaction/leadership as measured in the Group-wide employee survey and further reduction in the lost time injury frequency (LTIF) rate throughout the Group. These non-financial targets are specified with clear and measurable criteria.

The total weighting of the non-financial targets is therefore 20%, which is within the range specified in the remuneration system.

TARGET AMOUNT FOR DIRECT REMUNERATION AND TARGET TOTAL REMUNERATION FOR FISCAL YEAR 2023

Also at its December meeting in the reporting year, the Supervisory Board set the target amount for direct remuneration and target total remuneration for fiscal year 2023, as set out in the following. The Supervisory Board based the figures for retirement provisions and ancillary benefits on reasonable estimates; the final figures for fiscal year 2023 may therefore differ from those estimates.

MANAGEMENT BOARD TARGET REMUNERATION FOR FISCAL YEAR 2023[1)]

	Guido Kerkhoff		Dr. Oliver Falk	
(€ thousand)	2022	2023	2022	2023
Fixed compensation[2)]	930	983	439	465
One year's variable compensation (annual bonus)[2)]	1,380	1,460	638	690
Target amount for direct remuneration	**2,310**	**2,443**	**1,077**	**1,155**
Ancillary benefits	13	13	16	9
Retirement provisions (pension benefits, cash compensation, and other contribution payments)[2)]	350	367	207	175
Target total remuneration	**2,673**	**2,823**	**1,300**	**1,339**

	John Ganem		Bernhard Weiß	
(€ thousand)	2022	2023	2022	2023
Fixed compensation[2)]	439	465	336	420
One year's variable compensation (annual bonus)[2)]	638	690	480	600
Target amount for direct remuneration	**1,077**	**1,155**	**816**	**1,020**
Ancillary benefits	43	47	9	9
Retirement provisions (pension benefits, cash compensation, and other contribution payments)[2)]	207	175	80	100
Target total remuneration	**1,327**	**1,377**	**905**	**1,129**

1) The forecast target remuneration was prepared in each case in November of the prior year; it includes rounding and is partly based on assumptions and estimates; the final figures for each fiscal year may consequently differ.

2) The figures stated include any remuneration adjustments in the fiscal years 2022 (Dr. Oliver Falk, and John Ganem from August 2022) and 2023 (Guido Kerkhoff from September 2023) already fixed at the time of setting the respective target remuneration; the remuneration adjustments for Bernhard Weiß in fiscal year 2022 is included for the first time in the target remuneration for 2023.

Where applicable, requirements as to the ratio of fixed and variable remuneration to the target amount for direct remuneration for fiscal year 2023 were complied with (40:60, excluding ancillary benefits and retirement provisions), as are the requirements on the ratios of retirement benefit and ancillary benefit amounts to the fixed salary (retirement provisions: 20% to 40%; ancillary benefits: 10% maximum).

Supervisory Board remuneration

Remuneration system for the Supervisory Board and Annual General Meeting vote on the remuneration system for the members of the Supervisory Board
The structure and amount of remuneration paid to Supervisory Board members are governed by Section 14 of the Articles of Association, which are published on the Company's website.

While members of the Management Board also receive performance-related remuneration components, remuneration for the members of the Supervisory Board is structured entirely as fixed remuneration. This consists mainly of a fixed remuneration component (as basic remuneration), which is paid pro rata temporis in the event of personnel changes during the fiscal year. Attendance fees are also paid; reasonable cash expenses and value added tax are reimbursed. The Company covers the cost of external training for Supervisory Board members via expense accounts. The fixed remuneration is €40,000 each per fiscal year. The Chairman of the Supervisory Board receives two-and-a-half times, his deputy one-and-a-half times and the Chairman of the Audit Committee one-and-a-quarter times the fixed remuneration. The attendance fee is €2,000 per meeting. The Chairman of the Supervisory Board and any Chairman of a Supervisory Board committee each receive two-and-a-half times this amount and their deputies one-and-a-half times this amount. As the remuneration is fixed, no cap or maximum remuneration amount is to be specified.

In addition, in the Company's interest, the members of the Supervisory Board are included in D&O insurance subject to a deductible to be borne by each member of the Supervisory Board (corresponding to the deductible for the Management Board under the German Stock Corporation Act). Members of the Supervisory Board are free to insure the deductible.

A detailed description of the remuneration system for the Supervisory Board is available on the Company's website at https://www.kloeckner.com/en/group/supervisory-board.html.

As is required for listed companies in the German Stock Corporation Act as amended by the Act Implementing the Second Shareholder Rights Directive (ARUG II), the remuneration system for the members of the Supervisory Board was submitted for resolution by the Annual General Meeting on May 12, 2021. The substance of the remuneration system in place since 2013 was retained. The Annual General Meeting confirmed the remuneration system for the Supervisory Board on May 12, 2021 with a majority of 99.54% of votes cast. Under the German Stock Corporation Act as amended by ARUG II, the Annual General Meeting must adopt a resolution on the remuneration system for the members of the Supervisory Board at least once every four years. The next such resolution must therefore be adopted no later than 2025.

The Supervisory Board regularly reviews the appropriateness of the remuneration system for the Supervisory Board. On the basis of a self-assessment carried out at the end of fiscal year 2022, the Supervisory Board came to the conclusion that the current Supervisory Board remuneration – which has remained unchanged since 2013 – no longer reflects the significantly increased demands placed on the work of the Supervisory Board. An adjustment after ten years is also considered appropriate in comparison with the Company's market environment and in particular with comparable companies in terms of size and business activities; this also applies in order to be able to offer competitive remuneration with a view to the recruitment of suitable candidates in the future. The Supervisory Board therefore intends to elaborate a revised remuneration system for the Supervisory Board in 2023 and to submit it to the Annual General Meeting for resolution.

Consideration of a resolution under Section 120a (4) of the German Stock Corporation Act
On June 1, 2022, the Annual General Meeting of the Company approved the Remuneration Report 2021 with a majority of 91.26% of valid votes cast. No points of criticism or critical questions were raised with regard to the Remuneration Report 2021. In light of this, the Supervisory Board sees no fundamental need to change the nature and scope of reporting. The Supervisory Board nonetheless continues to address the continuous improvement of the remuneration report.

Remuneration in fiscal year 2022

REMUNERATION GRANTED AND DUE (INCLUDING RELATIVE PROPORTIONS)

The table below shows, for each individual Supervisory Board member, the remuneration earned in the reporting year by the members of the Supervisory Board which falls due after the end of the Annual General Meeting in 2023.

For the memberships of Supervisory Board committees in fiscal year 2022, please see the Corporate Governance Statement (under "Supervisory Board committees") in the Annual Report 2022 (see page 93). Meeting attendance information is provided in the Report of the Supervisory Board (see page 13). For remuneration purposes, the two extraordinary meetings in January 2022 have been counted as one meeting, i.e. (i) the attendance fee is earned by attending either one of the two meetings and (ii) the attendance fee is granted only once, even if both meetings were attended.

Under Section 14 (5) of the Company's Articles of Association, the fixed remuneration and attendance fees fall due after the end of the Annual General Meeting that receives or decides on the approval of the consolidated financial statements for the relevant fiscal year.

SUPERVISORY BOARD REMUNERATION GRANTED AND DUE IN 2022 UNDER SECTION 162 OF THE STOCK CORPORATION ACT[1), 2)]

(in €)	Basic remuneration (fixed remuneration)	% of total remuneration	Attendance fees (fixed remuneration)[3)]	% of total remuneration	**Total**
Prof. Dr. Dieter H. Vogel (Chairman)	100,000	63	60,000	37	160,000
Dr. Ralph Heck (Deputy Chairman)	60,000	70	26,000	30	86,000
Prof. Dr. Tobias Kollmann	40,000	77	12,000	23	52,000
Prof. Dr. E.h. Friedhelm Loh	40,000	71	16,000	29	56,000
Uwe Röhrhoff	40,000	65	22,000	35	62,000
Ute Wolf (Chairwoman of the Audit Committee)	50,000	59	35,000	41	85,000
Supervisory Board	**330,000**	**66**	**171,000**	**34**	**501,000**

1) Remuneration earned for Supervisory Board service in the reporting year (paid out after the Annual General Meeting in the current fiscal year, excluding remuneration earned in the preceding fiscal year and paid out in the reporting year).
2) Remuneration is paid plus any value added tax to be remitted in Germany, or value added tax is reimbursed by the Company; in the case of Dr. Ralph Heck, the withholding tax payable in Switzerland is retained out of the stated amount.
3) The two extraordinary meetings in January 2022 were counted for remuneration purposes as one meeting, i.e. (i) the attendance fee is earned by attending either one of the two meetings and (ii) the attendance fee is granted only once, even if both meetings were attended.

BOARD REMUNERATION GRANTED AND DUE IN 2021 UNDER SECTION 162 OF THE STOCK CORPORATION ACT[1), 2)]

(in €)	Basic remuneration (fixed remuneration)	% of total remuneration	Attendance fees (fixed remuneration)3)	% of total remuneration	Total
Prof. Dr. Dieter H. Vogel (Chairman)	100,000	69	45,000	31	145,000
Dr. Ralph Heck (Deputy Chairman)	60,000	77	18,000	23	78,000
Prof. Dr. Karl-Ulrich Köhler until 12. Mai 2021	16,667	68	8,000	32	24,667
Prof. Dr. Tobias Kollmann	40,000	83	8,000	17	48,000
Prof. Dr. E.h. Friedhelm Loh	40,000	74	14,000	26	54,000
Uwe Röhrhoff since 12. Mai 2021	26,667	69	12,000	31	38,667
Ute Wolf (Chairwoman of the Audit Committee)	50,000	62	31,000	38	81,000
Supervisory Board	**333,333**	**71**	**136,000**	**29**	**469,333**

1) Remuneration earned for Supervisory Board service in the reporting year (paid out after the Annual General Meeting in the current fiscal year, excluding remuneration earned in the preceding fiscal year and paid out in the reporting year).
2) Remuneration is paid plus any value added tax to be remitted in Germany, or value added tax is reimbursed by the Company; in the case of Dr. Ralph Heck, the withholding tax payable in Switzerland is retained out of the stated amount.

Supervisory Board remuneration pursuant to Section 314 (1) No. 6 of the German Commercial Code (consolidated financial statements) and Section 285 No. 9 of the German Commercial Code (single-entity financial statements), totaled €501,000 in 2022 (2021: €469,333).

No remuneration or benefits for services rendered on an individual basis – particularly consulting or agency services – were granted to Supervisory Board members in the year under review. Expenses were reimbursed within the above-mentioned limits.

No remuneration is paid in shares or stock options. As the remuneration consists entirely of fixed components, no variable remuneration components were clawed back in the reporting year.

EXPLANATORY NOTES ON CONFORMITY WITH THE REMUNERATION SYSTEM, PROMOTION OF THE COMPANY'S LONG-TERM DEVELOPMENT AND APPLICATION OF THE PERFORMANCE CRITERIA

The requirements of the remuneration system were complied with. As the remuneration is entirely fixed (fixed/basic remuneration, attendance fees and reimbursement of expenses), no cap or maximum remuneration amount is necessary. For the same reason, it is not necessary to describe the application of any performance criteria. The remuneration system for members of the Supervisory Board comprising (fixed) basic remuneration and attendance fees with appropriate multiples for chairpersons and deputy chairpersons accords with prevailing market practice at comparable companies in Germany. The remuneration is intended to appropriately remunerate the members of the Supervisory Board for their prudent and conscientious supervision of the Management Board and to attract and retain suitable candidates for the office of member of the Supervisory Board. In this way, it promotes the corporate strategy and the Company's long-term development.

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN SUPERVISORY BOARD REMUNERATION, THE COMPANY'S FINANCIAL PERFORMANCE AND AVERAGE EMPLOYEE REMUNERATION

The table below shows the percentage change in the remuneration of members of the Supervisory Board in comparison to the financial performance of Klöckner & Co SE and changes in average employee remuneration on a full-time equivalent basis.

As in the comparative analysis of remuneration for members of the Management Board, the financial performance of Klöckner & Co SE is presented on the basis of the following key performance indicators: (i) net income (or net loss) of Klöckner & Co SE, (ii) consolidated EBITDA before material special effects and (iii) consolidated cash flow from operating activities.

Average employee remuneration is determined, as in the comparative analysis of remuneration for members of the Management Board, on a full-time equivalent basis for two groups: (i) senior management (management level 1) worldwide and (ii) the total workforce worldwide. Accordingly, for further details, please refer to the information in the report on Management Board remuneration.

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN SUPERVISORY BOARD REMUNERATION PURSUANT TO SECTION 162 (1) NO. 2 AKTG

Supervisory Board remuneration[1]	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022
Current members of the Supervisory Board					
Prof. Dr. Dieter H. Vogel (Chairman)	– 11%	20%	– 13%	– 3%	10%
Dr. Ralph Heck (Deputy Chairman) – since May 16, 2018	-	60%	– 8%	0%	10%
Prof. Dr. Tobias Kollmann	– 8%	13%	– 4%	– 4%	8%
Prof. Dr. E.h. Friedhelm Loh	– 17%	20%	– 10%	0%	4%
Ute Wolf (since May 12, 2017)	44%	15%	– 8%	– 2%	5%
Uwe Röhrhoff (Deputy Chairman) – from May 12, 2017 to May 16, 2018; ordinary member since May 12, 2021	– 40%	– 100%	-	-	60%
Earnings performance					
Net income of Klöckner & Co SE	– 107%	– 613%	94%	3,233%	– 61%
EBITDA before material special effects (Group)	4%	– 46%	– 10%	664%	– 51%
Operating cash flow (Group)	– 24%	240%	– 21%	– 290%	232%
Average employee remuneration on full-time equivalent basis					
Senior management worldwide (Level 1)[2), 3)]	2%	– 18%	15%	– 2%	– 5%
Total workforce worldwide[4)]	– 2%	4%	3%	10%	– 4%

1) Total remuneration within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (fiscal years 2017 to 2020 pro forma).
2) The comparison group comprises the management of country organizations and heads of corporate departments at Klöckner & Co SE.
3) For the years 2018 to 2021, adjustments in the calculation model result in deviations from the figures shown in the Annual Report 2021 of 1pp (2017-2018), 3pp (2018-2019), 9pp (2019-2020), –12pp (2020-2021). For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect of 2pp (2017-2018), –2pp (2018-2019), 3pp (2019-2020), 1pp (2020-2021).
4) For the years 2018 to 2021, the adjustment for exchange rate fluctuations applied for the first time had an additional effect, resulting in deviations from the figures shown in the Annual Report 2021 of 0pp (2017-2018), –3pp (2018-2019), 0pp (2019-2020), 2pp (2020-2021).

Independent Auditor’s Report

To Klöckner & Co SE, Duisburg, Germany

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

We have audited the attached remuneration report, including the related disclosures, of Klöckner & Co SE, Duisburg, for the fiscal year from January 1 to December 31, 2022, including the related disclosures, which was prepared in order to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporate Act].

The remuneration report contains cross-references marked as unaudited that are not required by law. We have not audited these cross-references or the information to which the cross-references refer.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD
Management and the Supervisory Board of Klöckner & Co SE are responsible for the preparation of the remuneration report, including the related disclosures, which complies with the requirements of Section 162 AktG. Management and the Supervisory Board are also responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e., accounting manipulation or asset misstatement) or error.

AUDITOR’S RESPONSIBILITIES
Our responsibility is, based on our audit, render an opinion on this remuneration report, including the related disclosures. We conducted our audit in accordance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). These standards require that we comply with our professional duties and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

The audit encompasses the performance of audit procedures to obtain evidence for the amounts in the remuneration report, including the related disclosures. The choice of audit procedures is subject to the auditor's own professional judgment. This includes the evaluation of the risks of material misstatement in the remuneration report, including the related disclosures whether due to fraud or error. In evaluating these risks, the auditor takes into account the internal control system relevant for the preparation of the remuneration report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate under the given circumstances, but not for render an opinion on the effectiveness of the Company’s internal control. An audit also includes the assessment of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance opinion.

OPINION

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year from January 1, 2022 to December 31, 2022, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

Our opinion of the remuneration report does not cover the cross-references marked as unaudited that are not required by law or the information to which the cross-references relate.

OTHER MATTER – FORMAL REVIEW OF THE REMUNERATION REPORT

The substantive audit of the remuneration report described in this independent auditor's report includes the formal examination of the remuneration report required by Section 162 (3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the remuneration report, this opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made, in all material respects, in the remuneration report.

LIMITATION OF LIABILITY

The engagement, in the fulfillment of which we have performed the aforementioned services on behalf of Klöckner & Co SE, was based on the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on January 1, 2017. By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Düsseldorf, March 3, 2023

KPMG AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

signed Velder	**signed Mehdi Zadegan**
WIRTSCHAFTSPRÜFER	WIRTSCHAFTSPRÜFERIN

GROUP FINANCIAL STATEMENTS

of Klöckner & Co SE

Consolidated financial statements

Consolidated statement of income

for the 12-month period ending December 31, 2022

(€ thousand)	Notes	2022	2021
Sales	7	9,378,686	7,440,863
Changes in inventory	17	34,136	42,023
Own work capitalized	16	-	2,156
Other operating income	8	80,227	52,096
Cost of materials	9	– 7,849,334	– 5,590,010
Personnel expenses	10	– 618,184	– 597,858
Depreciation and amortization	16	– 132,875	– 124,202
Impairment losses of intangible assets and property, plant and equipment	16	– 641	– 2,770
Reversals of impairments of intangible assets and property, plant and equipment	16	559	2,562
Other operating expenses	11	– 544,491	– 470,361
Operating result		**348,083**	**754,499**
Income from investments	**12**	**5,522**	**10,517**
Finance income		2,315	8,323
Finance expenses		– 36,808	– 25,443
Financial result	**13**	**– 34,493**	**– 17,120**
Income before taxes		**319,112**	**747,896**
Income taxes	14	– 59,776	– 118,559
Net income		**259,336**	**629,336**
thereof attributable to			
– shareholders of Klöckner & Co SE		*253,239*	*618,971*
– non-controlling interests		*6,097*	*10,365*
Earnings per share (€/share)	15		
– basic		**2.54**	**6.21**
– diluted		**2.32**	**5.58**

Statement of comprehensive income

for the 12-month period ending December 31, 2022

(€ thousand)	Notes	2022	2021
Net income		**259,336**	**629,336**
Other comprehensive income not reclassifiable			
Actuarial losses and gains (IAS 19)	24	– 83,682	100,300
Related income tax	14	17,167	– 8,933
Total		**– 66,515**	**91,367**
Other comprehensive income reclassifiable			
Foreign currency translation		59,115	65,280
Loss/gain from cash flow hedges	30	– 3,534	-
Total		**55,581**	**65,280**
Other comprehensive income		**– 10,934**	**156,647**
Total comprehensive income		**248,402**	**785,983**
thereof attributable to			
– shareholders of Klöckner & Co SE		*242,199*	*775,587*
– non-controlling interests		*6,203*	*10,396*

Consolidated statement of financial position

as of December 31, 2022

ASSETS

(€ thousand)	Notes	December 31, 2022	December 31, 2021
Non-current assets			
Intangible assets	16 (a)	84,525	97,389
Property, plant and equipment	16 (b)	799,197	760,354
Other financial assets	19	36,415	27,622
Other non-financial assets	19	67,812	172,917
Current income tax receivable	14	-	5,429
Deferred tax assets	14	45,321	35,578
Total non-current assets		**1,033,270**	**1,099,287**
Current assets			
Inventories	17	1,633,497	1,715,723
Trade receivables	18	848,782	843,284
Contract assets	18	49,078	41,861
Commissions, discounts and rebate receivables	18	42,581	55,543
Current income tax receivable	14	19,937	1,225
Other financial assets	19	17,754	20,875
Other non-financial assets	19	31,743	38,182
Cash and cash equivalents	20	179,068	57,628
Assets held for sale	21	3,752	4,154
Total current assets		**2,826,190**	**2,778,475**
Total assets		**3,859,460**	**3,877,762**

EQUITY AND LIABILITIES

(€ thousand)	Notes	December 31, 2022	December 31, 2021
Equity			
Subscribed capital		249,375	249,375
Capital reserves		568,622	568,729
Retained earnings		1,008,383	854,894
Accumulated other comprehensive income		130,044	138,619
Equity attributable to shareholders of Klöckner & Co SE		**1,956,422**	**1,811,616**
Non-controlling interests		11,834	15,731
Total equity	**22**	**1,968,256**	**1,827,348**
Non-current liabilities			
Provisions for pensions and similar obligations	24	38,012	50,024
Other provisions and accrued liabilities	25	14,833	17,352
Non-current financial liabilities	26	400,805	556,446
Other financial liabilities	28	645	137
Deferred tax liabilities	14	47,548	63,140
Total non-current liabilities		**501,843**	**687,099**
Current liabilities			
Other provisions and accrued liabilities	25	145,941	148,022
Income tax liabilities	14	21,591	29,690
Current financial liabilities	26	358,549	260,649
Trade payables	27	776,571	838,149
Other financial liabilities	28	35,966	32,625
Non-financial contract liabilities	28	2,519	5,099
Advance payments received	28	5,637	939
Other non-financial liabilities	28	42,589	48,141
Total current liabilities		**1,389,362**	**1,363,315**
Total liabilities		**1,891,204**	**2,050,414**
Total equity and liabilities		**3,859,460**	**3,877,762**

Consolidated statement of cash flows 2022

(€ thousand)	Notes	2022	2021
Net income		259,336	629,336
Income taxes	14	59,776	118,559
Financial result	13	34,493	17,120
Income from investments	12	–5,522	– 10,517
Depreciation, amortization, reversals of impairment losses and impairment losses on non-current assets	16	132,958	124,410
Other non-cash income/expenses		– 1,193	751
Gain on disposal of non-current assets	8, 11	– 62,190	– 26,876
Change in net working capital			
Inventories	17	156,244	– 802,219
Trade receivables incl. contract assets and Commissions, discounts and rebates receivables	18	34,635	– 316,952
Trade payables incl. contract liabilities and advance payments	27, 28	– 90,709	336,590
Change in other operating assets and liabilities		16,261	– 258,864
Interest paid	34	– 31,637	– 20,069
Interest received	34	1,341	588
Income taxes paid		–101,447	– 106,932
Income taxes received		2,819	9,308
Cash flow from operating activities		**405,165**	**– 305,767**
Proceeds from the sale of non-current assets		73,740	22,446
Proceeds from the sale of financial assets		-	9,999
Dividends received		762	998
Payments for intangible assets, property, plant and equipment		– 80,785	– 84,944
Payments for financial assets		– 5,584	– 8,430
Payments for investments in consolidated subsidiaries		– 22,097	-
Cash flow from investing activities		**– 33,964**	**– 59,931**
Dividend payments to shareholders of Klöckner & Co SE		– 99,750	-
Dividend payments to non-controlling interests		– 10,100	– 1,773
Borrowings	34	406,472	333,531
Repayment of financial liabilities	34	– 497,141	– 24,798
Repayment of leasing liabilities	34	– 42,708	– 47,190
Proceeds from derivates of financing activities	34	– 5,509	– 11,222
Cash flow from financing activities		**– 248,736**	**248,548**
Changes in cash and cash equivalents		**122,465**	**– 117,150**
Effect of foreign exchange rates on cash and cash equivalents		– 1,025	2,212
Cash and cash equivalents at the beginning of the period	20	57,628	172,566
Cash and cash equivalents at the end of the reporting period as per statement of financial position		**179,068**	**57,628**

See Note 34 for notes on the cash flow statement.

Summary of changes in consolidated equity

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings
Balance as of January 1, 2021	**249,375**	**568,729**	**235,923**
Other comprehensive income			
Foreign currency translation	-	-	-
Actuarial gains and losses (IAS 19)	-	-	-
Related income tax	-	-	-
Other comprehensive income	**-**	**-**	**-**
Net income	-	-	618,971
Total comprehensive income	**249,375**	**568,729**	**618,971**
Dividends	-	-	-
Balance as of December 31, 2021	**249,375**	**568,729**	**854,893**
Balance as of January 1, 2022	**249,375**	**568,729**	**854,893**
Other comprehensive income			
Foreign currency translation	-	-	-
Gain/Loss from cash flow hedges	-	-	-
Actuarial gains and losses (IAS 19)	-	-	-
Related income tax	-	-	-
Reclassification to profit and loss due to sale of foreign subsidiaries	-	-	-
Other comprehensive income	**-**	**-**	**-**
Net income	-	-	253,238
Total comprehensive income	**-**	**-**	**253,238**
Dividends	-	-	– 99,750
Gain/loss from hedges and cost of hedging, reclassified in inventories	-	-	-
Equity component of convertible bond	-	– 108	-
Balance as of December 31, 2022	**249,375**	**568,622**	**1,008,381**

Accumulated other comprehensive income					
Currency translation adjustments	Actuarial gains and losses (IAS 19)	Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non-controlling interests	Total
146,477	**– 159,903**	**– 4,571**	**1,036,030**	**7,108**	**1,043,138**
65,264	-	-	65,264	16	65,280
-	100,280	-	100,280	20	100,300
-	– 8,928	-	– 8,928	– 5	– 8,933
65,264	**91,352**	**-**	**156,616**	**31**	**156,647**
-	-	-	618,971	10,365	629,336
65,264	**91,352**	**-**	**775,587**	**10,396**	**785,983**
-	-	-	-	– 1,773	– 1,773
211,741	**– 68,551**	**– 4,571**	**1,811,615**	**15,731**	**1,827,348**
211,741	**– 68,551**	**– 4,571**	**1,811,615**	**15,731**	**1,827,348**
59,102	-	-	59,102	14	59,116
-	-	– 3,534	– 3,534	-	– 3,534
-	– 83,803	-	– 83,803	121	– 83,682
-	17,196	-	17,196	– 29	17,167
-	-	-	-	-	-
59,102	**– 66,607**	**– 3,534**	**– 11,039**	**106**	**– 10,933**
-	-	-	253,238	6,097	259,335
59,102	**– 66,607**	**– 3,534**	**242,199**	**6,203**	**248,402**
-	-	-	– 99,750	– 10,100	– 109,850
-	-	2,465	2,465	-	2,465
-	-	-	– 108	-	– 108
270,843	**– 135,158**	**– 5,640**	**1,956,421**	**11,834**	**1,968,256**

Notes to the consolidated financial statements

of Klöckner & Co SE, Duisburg, as of December 31, 2022

(1) Company information

Klöckner & Co SE is a listed corporation domiciled at Am Silberpalais 1, Duisburg, Germany and entered in the commercial register of Duisburg Local Court under HRB 20486.

The consolidated financial statements of Klöckner & Co SE, as the ultimate parent company, and its subsidiaries (the Klöckner & Co Group) were authorized for submission to the Supervisory Board by resolution of the Management Board on March 3, 2023. The Supervisory Board's responsibility is to examine the consolidated financial statements and to issue a statement as to whether it approves them.

(2) Basis of accounting

The consolidated financial statements as of December 31, 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the additional requirements under Section 315e (1) of the German Commercial Code (Handelsgesetzbuch/HGB). All binding IFRS and the associated interpretations of the IFRS Interpretations Committee (IFRIC) as of December 31, 2022 have been applied.

The financial statements of the companies included in the consolidated financial statements, all of which have been prepared as of the reporting date of the consolidated financial statements, are based on uniform accounting policies.

The consolidated financial statements are prepared in euros. Unless otherwise indicated, all amounts are stated in thousands of euros (€ thousand). There may be discrepancies relative to the unrounded figures.

The consolidated financial statements were prepared on a historical cost basis with the exception of certain financial instruments, which are measured at fair value, and of the net defined benefit liability, which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

(3) Basis of consolidation and consolidation methods

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Klöckner & Co SE and the companies it controls (subsidiaries).

The financial statements of subsidiaries acquired or divested during the fiscal year are included in the consolidated financial statements from the date when control is obtained to the date when control is lost.

Intra-Group receivables, liabilities, balances, income and expenses are eliminated in consolidation. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset against each other where they relate to taxes levied by the same taxation authority and to the same period.

The number of consolidated companies changed as follows during the year under review:

	2022	2021
Consolidated entities at the beginning of the financial year*)	53	59
+ business combinations	2	-
– mergers	– 2	– 4
– liquidations	– 2	– 2
Consolidated entities at the end of the financial year*	**51**	**53**
thereof domestic entities including Klöckner & Co SE	*11*	*11*

*) Including consolidated special-purpose entities.

Four (2021: five) subsidiaries that do not have a significant impact on the Group's results of operations, financial position and net assets are not consolidated. A list of affiliated companies included in the consolidated financial statements is attached as an annex to the notes.

Special-purpose entities

Two special-purpose entities exist in connection with the Group's European asset-backed securitization program (ABS program), of which one entity was suspended as part of the restructuring of the ABS program in November 2020 and has not carried out any activities since. The interests in the special-purpose entity that remains operational are held by an independent and privately owned service company that is responsible for accounting in the parent. The entity purchases merchandise receivables from the subsidiaries participating in the ABS program on contractually agreed terms, financing the purchases with conduit credits refinanced by commercial paper issues or loans granted by the banks involved. The rating required for the commercial paper is ensured by maintaining accounts receivable reserves and meeting performance indicators.

The extent to which this program is used depends on the amount of receivables and the monthly development of the cash flow requirements. This decision is the responsibility of Klöckner & Co SE.

Klöckner & Co SE is contractually responsible for payment execution, reporting, management of the purchased receivables, including credit management and collection of receivables in the special-purpose entity. In addition, Klöckner & Co determines the factor that a subsidiary is required to pay in order to cover all running costs of the special-purpose entity. The special-purpose entity is controlled by Klöckner & Co SE and is therefore included in the consolidated financial statements. It is subject to control due to the fact that the Group is exposed to variable returns from the special-purpose entity and is able to influence those returns with its control over the entity.

The companies participating in the program continue to be assigned responsibility by Klöckner & Co SE for collection and receivables management, and bear all related costs but receive corresponding remuneration. They also cover the running costs of the special-purpose entity.

For further information on the ABS program, see Note 18 (Trade receivables) and Note 26 (Financial liabilities).

(4) Acquisitions and disposals

The Group structure changed, as listed below, as a result of the following acquisitions and disposals during fiscal years 2022 and 2021, with corresponding impacts on the presentation of the results of operations, financial position and net assets.

ACQUISITIONS

With effect as of March 15, 2022, Debrunner Koenig AG, St. Gallen, Switzerland, acquired 100% of the shares in PC-Tech SA, Penthalaz, Switzerland (PC-Tech). The company is a prefabricator in the field of building installations. Integrating PC-Tech SA enables the Debrunner Koenig Group to expand its range of services and strengthen its local proximity to customers in western Switzerland.

On July 13, 2022, and effective July 31, 2022, Becker Stainless GmbH, Bönen, Germany acquired a 100% interest in RSC Rostfrei Coilcenter GmbH, Süßen, Germany (RSC), which in turn, in an asset deal, acquired the business operations and selected assets and liabilities of Hernandez Stainless GmbH, Hockenheim, Germany (Hernandez). The acquisitions mark Becker Stahl-Service's entry into stainless steel processing in a significant extension to its product and service portfolio. Hernandez provides surface machining and stocks stainless flat products. RSC Rostfrei Coilcenter GmbH is specialized in stainless steel coil cutting.

The combined purchase prices for the two corporate transactions amount to €23.1 million. PC-Tech has been included in the consolidated financial statements since March 15, 2022, and RSC Rostfrei Coilcenter GmbH since August 1, 2022. The companies together employ 85 people and generated sales of around €165 million in fiscal year 2021.

The table below shows the amounts of the assets acquired and liabilities assumed, as recognized in connection with the two transactions as of the acquisition date.

(€ thousand)	Fair values
Assets	
Other intangible assets	5,270
thereof customer relationships	*5,270*
Property, plant and equipment	4,478
Other non-current assets	159
Inventories	14,167
Trade receivables	629
Other current assets	1,176
Cash and cash equivalents	128
Total acquired assets	**26,007**
Liabilities and provisions	
Pensions	782
Other non-current provisions	161
Non-current financial liabilities	504
Deferred tax liabilities	231
Other current provisions	119
Trade payables	888
Current financial liabilities	1,079
Other current liabilities	289
Total assumed liabilities	**4,053**
Acquired net assets	**21,954**
Considerations	**23,123**
Goodwill	**1,169**
Consideration, paid in cash and cash equivalents	*22,227*
Consideration, deferred purchase price	896
Reconciliation to transaction volume	
Acquired financial liabilities	**1,583**
Acquired cash and cash equivalents	– 128
Transaction volume	**24,578**

The goodwill recognized for PC-Tech relates to expected synergies from integrating the company into the existing service portfolio of the Kloeckner Metals Non-EU segment. The recognized goodwill is not tax-deductible.

Customer relationships were measured using the residual value method (a present value model). The fair value of the customer relationships was calculated using assumed churn rates of 41% and 8.3%, respectively. Discount rates of 6.7% and 11.2%, respectively, were used for the present value calculation. The customer relationships are amortized over periods of 2.5 and twelve years, respectively. Property, plant and equipment was measured using a cost-based method.

PC-Tech and RSC/Hernandez have contributed as follows to Group earnings since the acquisition date:

(€ thousand)	2022
Sales contribution since initial consolidation	44,961
Contribution to net income since initial consolidation	–3,317
Gross contractual amounts of trade receivables	629
Acquisition-related expenses (other operating expenses)	223

No significant uncollectible receivables were taken over.

Had the acquisitions been included in the consolidated financial statements from the beginning of the fiscal year, Group sales would have been €9,518 million and net income would have been €273 million. In determining these figures, management assumed that the fair values determined at the acquisition date would also have applied in the case of an acquisition on January 1, 2022.

There were no acquisitions in the prior year.

DISPOSALS, MERGERS AND LIQUIDATIONS IN 2022

Kloeckner Metals Servicios de Mexico S.A. de C.V., Apodaca, Mexico, was liquidated in the first quarter of 2022.

Armstrong Steel Ltd., Leeds, United Kingdom, was liquidated on April 5, 2022.

Becker Besitz GmbH, Duisburg, Germany, was merged with Becker Stahl-Service GmbH, Duisburg, Germany, on August 18, 2022 effective January 1, 2022.

KDI Export SAS, Reuil Malmaison, France, was merged with Kloeckner Metals France SAS, Aubervilliers, France, by agreement of October 12, 2022; this was entered in the commercial register on December 2, 2022.

DISPOSALS, MERGERS AND LIQUIDATIONS IN 2021

A merger was carried out in Switzerland on January 18, 2021. Debrunner Koenig Management AG, St. Gallen was merged with Debrunner Koenig AG, St. Gallen effective January 1, 2021.

Richardsons Westgarth (Hartlepool) Limited, Leeds, United Kingdom, was liquidated effective April 29, 2021.

On October 29, 2021, Kloeckner Metals Operations GmbH, Duisburg, Germany, and Kloeckner & Co USA Beteiligungs GmbH, Duisburg, Germany, were merged with Klöckner Shared Services GmbH, Duisburg, Germany, effective January 1, 2021.

Klöckner & Co Financial Services B.V., Rotterdam, Netherlands, was liquidated on December 23, 2021.

Klöckner Namasco Holding Corporation, Wilmington, Delaware, USA was merged with Kloeckner Metals Corporation, Wilmington, Delaware, USA, as of December 31, 2021.

(5) Significant accounting policies

Currency translation

Transactions in foreign currency are translated at the transaction date exchange rate. Monetary items are translated at the reporting date exchange rate. Translation differences arising on the measurement of monetary assets (except exchange differences on net investments) or of monetary liabilities are recognized, regardless of any hedging, in profit or loss as part of other operating income or expenses.

In accordance with the functional currency approach, the annual financial statements of foreign Group companies prepared in foreign currency are translated into euros by the modified current rate method. All subsidiaries conduct their business independently in their domestic markets. As such, the functional currency is the local currency in each case. The assets and liabilities of subsidiaries are translated at the reporting date closing exchange rate. Income and expenses are translated at the transaction date exchange rate, approximated as the average exchange rate for the reporting period. All translation differences are recognized in other comprehensive income and are not recognized in profit or loss until the period of a subsidiary's disposal.

The exchange rates for the Group's main currencies changed as follows:

	Closing rate		Average rate	
€1=	December 31, 2022	December 31, 2021	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021
Pound Sterling (GBP)	0.8869	0.8403	0.8528	0.8596
Swiss Franc (CHF)	0.9847	1.0331	1.0047	1.0812
US–Dollar (USD)	1.0666	1.1326	1.0531	1.1827

Impairments

The Group assesses at each reporting date whether there is any indication that intangible assets or property, plant and equipment may be impaired. If there is an indication that an asset may be impaired, its recoverable amount is measured in order to determine the size of any impairment loss to be recognized. The recoverable amount is the greater of fair value less costs of disposal and value in use. In the event that a recoverable amount for the specific asset cannot be estimated, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. If an impairment loss recognized in prior periods for an asset other than goodwill no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased through profit or loss to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

Goodwill arising in business combinations is tested for impairment at least annually. The impairment test is performed at the level of the CGU to which the goodwill has been assigned. In the Klöckner & Co Group, the two CGUs Becker Stahl-Service GmbH (BSS) and Switzerland have a goodwill asset. Goodwill is tested for impairment as of December 31 of the fiscal year or whenever there is an indication that it may be impaired. If the carrying amount exceeds the recoverable amount, a goodwill impairment is recognized in the amount of the difference and cannot be reversed in subsequent periods.

The recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. Value in use and fair value less costs of disposal are determined using a DCF approach. The estimated cash flows are based on the Company's current four-year (prior year: three-year) business plan and management's estimates for each business unit. The cost of capital used reflects the risk specific to the underlying business and the country in which the business operates. The interest rates are based among other things on a peer group analysis. The composition of the peer group is regularly reviewed and modified as necessary.

For CGUs whose recoverable amount is less than their carrying amount, fair values are determined at the level of individual assets. Detailed information is provided in Note 16 (b) (Property, plant and equipment). Depending on future changes in those fair values, additional impairment losses and impairment reversals cannot be ruled out.

Impairment losses are presented separately in the income statement under depreciation and amortization.

Government grants and government assistance
Grants are recognized in profit or loss over the periods in which the related costs are recognized in expense.

Government grants related to assets – mainly property, plant and equipment – are deducted from the cost of the asset.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognized in profit or loss as other operating income in the period in which they become receivable for the Group.

Presentation of the consolidated statement of financial position and consolidated statement of income
Individual items have been combined in the consolidated statement of financial position and the consolidated statement of income; further information is provided separately in these Notes. Assets and liabilities expected to be realized or settled within one year are classified as current.

The consolidated statement of income is prepared according to the nature of expense method.

Estimates, judgments and assumptions
The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognized in the period of the change if the change affects that period only. If more than one period is affected, the change is reflected in the period of the revision and subsequent periods.

Material judgments, estimates and assumptions are required in the following areas:

	Note
Judgements	
– Determination of scope of consolidation in relation to special-purpose entities, where there is no majority of voting rights or capital	3
– Assessment of intangible assets and property, plant and equipment for triggering events for an impairment	16 (a), (b), (c)
Estimates and assumptions	
– Measurement of intangible assets and property, plant and equipment acquired in a business combination within the meaning of IFRS 3	4
– Measurement of the net realizable value for inventories	17
– Estimates of expected useful lives, assumptions about macroeconomic conditions and industry trends and estimates on which the termination of the recoverable amount was based	16
– Recognition and Measurement of tax receivables related to the estimation if sufficient taxable income is available	14
– Assumptions regarding discount rates, mortality rates and, where applicable, expected returns on plan assets for the measurement of provision for pensions and similar obligations	24
– Recognition and measurement of other provisions and contingent liabilities	25

New accounting standards and interpretations

The following standards were applied for the first time in fiscal year 2022:

Standard/Interpretation
Amendments to IFRS 3 – Reference to the Conceptual Framework
Amendments to IAS 16 – Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41
Amendments to IAS 8 – Definition of Accounting Estimates

The amendments to IAS 8: Changes in Accounting Estimates were applied early effective January 1, 2022. Please refer in this connection to the information provided in Note 14, Income taxes. Application of the remaining amendments had no material impact on the consolidated financial statements of Klöckner & Co SE.

The table below lists the published standards and interpretations not yet applied in the Klöckner & Co Group:

Standard/Interpretation	Mandatory application
Endorsed by the EU until authorization date for issuance	
IFRS 17 – Insurance Contracts	2023
Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023
EU endorsement outstanding	
Improvements to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	undefined
Amendments to IAS 1 (including Deferral of Effective Date) – Classification of Liabilities as Current or Non-current	2024
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	2024

Early application of these standards is permitted but not planned. The Group currently expects that the application of the new standards, interpretations and amendments will have no material effects on the consolidated financial statements.

The amendments to IAS 1: Classification of Liabilities as Current or Non-current relate to a narrow-scope modification of the assessment criteria for classifying liabilities as current or non-current.

They clarify that the classification of liabilities as current or non-current is based on the entity's rights in existence at the end of the reporting period to defer settlement by at least twelve months. If such rights exist, the liability is classified as non-current. The right to defer settlement of the liability must be substantial. If the exercise of such a right is conditional on compliance with covenants, the conditions must be met at the end of the reporting period; if not, the liability is classified as current.

Classification of a liability is unaffected by management intentions or expectations as to whether the liability will actually be settled within twelve months of the end of the reporting period. Classification is solely based on the existence of rights at the end of the reporting period to defer settlement of the liability by at least twelve months. This also applies in the event of settlement within the subsequent events period.

In July 2020, the date of initial application was postponed by one year to annual periods beginning on or after January 1, 2024.

Due to the ongoing development of IAS 1, the Group is currently unable to estimate the impact in the period of initial application. The developments are being closely monitored.

Notes to the consolidated statement of income

(6) Special items affecting the results

Comparability between the fiscal year 2022 results and the prior year is impacted by the following special effects:

(€ thousand)	2022	2021
Material property disposal gains	62,702	26,798
Gains / Expenses on restructuring		
– Inventory adjustments	-	630
– Personnel measures	4,008	2,941
– Other restructuring expenses (2021: gains on restructuring)	– 2,327	48
EBITDA impact	**64,383**	**30,417**
Reversals of asset impairments related to restructuring	-	739
EBT impact	**64,383**	**31,156**

2022

Sale of property, plant and equipment

A site in the Kloeckner Metals Non-EU segment that was presented as of December 31, 2021 as “non-current assets held for sale” in accordance with IFRS 5 was sold in fiscal year 2022 resulting in a book gain of €50 million. Four sites closed as part of the Surtsey project were sold in the Kloeckner Metals EU segment with book gains totaling €12 million. Three sites were presented as “non-current assets held for sale” in accordance with IFRS 5 as of December 31, 2021.

Expenses from site closures and income from reversals of provisions in connection with the Surtsey project

The Surtsey project resulted in follow-on expenses and adjustments to provisions for site closure costs in all operating segments in a total amount of €2 million. These are offset by income of €4 million in the Kloeckner Metals EU segment from the reversal of restructuring provisions for personnel measures.

2021

Sale of property, plant and equipment under the Surtsey project

Ten properties were sold in 2021 that were no longer needed as a result of the site closures as part of the Surtsey project. This resulted in a total of €27 million in book gains on disposal divided among the Kloeckner Metals US (€2 million), Kloeckner Metals EU (€22 million) and Kloeckner Metals Non-EU (€3 million) segments.

Restructuring expenses under the Surtsey project
Further measures were implemented as part of the Surtsey project in the 2021 reporting year. These led to a further site closure and a further reduction in the workforce, bringing the total workforce reduction to 1,147 full-time equivalents by the end of 2021.

Progress with the measures enabled individual restructuring provisions to be reversed in fiscal year 2021.

The Group has assessed its exposure to climate-related business risks as part of the risk management process, but has not identified any material risks that could also have an impact on the Group's results of operations, financial position and net assets as of December 31, 2022.

Accounting effects of the Russian war of aggression against Ukraine and of the COVID-19 pandemic
Klöckner & Co has no business activities of its own in Ukraine or Russia. In addition, the Ukrainian and Russian sales and procurement markets are not relevant to Klöckner & Co. We have not made significant sales or conducted significant procurement there to date. Russia's war of aggression against Ukraine therefore had no direct accounting impact. The COVID-19 pandemic has likewise had no direct accounting impact. However, the hostilities and the COVID-19 pandemic have had impacts on the macroeconomic environment that have indirectly affected Klöckner & Co's selling and procurement markets via demand fluctuations and related price volatility. Steel prices in Europe and the USA first rose sharply at the beginning of fiscal year 2022 due to the Russian war of aggression against Ukraine but then corrected significantly as the year progressed. This price correction also led, for example, to inventory write-downs recognized during the second half of 2022 on the basis of measurement at net realizable value in accordance with IAS 2 and accumulating to a total of €46 million over the year as a whole (please refer to Note 17, Inventories). Such inventory write-downs may be reversed in future periods assuming the general economic situation improves again. The effects of the COVID-19 pandemic and above all those of the Russian war of aggression against Ukraine also led to high inflation rates in fiscal year 2022. As a result of the inflation, higher transport and logistics costs in particular, as well as costs of operating supplies and packaging, resulted in lower operating income compared to the prior year.

In addition, the macroeconomic assumptions used to estimate the present value of future cash flows for impairment testing in preparation of the consolidated financial statements are subject to particular uncertainty.

Please refer in this connection to the information in Notes 16 (Intangible assets and property, plant and equipment), 31 (Financial risk management) and, in addition, the commentary in the management report on the results of operations, financial position and net assets.

(7) Sales

Accounting policies
Revenue from sales of goods are recognized when control has transferred to the buyer. This mostly coincides with the delivery date. Revenue from contracts with customers are only recognized otherwise than at the time of delivery if the buyer already has control before delivery or if control transfers over time. Sales are reported net of allowances such as commissions, trade discounts and rebates, which are determined by estimation if necessary.

The Klöckner & Co Group mainly sells steel and metal products in sales from stockyards, back-to-back transactions and processing.

Stockyard sales generally consist of selling material, with little or no processing, to customers out of a stockyard and deliveries in consignment stock on customer premises. Revenue from such transactions is recognized on delivery or collection of the goods.

Back-to-back transactions are sales where goods are delivered straight to a customer without going through a Klöckner & Co stockyard. In these transactions, the Klöckner & Co Group is responsible for fulfillment and has the inventory risk up to delivery to the customer. Prices are negotiated separately with the supplier and with the customer. This means Klöckner & Co is the principal in back-to-back transactions and revenue is recognized on delivery to the customer.

Higher value-added products and processing services are characterized by the fact that goods are normally processed before delivery to a customer. This involves the use of special machines such as 3D lasers. Revenue from such transactions is recognized on delivery of the processed goods to a customer.

Service center sales primarily entail the processing of coil into various sheet metal products.

In addition to sales of steel and metals, the other contracts in the Kloeckner Metals Non-EU segment also relate to sales of technical products in Switzerland.

Payment terms vary from customer to customer. Frequent payment terms are 30 days net, 60 days net and the 15th of the month following delivery.

The Group's external sales are broken down by region (customer headquarters) as follows:

2022 *(€ thousand)*	Kloeckner Metals US	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group Companies	Total
Germany	-	2,039,988	12,662	446	2,053,095
EU excluding Germany	5,658	1,195,739	12,525	-	1,213,922
Switzerland	13,934	11,800	1,282,627	-	1,308,361
Rest of Europe	189	14,039	309,495	-	323,723
USA	4,256,867	781	853	-	4,258,501
Rest of North America	2,490	-	-	-	2,490
Central and South America	147,948	36,419	558	-	184,925
Asia/Australia	-	18,938	101	-	19,039
Africa	-	14,621	9	-	14,630
Sales	**4,427,086**	**3,332,325**	**1,618,830**	**446**	**9,378,686**

2021 *(€ thousand)*	Kloeckner Metals US	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group Companies	Total
Germany	166	1,583,203	9,169	350	1,592,888
EU excluding Germany	6,548	928,949	10,417	-	945,916
Switzerland	2,646	6,086	1,016,144	-	1,024,875
Rest of Europe	9	10,444	309,126	-	319,579
USA	3,399,482	742	215	-	3,400,438
Rest of North America	2,822	85	-	-	2,907
Central and South America	99,672	23,877	206	-	123,755
Asia/Australia	130	14,767	93	-	14,990
Africa	-	15,507	9	-	15,516
Sales	**3,511,475**	**2,583,660**	**1,345,379**	**350**	**7,440,863**

The Group's sales by type of business are as follows:

2022 *(€ thousand)*	Kloeckner Metals US	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group Companies	Total
Stockholding	1,665,983	1,655,765	618,111	446	3,940,305
Processing and Service-Center	2,719,368	1,316,007	503,907	-	4,539,282
Direct business	41,735	271,420	29,231	-	342,385
Other contracts	-	89,133	467,581	-	556,714
External sales	**4,427,086**	**3,332,325**	**1,618,830**	**446**	**9,378,686**

2021 *(€ thousand)*	Kloeckner Metals US	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group Companies	Total
Stockholding	1,328,941	1,341,071	555,139	350	3,225,500
Processing and Service-Center	2,149,141	934,014	425,978	-	3,509,134
Direct business	33,393	204,301	27,203	-	264,897
Other contracts	-	104,274	337,058	-	441,333
External sales	**3,511,475**	**2,583,660**	**1,345,379**	**350**	**7,440,863**

(8) Other operating income

(€ thousand)	2022	2021
Gain on disposal of assets held for sale		
- assets held for sale (material special effects)	62,702	12,627
- intangible assets and property, plant and equipment (material special effects)	-	14,187
Foreign currency exchange gains	6,697	2,676
Indemnification payments received	346	3,791
Income from reversal of bad debt allowances	-	3,375
Other income	10,482	15,440
Other operating income	**80,227**	**52,096**

The income from asset disposals (non-current assets held for sale) mainly relate to gains on the sales of real estate, of which €50 million in Switzerland and €13 million in France. In the prior year, the income from asset disposals related to the disposal of property, plant and equipment as a result of the Surtsey project. Further information is included in Note 6 (Special items affecting the results).

In the reporting year, in contrast to the prior year, income from reductions in loss allowances on receivables was offset against expense from additions to allowances on receivables and the remaining balance recognized in the other operating expenses item. The prior year has not been restated due to a lack of materiality.

(9) Cost of materials

(€ thousand)	2022	2021
Cost of materials, supplies and purchased merchandise	7,844,702	5,586,413
Cost of purchased services	4,632	3,597
Cost of materials	**7,849,334**	**5,590,010**

(10) Personnel expenses

(€ thousand)	2022	2021
Wages and salaries	497,286	482,404
Restructuring income	– 4,008	– 2,941
Social security contributions (including welfare benefits)	93,973	88,131
Retirement benefit cost	30,933	30,264
Personnel expenses	**618,184**	**597,858**

The increase in wages and salaries is mainly due to negative currency effects from the USD and CHF exchange rates in the Kloeckner Metals US and Kloeckner Metals Non-EU segments. On a currency-adjusted basis, personnel expenses in fiscal year 2022 amount to €582 million, compared to €598 million in the prior year, and show a reduction by 2.7%, mainly due to savings in earnings-based salary components. The restructuring income comprises reversals of provisions recognized in the prior year where there were changes in restructuring plans.

The average number of employees in the Klöckner & Co Group pursuant to Section 314 (1) 4 of the German Commercial Code (HGB) was as follows in the reporting year:

	2022	2021
Salaried employees	4,478	4,388
Wage earners	2,599	2,537
Apprentices	183	195
Employees	**7,260**	**7,120**

(11) Other operating expenses

(€ thousand)	2022	2021
Forwarding cost	182,504	150,000
Third-party services	111,871	103,014
Repairs, maintenance and other expenses for plant and buildings	66,796	65,934
Supplies	60,581	45,032
Audit fees and consulting	30,249	19,058
Other taxes	18,948	17,787
Travel expenses	12,204	7,249
Other insurance	10,966	8,665
Foreign currency exchange losses	6,510	4,458
Postal charges and telecommunication	6,243	6,796
Advertising and representation expenses	4,679	3,459
Credit insurance	3,235	2,339
Other restructuring expenses	2,327	498
Bad debt expenses	1,650	1,622
Other expenses	25,728	34,450
Other operating expenses	**544,491**	**470,361**

The other expenses mainly relate to fringe benefits, office supplies, incidental bank charges and membership fees.

(12) Income from investments

Income from investments comprises dividends and measurement gains/losses on unconsolidated affiliated companies and other investments and breaks down as follows:

(€ thousand)	2022	2021
Dividends	764	998
Income from the valuation of equity instruments	4,761	10,515
Income from investments	**5,526**	**11,513**
Impairment losses on equity instruments	– 4	– 1,000
Reversal of impairment losses	-	4
Impairment losses on investments	**– 4**	**– 996**
Income from investments	**5,522**	**10,517**

Income from the measurement of equity instruments relates to investments by kloeckner.v GmbH in various venture capital companies.

(13) Financial result

Accounting policies
Interest income is recognized pro rata temporis based on the outstanding principal amount and the applicable interest rate using the effective interest method. Dividends are recognized when the right to receive payment is legally established.

(€ thousand)	2022	2021
Other interest and similar income	2,315	8,323
Finance income	**2,315**	**8,323**
Interest and similar expenses	– 32,543	– 20,656
Interest cost for leases	– 3,757	– 3,048
Interest cost for post-employment benefits	– 507	– 1,740
Finance expenses	**– 36,808**	**– 25,443**
Financial result	**– 34,493**	**– 17,120**

The financial result includes net interest expense of €31,028 thousand (2021: €12,336 thousand) measured and recognized using the effective interest rate method.

Other interest and similar income in the prior year included €7,799 thousand from remeasurement of the convertible bond.

The increase in interest and similar expenses is due to higher average net financial debt compared to the prior year and to higher interest rates.

(14) Income taxes

Accounting policies
Income tax expense is the sum total of current and deferred tax expenses.

Current tax expense is calculated on the basis of taxable income for the fiscal year. Tax liabilities are measured at the amount for which payment to the taxation authorities is expected. The liabilities are measured at the tax rates that have been enacted by the reporting date.

Deferred taxes are calculated using the balance sheet liability method. They result from differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax base (temporary differences) and from consolidation entries. No deferred taxes are recognized for goodwill on initial consolidation. Deferred taxes are measured based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is also recognized for the carryforward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part or all of deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and a previously unrecognized deferred tax asset is recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Klöckner & Co Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off and they relate to income taxes levied by the same taxation authority and current tax assets and tax liabilities are intended to be settled on a net basis.

Current and deferred taxes are recognized in profit or loss unless they relate to items that are recognized directly in equity or in other comprehensive income. In such cases, they are also charged or credited to equity or other comprehensive income.

Income taxes in the income statement
Income tax income/expense for the Klöckner & Co Group is as follows:

(€ thousand)	2022	2021
Current income tax expense (+)/benefit (–)	**71,062**	**137,356**
thereof related to prior periods	– 1,656	– 1
thereof related to current period	72,718	137,357
Domestic	9,596	24,168
Foreign	61,466	113,188
Deferred tax expense (+)/benefit (–)	**– 11,286**	**– 18,797**
thereof related to temporary differences	– 9,648	– 4,004
thereof related to loss carry forwards	– 1,637	– 14,794
Domestic	– 2,613	– 25,445
Foreign	– 8,673	6,648
Income tax expense (+)/benefit (–)	**59,776**	**118,559**

The combined income tax rate is 31.8% (2021: 31.8%), comprising corporate income tax (including solidarity surcharge) of 15.8% and trade tax for Klöckner & Co of 16.0%. Foreign tax rates vary between 18.0% and 34.0%.

The income tax item shows current tax expense of €71,062 thousand in the reporting year (2021: €137,356 thousand). It should be noted, however, that cross-border offsetting of tax profits and tax losses is not permitted. In particular, tax losses in individual European countries cannot be offset against tax profits in other European countries.

The Group operates in numerous different countries. Its income is therefore subject to various tax jurisdictions. Tax receivables, tax liabilities, temporary differences, tax loss carryforwards and the resulting deferred taxes must be determined separately for each taxable entity. Management is required to make estimates in calculating current and deferred taxes. Deferred tax assets can only be recognized to the extent that their realization is probable. The realization of deferred taxes notably depends on sufficient taxable income being available for the type of tax and tax jurisdiction concerned. Various factors must be taken into consideration when gauging the probability of the future flow of economic benefits, such as historical earnings, budgets, loss carryforward restrictions and tax planning strategies. The recognition of deferred taxes is assessed once again at each reporting date.

IFRIC 23 clarifies the application of the recognition and measurement rules in IAS 12 in the event of uncertainty about the income tax treatment. Recognition and measurement require estimates and assumptions about such questions as to whether uncertain tax treatments are considered separately or together, whether the most likely value or the expected value method is used to resolve the uncertainty and whether there have been changes relative to the prior period. Detection risk is immaterial to the accounting of uncertain financial statement items. They are accounted for on the basis of the assumption that the tax authorities investigate the matter in question and have full knowledge of all relevant information.

Information on the stated estimates, assumptions and judgments must be provided in the notes. In addition, information on the potential effects of the uncertainty must be disclosed as a tax-related contingent liability in accordance with IAS 12.88.

There are no material effects on the consolidated financial statements of Klöckner & Co SE.

Expected tax income/expense is reconciled to actual tax income/expense as follows:

(€ thousand)	2022	2021
Expected tax rate	**31.8%**	**31.8%**
Income before taxes	**319,112**	**747,896**
Expected tax expense/benefit at domestic tax rate	101,477	237,830
Foreign tax rate differential	– 23,283	– 41,420
Tax rate changes	– 186	– 519
Tax reduction due to tax free income	379	– 3,351
Tax increase due to non–deductible expenses	3,876	4,083
Current income tax levied or refunded for prior periods	– 1,676	– 3,198
Tax reduction due to aperiodic recognition of deferred tax assets on temporary differences and on tax loss carryforwards	– 8,285	– 34,714
Current tax benefit resulting from previously unrecognized deferred tax assets on loss carryforwards and on temporary differences	– 5,619	– 45,016
Deferred tax benefit resulting from previously unrecognized deferred tax assets on loss carryforwards and on temporary differences	– 12,372	-
Tax increase due to non–capitalization of deferred tax assets on loss carryforwards and deductible temporary differences including valuation allowances	3,843	3,346
Other income taxes	1,183	2,591
Other tax effects	439	– 1,072
Effective income tax benefit/expense	**59,776**	**118,560**
Effective tax rate	**18.7%**	**15.9%**

The actual tax rate of 18.7% in the fiscal year under review is below the expected combined income tax rate of 31.8%. This mainly relates to lower tax due to recognition of deferred tax assets on tax loss carryforwards and temporary differences in Germany and the utilization of tax losses for which no deferred tax asset had been recognized.

The effect in other income taxes relates to the French territorial economic contributions (CFE and CVAE).

Taxes recognized directly in other comprehensive income
Current and deferred taxes are normally recognized in profit or loss, with the exception of taxes relating to items accounted for in other comprehensive income.

(€ thousand)	December 31, 2022	December 31, 2021
Change in deferred tax assets and liabilities (net), not affecting net income	**– 14,738**	**– 11,362**
thereof reported		
– in other comprehensive income	*– 14,738*	*– 11,362*

Deferred taxes on adjustments of pension provisions in other comprehensive income in accordance with IAS 19, net investment hedges and changes in the fair values of derivative financial instruments designated in hedge accounting are recognized directly in other comprehensive income.

The deferred tax assets relating to items accounted for in equity totaled €16,226 thousand at the end of the reporting year (2021: deferred tax liabilities of €969 thousand). In the reporting year, these relate in their entirety to pension obligations.

Deferred tax assets and liabilities

Deferred tax assets and liabilities associated with items in the consolidated statement of financial position and to tax loss carryforwards are as follows:

(€ thousand)	As of January 1, 2022 Net balance	Recognized in profit and loss	Recognized in OCI
From temporary differences and consolidations	***– 53,373***	***9,648***	***11,575***
Intangible assets	– 6,655	1,320	– 697
Property, plant and equipment	– 42,423	13,876	– 4,445
Non-current investments	48	– 53	5
Inventories	– 13,447	4,916	– 1,409
Receivables	– 394	– 1,029	– 41
Other current assets	29,920	– 20,405	3,135
Provisions for pensions and similar obligations	– 14,714	– 7,819	15,625
Other provisions and accrued liabilities	2,726	3,258	286
Financial liabilities	491	5,555	51
Other liabilities	– 8,925	10,029	– 935
Tax loss carryforwards/interest carryforwards	*25,811*	*1,637*	*2,705*
Deferred tax assets/liabilities (before offsetting)	**– 27,562**	**11,285**	**14,280**
Offsetting	-		
Deferred tax assets/liabilities	**– 27,562**		

(€ thousand)	As of January 1, 2021 Net balance	Recognized in profit and loss	Recognized in OCI
From temporary differences and consolidations	***– 45,298***	***4,004***	***– 3,143***
Intangible assets	– 7,411	1,270	– 514
Property, plant and equipment	– 37,251	– 2,587	– 2,585
Non-current investments	1,885	– 1,968	131
Inventories	– 9,459	– 3,332	– 656
Receivables	– 1,055	734	– 73
Other current assets	– 1,111	31,108	– 77
Provisions for pensions and similar obligations	14,813	– 21,622	1,028
Other provisions and accrued liabilities	– 512	3,274	– 36
Financial liabilities	460	-	32
Other liabilities	– 5,658	– 2,873	– 393
Tax loss carryforwards/interest carryforwards	*10,302*	*14,794*	*714*
Deferred tax assets/liabilities (before offsetting)	**– 34,997**	**18,798**	**– 2,429**
Offsetting	-		
Deferred tax assets/liabilities	**– 34,997**		

			As of December 31, 2022		
Recognized directly in equity	Acquired in business combinations	Other (e.g. non-current assets held for sale and discontinued operations)	Net balance	Deferred tax assets	Deferred tax liabilities
17,167	***– 231***	**-**	***– 32,378***	***59,940***	***– 92,318***
-	– 231	-	– 6,260	3	– 6,263
-	-	-	– 32,992	7,282	– 40,274
-	-	-	-	-	-
-	-	-	– 9,940	4,162	– 14,102
-	-	-	– 1,464	49	– 1,513
-	-	-	12,650	27,979	– 15,329
17,167	-	-	– 6,907	4,116	– 11,023
-	-	-	6,270	8,067	– 1,797
-	-	-	6,097	6,097	-
-	-	-	168	2,185	– 2,017
-	-	-	*30,150*	*30,150*	-
17,167	**– 231**	**-**	**– 2,228**	**90,090**	**– 92,318**
			-	– 44,770	44,770
			– 2,228	**45,320**	**– 47,548**

			As of December 31, 2021		
Recognized directly in equity	Aquired in business combinations	Other (e.g. non-current assets held for sale and discontinued operations)	Net balance	Deferred tax assets	Deferred tax liabilities
– 8,933	**-**	**-**	***– 53,373***	***50,671***	***– 104,044***
-	-	-	– 6,655	319	– 6,974
-	-	-	– 42,423	3,440	– 45,863
-	-	-	48	48	-
-	-	-	– 13,447	1,269	– 14,716
-	-	-	– 394	355	– 749
-	-	-	29,920	31,090	– 1,170
– 8,933	-	-	– 14,714	6,537	– 21,250
-	-	-	2,726	4,098	– 1,372
-	-	-	491	592	– 101
-	-	-	– 8,925	2,923	– 11,849
-	-	-	*25,811*	*25,811*	-
– 8,933	**-**	**-**	**– 27,562**	**76,482**	**– 104,044**
			-	– 40,904	40,904
			– 27,562	**35,578**	**– 63,140**

Klöckner & Co recognizes deferred tax assets only to the extent that tax planning calculations indicate that the related tax benefits will be utilized within a certain planning horizon, as we can only assess utilization to the required level of probability within such a forward horizon. As of December 31, 2022, deductible temporary differences and loss carryforwards that are able to be utilized are recognized over a planning horizon of four years (2021: three-year planning horizon). If the planning horizon had remained unchanged at three years, deferred tax assets would have been €40.6 million.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for taxable temporary differences associated with investments in subsidiaries (outside basis differences) in the amount of €22.0 million (2021: €20.7 million).

The following deferred tax assets on unused tax loss carryforwards and deductible temporary differences have not yet been recognized because their realization cannot be reliably guaranteed:

(€ million)	**December 31, 2022**	December 31, 2021
Unrecognized tax losses		
– Corporate income tax	478	548
– Trade tax and similar taxes	102	118
– Interest carry forward	-	-
Temporary differences	18	54

The majority of the unrecognized tax loss carryforwards are not subject to a maximum carryforward period under prevailing law and therefore do not expire unless specific circumstances arise (such as change of control). The unrecognized tax loss carryforwards that are subject to a maximum carryforward period expire as follows:

(€ million)	**December 31, 2022**	December 31, 2021
until December 31, 2022	-	-
until December 31, 2032	19	57
after December 31, 2032	25	71

Temporary differences are deductible indefinitely.

(15) Earnings per share

Accounting policies

Basic earnings per share are calculated by dividing consolidated net income for the year attributable to shareholders of Klöckner & Co SE by the average number of shares outstanding during the period. Potential shares from convertible bonds are treated as dilutive if, and only if, their conversion to shares would decrease earnings per share or increase loss per share.

		2022	2021
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	253,239	618,971
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	**(€/share)**	**2.54**	**6.21**
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	253,239	618,971
Interest income from the revaluation of convertible bond (net of tax)	(€ thousand)	-	– 5,319
Interest expense on convertible bond (net of tax)	(€ thousand)	4,620	4,903
Net income used to determine diluted earnings per share	(€ thousand)	257,859	618,555
Weighted average number of shares	(thousands of shares)	99,750	99,750
Dilutive potentiel shares from convertible bond	(thousands of shares)	11,548	11,087
Weighted average number of shares for dilutive earnings per share	(thousands of shares)	111,298	110,837
Diluted earnings per share	**(€/share)**	**2.32**	**5.58**

Notes to the consolidated statement of financial position

(16) Intangible assets and property, plant and equipment

a) Intangible assets

Accounting policies
Intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses if economic benefits are expected from the asset and the cost of the asset can be measured reliably.

Intangible assets are amortized on a straight-line basis over their expected useful life. Intangible assets recognized in business combinations for customer relationships are amortized based on the expected churn rate.

The expected useful lives are as follows:

	Useful life in years
Software	2–5
Customer relations	2.5–15
Trade names	3–15
Other intangible assets	1–15

The useful life is reviewed annually and changed as necessary in accordance with future expectations. Intangible assets with an indefinite useful life – in the Klöckner & Co Group solely goodwill – are reviewed for impairment annually and whenever there is an indication that they may be impaired.

(€ thousand)	Intangible assets (without Software/ Goodwill)	Software	Goodwill	Total intangible assets
Cost as of January 1, 2021	402,035	111,320	290,853	804,208
Accumulated amortization and impairments	– 334,553	– 100,517	– 260,053	– 695,123
Balance as of January 1, 2021	**67,482**	**10,803**	**30,800**	**109,085**
Exchange rate differences	4,060	185	1,154	5,399
Additions	2,782	4,322	-	7,104
Disposals	-	– 4	-	– 4
Impairments	-	– 169	-	– 169
Depreciation and amortization	– 16,841	– 7,185	-	– 24,026
Transfers	– 1,519	1,519	-	-
Balance as of December 31, 2021	**55,964**	**9,471**	**31,954**	**97,389**
Cost as of December 31, 2021	429,558	86,363	320,582	836,503
Accumulated amortization and impairments	– 373,594	– 76,892	– 288,628	– 739,114
Balance as of January 1, 2022	**55,964**	**9,471**	**31,954**	**97,389**
Exchange rate differences	3,139	371	1,356	4,866
Additions from business combinations	5,270	-	1,169	6,439
Additions	138	2,296	-	2,434
Disposals	-	– 833	-	– 833
Reversal of impairment	-	147	-	147
Impairments	-	– 65	-	– 65
Depreciation and amortization	– 18,899	– 6,953	-	– 25,852
Transfers	– 9,658	9,658	-	-
Balance as of December 31, 2022	**35,954**	**14,092**	**34,479**	**84,525**
Cost as of December 31, 2022	449,497	83,139	340,606	873,242
Accumulated amortization and impairments	– 413,543	– 69,047	– 306,127	– 788,717

Intangible assets include the €34 million carrying amount of customer relationships (2021: €44 million) and €1 million (2021: €5 million) for self-developed software at kloeckner.i GmbH. Research and development expenses came to €0 million (2021: €1 million).

Of the carrying amount of other intangible assets (excluding software/goodwill) of €36 million, €22 million relate to intangible assets (mainly customer relationships) from business combinations in the USA amortized on a straight-line basis over their expected useful life.

Goodwill impairment testing in accordance with IAS 36
The annual impairment testing of cash-generating units (CGUs) to which goodwill has been allocated, as required by IAS 36 (Impairment of Assets), is carried out on the basis of the business plan approved by the respective committees in the fourth quarter.

The recoverable amount of a CGU is calculated as value in use using the discounted cash flow method, which is based on bottom-up planning. Planning covers a detail planning period of four years (2021: three years). Klöckner & Co utilizes a uniform planning model for all CGUs.

The discount rates are based on the Capital Asset Pricing Model (CAPM). Its main inputs are the risk-free rate of return, the volatility (beta) of peer group shares relative to the capital market, assumptions about credit risk and the market risk premium for return on equity.

The figures were determined with the assistance of outside experts.

Assumptions used in impairment testing of material goodwill
The following assumptions were used for the compound annual growth rate (CAGR) of shipments, gross profit per ton and OPEX in the detailed planning period for the purposes of impairment testing of goodwill determined to be material:

CGU (relative change in %)		Shipments in tons	Gross profit EUR per ton	OPEX in EUR
Switzerland	2022	3.1%	– 0.1%	8.0%
	2021	2.4%	– 6.7%	– 1.4%
Becker Stahl-Service GmbH (BSS)	2022	8.1%	6.2%	10.3%
	2021	10.1%	– 7.0%	9.0%

Growth rates of 1.0% (Switzerland CGU and BSS CGU) was used in determining the expected future cash flows (2021: Switzerland CGU 0.5%; BSS 0.8%).

The expected future cash flow primarily takes into account the cyclical nature of the business model, based on averaging over the detailed planning period of four years (2021: three years). In addition, it takes into account past results adjusted for the intervening inflationary trends. When budgeting the cash inflows for 2023, the potential country-specific market changes caused by the Russian war of aggression against Ukraine (such as an energy crisis in Europe) were taken into account on the basis of available data and management's assessment. From 2024 onwards, with an expected easing of the macroeconomic effects, it was assumed that the markets concerned will return to normal.

In addition, the projected cash inflows largely depend on expected shipments and future gross profit per ton. This is prognosticated on the basis of normalized gross profit. Shipments are estimated taking into account macroeconomic and industry-specific trends.

Other major factors affecting the sustainable level of future cash inflows comprise the expected development of operating expenses (OPEX) and the determination of discount rates, including the future growth rate assumed in perpetuity. OPEX is determined on the basis of individual business budgeting and on assessment of macroeconomic developments and of potential impacts of Russia's war of aggression against Ukraine (such as adjustments for inflation).

Impairment testing of goodwill allocated to the CGUs
The carrying amounts of goodwill totaled €34 million and relate to the Switzerland CGU (€29 million) and Becker Stahl-Service GmbH (€5 million). The impairment test confirmed that the goodwill is not impaired. It demonstrated positive headroom of €16,874 thousand (2021: €15,934 thousand) for Switzerland and €170,485 thousand (2021: €138,064 thousand) for Becker Stahl-Service.

The following table shows the percentage by which the key assumptions used in calculating the terminal value in the impairment test would have to change, with all other factors held constant, in order for the estimated recoverable amount of the CGU to equal its carrying amount (sensitivity analysis):

CGU	Shipments in tons	Gross profit per ton in EUR	OPEX in EUR	WACC in %	Growth rate in %
Switzerland	– 0.6 %p	– 0.5 %p	+ 0.6 %p	+ 0.2 %p	– 0.5 %p
Becker Stahl-Service GmbH (BSS)	– 19.5 %p	– 13.1 %p	+ 15.2 %p	+ 3.2 %p	> – 100.0 %p [1]

1) A valuation model consistent change of the growth rate, even to an extremely negative growth rate, would not result in a revoverable amount for BSS that is on par with the carrying amount.

Value in use was measured for the Switzerland CGU on the basis of a pretax WACC of 8.6% (2021: 6.3%) and for the Becker Stahl-Service GmbH CGU on the basis of a pretax WACC of 11.0% (2021: 9.95%).

b) Property, plant and equipment

Accounting policies
Property, plant and equipment is carried at cost less accumulated depreciation and impairments plus impairment reversals. The cost of self-constructed assets comprises all direct costs and attributable overheads. Administrative costs are only included in the cost of an asset to the extent that they relate to its construction. Property, plant and equipment subject to depreciation is normally depreciated on a straight-line basis. Maintenance and repair costs are expensed as incurred.

Depreciation is based on the following useful lives:

	Useful life in years
Office building, factory and warehouse buildings	10–50
Plant facilities similar to buildings	8–33
Warehouse and crane equipment and other technical equipment	2–20
Operating and office equipment	1–15

(€ thousand)	Land, similar land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and construction in progress	**Total property, plant and equipment**
Cost as of January 1, 2021	889,439	429,114	390,554	35,767	1,744,874
Accumulated amortization and impairments	– 436,636	–288,285	–276,183	-	–1,001,104
Balance as of January 1, 2021	**452,803**	**140,829**	**114,371**	**35,767**	**743,770**
Exchange rate differences	18,347	6,487	4,896	2,721	32,451
Additions	19,582	12,762	28,454	39,105	99,903
Disposals	– 8,271	– 1,237	– 2,029	– 6	– 11,543
Reversal of impairments	844	264	1,454	-	2,562
Impairments	– 1,847	– 428	– 326	-	– 2,601
Depreciation and amortization	– 38,366	– 27,035	– 34,775	-	– 100,176
Transfers	4,658	10,611	3,097	– 18,366	-
Reclassification to assets held for sale	–3,856	–100	–56	-	–4,012
Balance as of December 31, 2021	**443,894**	**142,153**	**115,086**	**59,221**	**760,354**
Cost as of December 31, 2021	904,081	447,334	394,713	59,269	1,805,397
Accumulated amortization and impairments	– 460,187	– 305,181	– 279,627	– 48	– 1,045,043
Balance as of January 1, 2022	**443,894**	**142,153**	**115,086**	**59,221**	**760,354**
Exchange rate differences	13,488	4,663	3,351	925	22,427
Additions from business combinations	1,030	2,686	762	-	4,478
Additions	28,833	18,705	46,730	32,391	126,659
Disposals	– 1,007	– 1,483	– 876	– 3	– 3,369
Reversal of impairments	336	37	38	-	411
Impairments	– 135	– 339	– 103	-	– 577
Depreciation and amortization	– 39,826	– 29,801	– 37,396	-	– 107,023
Transfers	25,789	9,056	7,695	– 42,540	-
Reclassification to assets held for sale	– 2,243	– 1,908	– 12	-	– 4,163
Balance as of December 31, 2022	**470,159**	**143,769**	**135,275**	**49,994**	**799,197**
Cost as of December 31, 2022	963,932	462,675	442,947	50,045	1,919,599
Accumulated amortization and impairments	– 493,773	– 318,906	– 307,672	– 51	– 1,120,402

Property, plant and equipment includes right-of-use assets (IFRS 16) in the amount of €152,873 thousand (2021: €143,508 thousand).

Property, plant and equipment with a carrying amount of €21,128 thousand (2021: €16,101 thousand) was pledged as security in the form of liens for financial liabilities.

Impairment testing of other non-current assets
If there are indications of impairment for CGUs – which are normally identified at country level and exceptionally at product level – to which no goodwill has been allocated, the recoverable amount is measured at the level of the CGU concerned. The figures were determined with the assistance of outside experts.

Klöckner & Co SE's market capitalization was less than the book value of equity as of December 31, 2022. There was thus a triggering event within the meaning of IAS 36.12 (d) that may be an indication of impairment of other non-current assets.

Germany, France, Belgium and Netherlands CGUs
The impairment tests conducted on non-current assets for all CGUs showed that the values in use of the Germany, France, Belgium and Netherlands CGUs were less than their carrying amounts, hence the recoverable amount cannot be determined from the cash flows from continuing use.

Any impairment must then be allocated to reduce the carrying amounts of the assets of the CGUs (IAS 36.104). In allocating the impairment loss, the carrying amount of an asset may not be reduced below its fair value less costs of disposal or its value in use (IAS 36.105). The fair values of the individual assets were therefore determined. The figures were determined with the assistance of outside experts.

In determining the fair values of land assets, use was also made of additional outside appraisals and external sources for land values. Any appraisals from prior periods were updated in line with observed market changes. The values are based on the sales comparison approach.

The fair values of technical equipment and other equipment, furniture and fixtures, and office equipment were determined on the basis of an indexed replacement value approach. Price indices were obtained from the respective national statistical offices. For all items that have reached 50% of their economic life, a functional obsolescence allowance of 1% p.a. was applied to the depreciated cost when new. No economic obsolescence allowances were applied. The assumed economic useful lives are based on the accounting useful lives plus 20%.

The fair values of right-of-use assets in accordance with IFRS 16 are determined on the basis of benchmark lease payments and price developments for comparable assets.

The fair values thus determined mainly exceed the carrying amounts of the assets of the CGUs. Impairment losses were only identified and recognized in a total amount of €338 thousand for the Germany CGU and €53 thousand for the France CGU.

In addition, impairment losses of €178 thousand and impairment reversals of €411 thousand were recognized for individually identified assets.

The recoverability of non-current assets is thus demonstrated via the assumption of individual disposal or alternative use (e.g. through subleasing) or taken into account by impairment losses in the financial statements. Depending on future changes in their fair values, however, the necessity for additional impairment losses and impairment reversals cannot be ruled out.

The carrying amounts of the tested non-current assets of the CGUs in question before impairment testing were as follows as of December 31, 2022:

(€ thousand)	Germany	France	The Netherlands	Belgium
Other intangible assets	28	264	34	25
Land and buildings	16,311	13,816	12,027	376
Technical equipment and machinery	13,283	3,974	1,504	599
Other equipment, operating and office equipment	10,945	876	1,976	468
Payments on account/Assets under construction	2,121	148	-	-
Right-of-use assets	10,729	25,289	818	86
Total	**53,417**	**44,367**	**16,359**	**1,554**

c) Leases

Accounting policies

THE GROUP AS LESSOR

Klöckner & Co does not act as lessor to any significant extent.

THE GROUP AS LESSEE

At the inception of a contract, Klöckner assesses whether the contract is, or contains, a lease. For all leases in which a Group company is lessee, a right-of-use asset and a corresponding lease liability are recognized. Exceptions to this are short-term leases (defined as leases with a term of 12 months or less) and leases of low-value assets (such as tablets, personal computers, small items of office furniture and telephones). For these leases, lease payments are recognized as other expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

The lease liability is initially recognized at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is determined on the basis of external sources. These are adjusted to take account of the lease terms and the type of asset.

Lease payments are included in measurement of the lease liability as follows:

- Fixed lease payments (including in-substance fixed payments), less any incentives receivable
- Variable lease payments based on an index or rate, initially measured using the index or rate at the commencement date of the lease
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

For subsequent measurement of the lease liability, the carrying amount is increased to reflect interest on the lease liability (applying the effective interest method) and reduced to reflect the lease payments made.

Lease liabilities are remeasured and the corresponding right-of-use asset adjusted accordingly in the following cases:

- There is a change in the lease term or there is a significant event or significant change in circumstances resulting in a change in the assessment of an option to purchase. In such cases, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- There is a change in future lease payments resulting from a change in an index or a rate or a change in the amounts expected to be payable under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the revised lease payments using an unaltered discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate is used).
- There is a lease modification and the lease modification is not accounted for as a separate lease. In such cases, the lease liability is remeasured on the basis of the modified lease term by discounting the revised lease payments using a revised discount rate at the effective date of the lease modification.

Initial measurement of the right-of-use assets comprises any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred. Subsequent measurement is at cost less any accumulated depreciation and any accumulated impairment losses.

If Klöckner has an obligation to dismantle or remove the asset underlying a lease or to restore the asset or site on which it is located to the condition required by the terms and conditions of the lease, a provision is recognized and measured in accordance with IAS 37. If such costs relate to a right-of-use asset, they are recognized as part of the cost of the right-of-use asset.

Right-of-use assets are normally depreciated over the lease term. However, if the useful life of the underlying asset is shorter than the lease term, the right-of-use asset is depreciated over the useful life of the underlying asset. The same applies if the lease transfers ownership of the underlying asset or if the Group is reasonably certain to exercise a purchase option agreed in the lease and the exercise price is therefore already included in the cost of the right-of-use asset. Depreciation begins on commencement of the lease.

Right-of-use assets are presented as a separate item in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any impairment loss as described in the accounting principles for property, plant and equipment.

Variable lease payments that do not depend on an index or rate are not included in measurement of the lease liability and the right-of-use asset. Such payments are recognized in the other expenses item of the income statement in the period in which the event or condition that triggers the payments occurs.

Among the practical expedients provided for in IFRS 16, a lessee can elect not to separate non-lease components from lease components and instead to account for each lease component and any associated non-lease components as a single agreement in accordance with IFRS 16. Klöckner applies this practical expedient for leases of technical equipment and machinery and for leases of operating and office equipment. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone selling price of the lease component and the aggregate stand-alone selling prices of the non-lease component(s).

In the case of right-of-use assets that do not meet the definition of investment property, Klöckner presents right-of-use assets in property, plant and equipment and lease liabilities in financial liabilities.

Klöckner & Co primarily leases stockyard and office premises, trucks, cars and machinery. These leases typically have terms of between three and ten years, in some cases with an extension option beyond the lease term. Lease payments are renegotiated every five years to reflect market rates. Some leases provide for additional lease payments based on changes in local price indices.

Information on leases in which Klöckner & Co is lessee is presented in the following.

Right-of-use assets

Right-of-use assets relating to leased property that does not meet the definition of investment property are presented in property, plant and equipment (see Note 16b).

(€ thousand)	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Total
January 1, 2021	**115,762**	**6,264**	**47,979**	**170,005**
Depreciation	– 22,428	– 1,755	– 17,702	– 41,885
Impairments	– 1,845	-	-	– 1,845
Additions right-of-use	10,472	561	11,032	22,065
Disposals right-of-use	– 3,802	– 78	– 2,529	– 6,409
Transfers	-	-	– 6,422	– 6,422
Foreign currency adjustment	4,883	123	1,717	6,723
December 31, 2021	**103,042**	**5,115**	**34,075**	**142,232**
January 1, 2022	**103,042**	**5,115**	**34,075**	**142,232**
Depreciation	– 21,675	– 1,660	– 17,697	– 41,032
Additions right-of-use	15,042	1,087	29,919	46,048
Additions right-of-use from business combinations	1,030	311	77	1,418
Disposals right-of-use	– 503	-	– 295	– 798
Foreign currency adjustment	3,717	39	1,249	5,005
December 31, 2022	**100,653**	**4,892**	**47,328**	**152,873**

Amounts recognized in profit or loss

(€ thousand)	2022	2021
Interest expense for leasing agreements	3,757	3,048
Expenses for short term leases	11,069	11,230
Variable payments, not included in the lease liability	4,204	2,418
Expenses for leases of an asset of minor value	366	450
Income from subleases	– 11	– 10

Amounts recognized in the statement of cash flows

Cash outflows for leases totaled €62,104 thousand (2021: €63,047 thousand). If all options to extend or terminate not accounted for in the lease liability are exercised, additional payments totaling €40,581 thousand (2021: €41,774 thousand) will be incurred in the future.

Extension options

A number of leases for property, trucks and cars contain extension options exercisable up to one year before the end of the non-cancelable period of the lease. Where possible, the Klöckner & Co Group seeks to have extension options included in new leases for operational flexibility. Such extension options can only be exercised by Klöckner & Co and not by the lessor. An assessment is made at the commencement date as to whether the extension option is reasonably certain to be exercised. Should a significant event or a significant change in circumstances occur that is within Klöckner & Co's control, the assessment as to whether the extension option is reasonably certain to be exercised is made again.

Klöckner & Co estimates that the potential future lease payments if extension options are exercised for which it is not reasonably certain that they will be exercised would result in an additional lease liability of €37,728 thousand (2021: €35,061 thousand).

There were no significant sale-and-lease-back transactions on the balance sheet date.

(17) Inventories

Accounting policies

Inventories are measured at the lower of cost and net realizable value. Determining net realizable value requires management to estimate sales prices and costs until sale.

Costs of conversion include costs directly related to the units of production, based on normal capacity. As well as directly attributable costs, costs of conversion also include a systematic allocation of indirect materials and indirect labor, including production-related depreciation (e.g. for certain coil inventories). Measurement is normally on a monthly moving average basis. In certain cases, cost is assigned by specific identification of individual costs.

(€ thousand)	December 31, 2022	December 31, 2021
Merchandise	977,586	934,607
Raw materials and supplies	526,468	694,623
Finished goods	91,431	62,681
Work in progress	38,012	23,812
Inventories	**1,633,497**	**1,715,723**

Raw materials and supplies also include coil inventories at steel service centers.

Of the inventories as of December 31, 2022, €572,077 thousand (2021: €311,128 thousand) are carried at net realizable value. Write-downs to net realizable value were recognized as expense in the amount of €77,525 thousand (2021: €30,676 thousand). The change in write-downs (addition) recognized through profit or loss in the fiscal year was €46,258 thousand (2021: €1,389 thousand). The amount recognized as expense for inventories corresponds to the cost of materials, supplies and purchased merchandise.

In addition to reservations of title in the ordinary course of business, inventories with a carrying amount of €655,815 thousand (2021: €760,919 thousand) are pledged as security for financial liabilities. As of 31. December 2022, drawings on the corresponding credit lines amounted to €154,697 thousand (2021: €239,714 thousand) under the new ABL program in the USA.

(18) Trade receivables and contract assets

a) Trade receivables

Trade receivables are normally invoiced in the local currency of the relevant subsidiary; foreign currency export receivables are generally hedged.

The Klöckner & Co Group sells trade receivables as a rule under an ABS program within the Group. The trade receivables are sold by participating Klöckner & Co companies to a fully consolidated special-purpose entity (SPE).

The receivables purchased by the special purpose entity serve as collateral for loan debts to a bank conduit.

The carrying amount of the receivables of the companies participating in the European ABS program as of December 31, 2022, is €260 million (2021: €243 million).

For further information on the ABS program, see Note 26 (Financial liabilities) and Note 3 (Basis of consolidation and consolidation methods).

The following table provides information on the extent of credit risks attributable to trade receivables:

TRADE RECEIVABLES AND CONTRACT ASSETS

(€ thousand)		Of which overdue by days as of the reporting date[1)]						
Gross trade receivables	Of which not overdue as of the reporting date	1– 30 days	31 – 60 days	61 – 90 days	91 – 120 days	> 120 days	Write–downs	**Carrying amount**
December 31, 2022								
906,110	697,118	139,253	23,161	11,220	8,218	27,141	– 8,250	897,860
December 31, 2021								
893,099	734,729	117,600	20,703	5,451	3,061	11,555	– 7,954	885,145

[1)] Including contract assets: €49,078 thousand (2021: €41,861 thousand).

As of December 31, 2022, trade receivables of companies not participating in the ABS program were pledged in the amount of €10,228 thousand (2021: €3,379 thousand) as collateral for loan liabilities.

b) Contract assets

Contract assets changed as follows in fiscal year 2022:

(€ thousand)	2022	2021
Contract assets as of January 1	41,861	25,954
Additions/ Disposals	5,759	14,339
Exchange rate differences	1,457	1,568
Contract assets as of December 31	**49,078**	**41,861**

c) Bonus claims to suppliers

Bonus claims to suppliers are determined on the basis of contractual agreements and accepted shipments.

(19) Other financial and non-financial assets

(€ thousand)	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Other financial assets	**17,754**	**36,415**	**20,875**	**27,622**
Investments	-	32,457	-	22,129
Non-current loans and securities	-	207	-	258
Fair value of derivative financial instruments	1,110	-	111	-
Vendors with debit balance	5,969	-	6,447	-
Miscellaneous other non-financial assets	10,675	3,751	14,317	5,235
Other non-financial assets	**31,743**	**67,812**	**38,182**	**172,917**
Receivables from social security carriers	80	-	34	-
Reinsurance claims from pension obligations	-	2,617	-	3,708
Prepaid pension cost	-	65,195	-	169,209
Claims of other taxes	12,656	-	17,416	-
Prepaid expenses	11,789	-	11,337	-
Advance payments	7,218	-	9,395	-
Other assets	**49,497**	**104,227**	**59,057**	**200,539**

(20) Cash and cash equivalents

Cash and cash equivalents mainly comprise bank balances and short-term deposits. There were no restrictions as of the reporting date.

(21) Non-current assets held for sale

Accounting policies
Non-current assets or groups of assets that are disposed of in a single transaction (disposal groups), including the associated liabilities, are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Depreciation and amortization are no longer recognized on non-current assets held for sale. They are carried at the lower of carrying amount and fair value less costs of disposal.

Of the non-current assets held for sale, two sites in the Kloeckner Metals EU segment will be sold in 2023 in the course of the site closures as part of the Surtsey project. One site was already sold at the beginning of 2022 in the Kloeckner Metals Non-EU segment with a book gain of €50 million, as were three sites in the Kloeckner Metals EU segment with a total book gain of €12 million.

(€ thousand)	**December 31, 2022**	December 31, 2021
Land and buildings	1,859	4,038
Technical equipment and machinery	1,881	104
Other non-current assets	12	12
Total assets	**3,752**	**4,154**

(22) Equity and non-controlling interests

a) Subscribed capital

The subscribed capital of Klöckner & Co SE is €249,375,000, as in the prior year, and is divided into 99,750,000 no-par-value shares, each notionally corresponding to 2.50 of the share capital.

Acquisition of treasury stock
By Annual General Meeting resolution of June 1, 2022, the Management Board is authorized, subject to approval from the Supervisory Board, to acquire, by or before May 31, 2027, treasury stock of up to 10% of the Company's share capital in issue at the time of adoption of the resolution by the Annual General Meeting on June 1, 2022, or, if lower, the Company's share capital in issue at the time of exercise of the authorization. The Management Board was additionally authorized to acquire treasury stock using derivatives (put options, call options or forward purchase contracts). The authorization may be utilized in whole or in part, on one or more occasions, by the Company, by Group companies or by third parties acting on the Company's account or on the account of Group companies. The authorization may be used for any legally permissible purpose. Trading with treasury stock is prohibited. No use has been made of the authorization so far.

Conditional capital

CONDITIONAL CAPITAL 2013

At the Annual General Meeting of May 12, 2017, the Conditional Capital 2013 was adjusted such that the Company's share capital is subject to a smaller conditional increase of up to €24,932,500 by the issue of up to 9,973,000 new no-par-value registered shares. The Conditional Capital 2013 serves to grant subscription and/or conversion rights and/or obligations to the holders of warrant-linked and/or convertible bonds that are issued by the Company or a Group company in accordance with the authorization under agenda item 6 of the Annual General Meeting of the Company of May 24, 2013, (this relates solely to the 2016 convertible bond). The new no-par-value registered shares issued under the contingent capital increase will each have dividend rights from the beginning of the fiscal year in which they are issued. The corresponding provision of the Articles of Association is Section 4 (6).

CONDITIONAL CAPITAL 2022

By resolution of the Annual General Meeting of June 1, 2022, the share capital was conditionally increased by up to €24,937,000 by the issue of up to 9,975,000 new no-par-value registered shares (Conditional Capital 2022). The new no-par-value registered shares issued under the contingent capital increase will each have dividend rights from the beginning of the fiscal year in which they are issued. The Conditional Capital 2022 serves to grant shares to the holders of warrant-linked and/or convertible bonds that are issued, in accordance with the authorization under agenda item 8 of the Annual General Meeting of June 1, 2022, by the Company or by companies controlled by the Company or in which the Company holds a majority interest. Furthermore, it serves the purpose of issuing shares to creditors of convertible bonds issued based on the resolution under agenda item 6 of the Company's Annual General Meeting of May 24, 2013, in case of an adjustment of the conversion ratio. The corresponding provision of the Articles of Association is Section 4 (7).

Authorized capital

AUTHORIZED CAPITAL 2022

By resolution of the Annual General Meeting on June 1, 2022, and with the approval of the Supervisory Board, the Management Board was authorized, until May 31, 2027, to increase the share capital on one or more occasions by up to a total of €49,875,500 against cash or non-cash contributions by the issue of 19,950,000 no-par-value registered shares. The corresponding provision of the Articles of Association is Section 4 (3) (Authorized Capital 2022).

b) Capital reserves

Capital reserves as of December 31, 2022, were €568,622 thousand (December 31, 2021: €568,729 thousand). The €108 thousand change in the capital reserves results from the remeasurement of the equity component of the convertible bond as a result of the repurchase of €7.1 million of the convertible bond in the financial year.

c) Retained earnings

Retained earnings include the accumulated undistributed earnings of the companies included in the consolidated financial statements, to the extent that no distributions are made outside the Group, as well as effects on equity from consolidation.

d) Other comprehensive income

Accumulated other comprehensive income comprises translation differences from translation of the financial statements of foreign subsidiaries, changes in the fair value of cash flow hedges and changes in actuarial gains and losses on pension obligations under IAS 19, including related deferred taxes.

e) Non-controlling interests

Non-controlling interests represent third-party interests in consolidated subsidiaries.

f) Proposal for the appropriation of net income

The Management Board and Supervisory Board propose the distribution from Klöckner & Co SE's unappropriated profits for fiscal year 2022 of an amount of €39,900 thousand to shareholders as dividend and the transfer of the remaining €33,421 thousand of the unappropriated profits to other revenue reserves. At 99,750,000 eligible no-par-value shares, the dividend proposal corresponds to a dividend of €0.40 per share.

A dividend of €1.00 per share was paid out in fiscal year 2022, which at 99,750,000 eligible no-par-value shares corresponds to a distribution of €99,750 thousand.

(23) Share-based payments

Accounting policies

The share-based compensation plans in the Klöckner & Co Group are cash-settled virtual stock option (VSO) plans. A provision is recognized pro rata temporis in the amount of the fair value of the payment obligation as of each reporting date; any subsequent change in the fair value is recognized in profit or loss.

The fair value of the virtual stock options is measured for the determination of provisions using Monte Carlo simulation with the following parameters:

in %	December 31, 2022	December 31, 2021
Risk-free rate of return	2.4 to 2.6	– 0.7 to – 0.3
Expected volatility	54.3	40.5

The expected volatility is based on market-traded options on the shares.

The Klöckner & Co Group has operated cash-settled share-based payment programs since 2006. The beneficiaries are the selected members of senior management in Germany and internationally who are granted an annual allocation of virtual stock options (VSOs). The contracts provide for a cash payment to the beneficiary on exercise of the option. The strike price is based on the average price of Klöckner & Co shares over the last 30 stock market trading days of the year prior to issuance of the respective tranche. The cash payment amounted to the difference between the average share price (XETRA trading, Deutsche Börse AG, Frankfurt am Main) over the last 30 trading days prior to exercising the option and the strike price for the respective tranche. The settlement amount was capped at €25 per option after adjusting for dividend payments in the meantime and any dilutive effects of capital increases. The vesting period is uniformly four years.

The total number of outstanding virtual stock options has changed as follows:

(Number of virtual stock options)	Total
Outstanding at the beginning of the year	**2,922,500**
Granted	612,832
Exercised	– 463,834
Forfeited	– 151,500
Outstanding at the end of the reporting period	**2,919,998**
thereof exercisable at the reporting date	*1,130,499*
weighted average remaining contractual lifetime (months)	*46*
range of strike prices (€/VSO)	*5.02-9.53*
weighted average strike price (€/VSO)	*7.37*

In fiscal year 2022, 612,832 (2021: 670,667) virtual stock options were granted and 463,834 were exercised (2021: 2,020,301). The average share price per stock option on exercise was €10.91 (2021: €11.17).

The provision recognized pro rata temporis for stock options granted amounts as of the reporting date to €8,895 thousand (2021: €9,370 thousand) and was utilized on exercise of the options in the amount of €1,749 thousand (2021: €5,562 thousand). The expense for additions to provisions amounted to €1,274 thousand (2021: €6,102 thousand). The intrinsic value of virtual stock options exercisable as of the reporting date was €1,406 thousand (2021: €1,182 thousand).

(24) Provisions for pensions and similar obligations

Accounting policies

Pension obligations arising from defined benefit plans are determined using the projected unit credit method. The expected benefits, including dynamic components (e.g., pension and salary increases), are recognized over an employee's entire period of service. Actuarial advice is obtained.

Actuarial gains or losses resulting from differences between the expected and actual changes in plan participants and actuarial assumptions are recognized in other comprehensive income in the period in which they arise. They are presented separately in the statement of comprehensive income. The statement of financial position consequently shows the full scale of the obligation while avoiding earnings fluctuations in the income statement as a result of changes in measurement parameters.

Service cost is reported in personnel expenses. Interest expense from the unwinding of the discount on pension obligations and returns on plan assets are presented in the financial result as net interest expense at the rate used to discount the obligations.

To meet pension obligations, the Klöckner & Co Group holds assets in trust under contractual trust arrangements (CTAs). The assets are measured at fair value. The fair value is based on the market values of the asset management companies at the reporting date. The plan assets are offset against the benefit obligation. Any net plan liability is accounted for in provisions. Any excess of plan assets over plan liabilities is presented in assets as a pension plan surplus.

The amount of the resulting asset to be recognized is limited to the present value of available refunds plus the reduction of future contributions to the plan (asset ceiling).

Past service cost is recognized in profit or loss.

Employer contributions to defined contribution plans under which the Klöckner & Co Group pays set contributions into a separate entity under defined contribution plans and has no legal or constructive obligation to pay further contributions are expensed as incurred.

Most employees in the Klöckner & Co Group have pension benefits, with the type of provision varying from country to country according to the national legal, economic and tax situation. Pension plans in the Group include both defined contribution and defined benefit plans as follows:

In fiscal year 2021, plan assets in Germany and the United Kingdom were significantly increased in order to fund and secure future pension payments. Pension obligations in Germany were fully funded by establishing and paying €190 million into a contractual trust arrangement (CTA). In the United Kingdom, the funding level was increased by paying into a Scottish Legal Partnership (SLP), which is a fund separate from the company. The additional amount paid into the SLP in 2021 was GBP 40 million. A further amount of GBP 5 million was paid directly into the assets under management by the trustees.

Depending on their year of entry, employees in Germany either have a defined benefit entitlement equaling a percentage of eligible salary for each qualifying year of service or, for entrants after 1979, a fixed capital amount scaled by salary band for each qualifying year of service. There are also individual entitlements for executive staff in accordance with various Essener Verband benefit plans. Older entitlements among these are employer-funded entitlements to pension benefits, while the more recent pension plans are defined contribution plans in which employees are able to add employee-funded contributions. The more recent entitlements feature a choice between a lump sum payment and an annuity.

Defined benefit plans in France include a collectively negotiated IFC plan that provides for a lump sum payment according to length of service and salary. There is also a final salary plan, closed to new entrants since 1989, for employees taken over from a former state corporation (IRUS plan).

In the United Kingdom, post-2003 new entrants have a defined contribution plan with equal employer and employee contributions at a fixed percentage of basic salary. For entrants up to 2003, the employer maintains two defined benefit plans: the ASD PLC Pension Scheme and the ASD PLC Retirement Benefit Scheme. Under these plans, employees receive pension benefits on reaching retirement age (or in the event of early retirement or death) in an amount based on their last salary before occurrence of the benefit event. Both plans are closed to service accruals after December 31, 2015 (moved to defined contribution plan).

Klöckner & Co operates the plans in the United Kingdom under the regulatory framework of UK law pertaining to pension plans. Benefits are paid to plan participants out of assets managed by trustees. The trustees are responsible for ensuring that the plans are adequately funded to meet current and future benefit obligations.

The pension plans are registered, asset-funded legal entities. Plan assets are administered separately from the employer's assets. If real investment performance is below expectations, the employer's liabilities increase.

The plans' funding targets are set out in the Statement of Funding Principles and are regularly reviewed to assess both the adequacy of plan funding relative to target and the suitability of the investment agreements with a view to the plans' current situation.

The current investment target of the ASD PLC Retirement Benefit Scheme (by far the more material of the two plans) is a return exceeding that on United Kingdom government bonds by about 3% per annum.

The Klöckner & Co Group's Swiss companies and their employees fund pensions through a legally independent pension fund subject to the Swiss Occupational Pensions Act (BVG). The D&A Group pension fund, Pensionskasse der D&A-Gruppe, is a Swiss-law trust domiciled in St. Gallen, Switzerland. It has the purpose of providing old-age, survivors' and disability benefit plans for company employees. These plans are provided by the fund on a mandatory basis under the Swiss Occupational Pensions Act, for which purpose it is listed in the occupational benefit plans register. The Board of Trustees, as the supreme governing body of the pension fund, consists of equal numbers of employee and employer representatives and is responsible for the trust's financial stability and performance. The insurance plan is set out in a charter and provides for benefits that exceed the statutory minimum benefits. Employer and employee contributions are set as a percentage of pensionable earnings and financed by equal contributions. The lifelong retirement pension is determined by the size of the pension balance on retirement multiplied by conversion rates specified in the charter. Employees can alternatively have retirement benefits paid out as a lump sum. Survivors' and spouse's pensions are specified as percentages of pensionable earnings. The pension fund bears the actuarial and investment risk itself. Investing the assets is the responsibility of the pension fund. This sets the investment strategy and oversees the investment process and the asset manager. The investment strategy is periodically reviewed by the Board of Trustees and is specified in such a way that the insured benefits can be paid when due.

Swiss law provides for minimum guaranteed benefits, and the Board of Trustees may adopt restructuring measures in the event of a trust fund deficit (or impending deficit); this may also take place at the employer's expense. The pension arrangement consequently qualifies as a defined benefit plan under IAS 19.

PC-Tech SA, acquired in 2022, provides occupational benefits to its employees through two pension funds, each of which has contracted a full insurance solution with an insurance company to cover insurance and investment risks. The Board of Trustees, as the supreme governing body of the pension funds, consists of equal numbers of employee and employer representatives and is responsible for the trust's financial stability and performance. While the pension funds' pension liability insurance policies remain in force, the insurer is obliged to make up any shortfall in cover within the meaning of the pension law. As the insurer can cancel the pension liability insurance policies, the insured risks can revert to the responsibility of the employer, so that the pension solutions also qualify as defined benefit plans under IAS 19.

In the USA, pension benefits are provided in the form of a defined contribution plan and several defined benefit plans. A 401 (k) plan gives employees the option to pay a set percentage of their basic salary into a fund, thus entitling them to a subsidy from the employer. Employees who joined the Company by December 31, 2013, participate in a defined benefit plan that provides a life annuity equaling a set percentage of eligible salary for each qualifying year of service, or a fixed amount for unionized employees. Alongside the aforesaid regular pension plans in the USA, there is also a retiree welfare plan, likewise closed to new entrants, with post-retirement healthcare benefits for former employees of an acquired company. In general, all of the above are funded plans. Under US law, employers must pay funding contributions to a plan if a special solvency assessment shows funding to fall short of 100%. The only exception is a plan for upper management, which is exclusively financed through provisions. The retiree welfare plan is also financed entirely out of provisions.

In order to reduce risks related to volatility in the funded status of the defined benefit asset-based plans due to changes in discount rates and capital markets, a liability-driven investment strategy has been implemented with assets selected to match the duration of the liabilities. Investment and directives on the payment of employer contributions are integrated into this approach, which has the objective of maintaining and/or improving the plans' actuarial funded status.

The main elements of the investment strategy specified in the directive are as follows:

- Establishment of two portfolios for each plan – a liability-driven portfolio matching the durations of the plan liabilities and a growth-driven portfolio to generate attractive long-term returns, ideally above the discount rate.
- Risk reduction for the investments applying a predefined glide path investment strategy when the plans' actuarial funded status improves.

RISKS ASSOCIATED WITH DEFINED BENEFIT PLANS

The main risk other than normal actuarial risk – including longevity risk and foreign exchange risk – relates to financial risk associated with plan assets.

On the pension liability side, this mostly means inflation risk on plans with salary-linked benefits (notably final salary plans); a marked rise in pay would increase the obligation under these plans. Plans of this kind exist only on a small scale in the Klöckner & Co Group or are largely closed to new entrants.

Regarding increases to pensions currently in payment, there is, with one exception, no pension arrangement within the Klöckner & Co Group that carries an obligation to increase the benefit amount in excess of inflation or in excess of the surplus generated on plan assets. Only for a number of entitlements for executive staff in Germany is there a commitment to increase benefits by 1% a year from retirement regardless of actual inflation.

The return on plan assets in accordance with IAS 19 is assumed on the basis of the discount rate for the defined benefit obligation. If the actual rate of return is below the discount rate, the net liability goes up. For the funded plans, however, notably given the share of plan assets invested in equities, we expect that long-term returns will exceed the discount rate. Nonetheless, short to medium-term fluctuations cannot be ruled out, with a corresponding effect on the net liability.

With the defined contribution plans, the Company pays contributions to private or state pension funds under statutory or contractual obligations. The Company's employee benefit obligations are settled on payment of the contributions. The amount recognized as expense for this purpose in the fiscal year was €11,378 thousand (2021: €9,735 thousand). This does not include employer contributions to the statutory pension insurance scheme. These amounted to €7,510 thousand in Germany (2021: €7,452 thousand).

In the fiscal year, for countries with material pension obligations, the following actuarial assumptions were used in the actuarial calculations performed by third-party actuaries:

2022

in %	Germany	Switzerland	United Kingdom	France	United States
Discount rate	3.70	2.20	4.85	3.70	4.98
Salary trend	2.90	1.00	2.50	2.20	3.50
Pension trend	2.20	0.00	2.85	1.25	0.00

2021

in %	Germany	Switzerland	United Kingdom	France	United States
Discount rate	0.90	0.25	1.85	0.90	2.62
Salary trend	2.70	0.50	2.65	1.75	3.50
Pension trend	2.00	0.00	3.10	1.25	0.00

The discount rates reflect the bond markets' interest rates in the respective jurisdiction for high-quality corporate bonds with corresponding maturities. A uniform discount rate was selected for the eurozone.

The mortality assumptions used for pension accounting in the various countries are as follows:

	2022	2021
Germany	Richttafeln 2018 G von Prof. Dr. Klaus Heubeck	Richttafeln 2018 G von Prof. Dr. Klaus Heubeck
Switzerland	BVG 2020	BVG 2020
United Kingdom	SAPS	SAPS
France	INSEE 16–18; TGH05	INSEE 14–16; TGH05
United States	Private Pension Plan 2012	Private Pension Plan 2012

There are also reimbursement rights – primarily life insurance policies and claims under other insurance policies – used to fund pension obligations. These changed as follows in the fiscal year:

(€ thousand)	2022	2021
Reimbursement rights as of January 1	**3,708**	**3,805**
Expected return	31	15
Actuarial gains (losses)	112	285
Benefits paid	– 206	– 397
Transfers	– 1,028	-
Reimbursement rights as of December 31	**2,617**	**3,708**

The actual return on reimbursement rights was €143 thousand in the fiscal year (2021: €300 thousand).

The net provision changed as follows:

	Defined benefit obligation		Fair value of plan assets *)		Net provision/assets	
(€ thousand)	**2022**	2021	**2022**	2021	**2022**	2021
As of January 1	1,172,248	1,195,560	– 1,291,432	– 953,555	–119,184	242,005
thereof fully or partly funded	1,133,785	979,241				
Included in statement of income						
Service cost	16,727	18,614	-	-	16,727	18,614
Interest cost for pension plans	13,301	9,783	-	-	13,301	9,783
Interest income from plan assets	-	-	– 13,557	– 8,029	– 13,557	– 8,029
Administration expenses	-	-	2,399	1,589	2,399	1,589
Settlements/amendments	56	–53	-	-	56	–53
	30,084	**28,344**	**– 11,158**	**– 6,440**	**18,926**	**21,904**
Included in other comprehensive income						
Actuarial losses (gains) due to change in demographic assumptions	– 535	– 21,255	-	-	– 535	– 21,255
Actuarial losses (gains) due to change in financial assumptions	– 314,773	–37,450	-	-	–314,773	–37,450
Experience losses (gains)	12,846	598	-	-	12,846	598
Revaluation of plan assets	-	-	189,513	– 41,908	189,513	– 41,908
Unrecognised asset due to asset ceiling	-	-	200,741	-	200,741	-
Foreign currency exchange rate differences	37,146	52,382	– 41,512	– 55,756	– 4,366	–3,374
	– 265,316	**–5,725**	**348,742**	**– 97,664**	**83,426**	**–103,389**
Other						
Employee contributions	15,819	12,774	– 15,819	– 12,774	-	-
Employer contributions	-	-	– 9,564	– 275,974	– 9,564	– 275,974
Benefits paid	– 38,785	– 58,705	38,221	54,975	– 564	– 3,730
Transfers/Acquisitions	2,672	-	– 2,896	-	–224	-
	– 20,294	**– 45,931**	**9,942**	**–233,773**	**– 10,352**	**– 279,704**
As of December 31 (active surplus (-) / passive surplus (+))	**916,722**	**1,172,248**	**– 943,906**	**–1,291,432**	**–27,184**	**–119,184**
thereof included in consolidated statement of other non-financial assets					– 65,196	–169,208
Provisions for pensions and similar obligations					38,012	50,024
thereof fully or partly funded	888,807	1,133,785				

*) Including €200,741 thousand asset ceiling (Switzerland).

The table below shows the analysis of the net provision (asset) by countries:

(€ thousand)	December 31, 2022 Defined benefit obligation	Fair value of plan assets *)	Net provision/ assets	December 31, 2021 Defined benefit obligation	Fair value of plan assets	Net provision/ assets
Germany	166,330	206,642	–40,312	227,972	229,236	–1,264
Austria	1,158	-	1,158	1,434	-	1,434
France	15,186	-	15,186	21,622	-	21,622
United Kingdom	74,837	99,313	–24,476	118,036	158,570	–40,534
Switzerland	447,560	447,312	248	528,891	653,581	–124,690
USA	211,651	190,639	21,012	274,293	250,045	24,248
Total	**916,722**	**943,906**	**–27,184**	**1,172,248**	**1,291,432**	**–119,184**

*) Including €200,741 thousand asset ceiling (Switzerland).

The table below shows how the defined benefit obligation would have been affected by changes in key actuarial assumptions:

(€ thousand)	2022	2021
Present value of benefit obligation if		
discount rate would be higher by 50 basis points	864,207	1,092,665
discount rate would be lower by 50 basis points	974,792	1,262,985
the expected salary trend would be higher by 0.5%	919,181	1,177,268
the expected salary trend would be lower by 0.5%	913,515	1,167,370
pension increase would be higher by 0.5%	947,833	1,217,389
pension increase would be lower by 0.5%	908,189	1,157,991
longevity would be 1 year longer	946,471	1,217,951

The sensitivities indicated are computed on the basis of the same methods and assumptions as are used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are held constant.

When appraising sensitivities, it should be noted that the change in the present value of the defined benefit obligation resulting from changing multiple actuarial assumptions simultaneously is not necessarily equivalent to the cumulative effect of the individual sensitivities.

The table below disaggregates plan assets into classes of asset:

	December 31, 2022			December 31, 2021		
(€ thousand)	Price quote from active market	No price quote from active market	**Total**	Price quote from active market	No price quote from active market	Total
Shares	219,615	9,521	229,136	248,012	10,663	258,675
Investment funds	-	-	-	189,946	-	189,946
Bonds	195,129	179,010	374,139	170,480	238,026	408,506
Real estate	56,474	186,056	242,530	56,209	158,166	214,375
Other assets	255,648	43,194	298,842	180,549	39,381	219,930
Fair value of plan assets as of December 31	**726,866**	**417,781**	**1,144,647**	**845,196**	**446,236**	**1,291,432**

Plan assets do not include any of the entity's own transferable financial instruments; plan assets that are property occupied by, or other assets used by, the entity totaled €28,237 thousand (2021: €16,383 thousand).

Other assets mainly include the following:

DECEMBER 31, 2022

(€ thousand)	Germany	Switzerland	United Kingdom	United States	**Total**
Mixed fund	113,813	-	-	-	113,813
Cash and cash equivalents	-	36,965	40,079	917	77,961
Commodities	-	31,424	-	-	31,424
Infrastructure (alternative investments)	-	20,539	-	-	20,539
Private debt	-	6,738	-	-	6,738
Hedge funds	-	3,304	-	-	3,304
Insurance linked securities	-	2,786	-	-	2,786
Reinsurance claims	40,491	1,786	-	-	42,277
Other assets	**154,304**	**103,542**	**40,079**	**917**	**298,842**

DECEMBER 31, 2021

(€ thousand)	Germany	Switzerland	United Kingdom	United States	Total
Mixed fund	-	-	21,158	-	21,158
Cash and cash equivalents	-	37,254	60,700	91	98,045
Commodities	-	31,947	-	-	31,947
Infrastructure (alternative investments)	-	15,359	-	-	15,359
Private debt	-	6,758	-	-	6,758
Hedge funds	-	4,301	-	-	4,301
Insurance linked securities	-	3,072	-	-	3,072
Reinsurance claims	39,290	-	-	-	39,290
Other assets	**39,290**	**98,691**	**81,858**	**91**	**219,930**

The actual loss on plan assets was €175,956 thousand in the fiscal year (2021: return on plan assets of €49,937 thousand).

Losses relating to experience adjustments in the present value of the defined benefit obligation in the year under review were €12,846 thousand (2021: €598 thousand); losses relating to experience adjustments to the fair value of plan assets were €189,513 thousand (2021: gains of €41,908 thousand).

The weighted average duration was 12 years. Employer contributions to plan assets for fiscal year 2023 are expected to amount to €12,101 thousand.

The maturity analysis of benefit payments is as follows:

(€ thousand)	
Future benefit payments	
- due in 2023	45,025
- due in 2024	45,213
- due in 2025	46,579
- due in 2026	48,716
- due in 2027	47,890
- due 2028–2032	241,602

(25) Other provisions and accrued liabilities

Accounting policies
In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and where applicable IAS 19 (Employee Benefits), other provisions allow for all identified obligations and impending risks as well as all uncertain liabilities, provided they are present obligations, it is probable that they will be incurred, and that a reliable estimate can be made of their amount. Provisions are only recognized for legal or constructive obligations to third parties.

Provisions are recognized at the expected settlement amount and not net of any reimbursement rights. The settlement amount also includes any cost increases to be taken into account at the reporting date. Where the effect of the time value of money in connection with settlement of the obligation is material, provisions are discounted at rates that reflect current market assessments of the time value of money and the risks specific to the liability.

Warranty provisions are recognized on the basis of the estimated probability of claims. Provisions are recognized for onerous sale or purchase contracts when the total costs of meeting the obligations under the contract exceed the expected sales.

Provisions for restructuring measures are recognized if there is a detailed restructuring plan and it has been announced to those affected.

Provisions for onerous contracts are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Other provisions changed as follows in the reporting year:

(€ thousand)	As of January 1, 2022	Additions	Accretion/ Discount	Utilization	Reversals	Other changes*)	As of December 31, 2022
Other provisions							
Other taxes	3,690	710	-	– 257	– 84	183	4,242
Personnel-related obligations							
– anniversary payments	8,431	371	3	– 1,196	– 632	85	7,062
– other	1,647	61	-	– 185	– 2	40	1,561
Onerous contracts	776	1,342	-	– 271	– 5	1,918	3,760
Restructuring expenses	27,737	7,743	-	– 15,679	– 5,988	– 76	13,737
Pending litigation	3,595	1,005	-	– 2,099	– 327	132	2,306
Warranties	1,619	937	-	– 5	– 389	113	2,275
Miscellaneous provisions	31,676	8,585	– 324	– 3,680	– 831	– 466	34,960
	79,172	**20,754**	**– 321**	**– 23,372**	**– 8,258**	**1,929**	**69,903**
Other accrued liabilities							
Personnel-related obligations	73,838	71,497	-	– 67,307	– 2,763	1,682	76,947
Miscellaneous accrued liabilities	12,364	7,901	-	– 5,407	– 82	– 852	13,924
	86,202	**79,398**	**-**	**– 72,714**	**– 2,845**	**830**	**90,871**
Other provisions and accrued liabilities	**165,374**	**100,152**	**– 321**	**– 96,086**	**– 11,103**	**2,759**	**160,774**

*) Change in scope of consolidation, foreign currency adjustments, reclassification and transfers to/from third parties.

Analysis by maturities:

(€ thousand)	December 31, 2022 Non-current	December 31, 2022 Current	December 31, 2021 Non-current	December 31, 2021 Current
Other provisions				
Other taxes	-	4,242	42	3,649
Personnel-related obligations				
– anniversary payments	7,062	-	8,431	-
– other	356	1,204	323	1,324
Onerous contracts	-	3,760	-	776
Restructuring expenses	-	13,737	-	27,737
Pending litigation	38	2,269	15	3,581
Warranties	-	2,275	-	1,618
Miscellaneous provisions	7,180	27,780	8,542	23,134
	14,637	**55,266**	**17,352**	**61,820**
Other accrued liabilities				
Personnel-related obligations	196	76,750	-	73,837
Miscellaneous accrued liabilities	-	13,924	-	12,364
	196	**90,674**	**-**	**86,202**
Other provisions and accrued liabilities	**14,833**	**145,941**	**17,352**	**148,022**

The provisions for other taxes mainly relate to real estate tax.

Personnel-related obligations relate in the amount of €7,062 thousand (2021: €8,431 thousand) to anniversary payments in France and Switzerland. The determination of the provision is based on actuarial calculations with interest rates of 3.7% (2021: 0.9%) and 2.2% (2021: 0.25%). The other provisions for personnel-related obligations mainly relate to additional employee benefits such as parental leave.

The provisions for onerous contracts relate to contractual obligations in which contract fulfillment results in a loss.

The provisions for restructuring relate to obligations resulting from termination benefits granted in redundancy programs in an amount of €13,607 thousand (2021: €26,830 thousand) and other restructuring expenses for site closures in an amount of €130 thousand (2021: €907 thousand) that either result in an outflow of resources in the following year or, to the extent they are material, are recognized as of the reporting date at their discounted settlement amount. The provisions for site closures and social plans were determined on the basis of cost estimates (for example, site ancillary charges still to be paid for closed sites) or derived from experience from comparable social plans.

The provisions for pending litigation cover expenses for various legal proceedings and claims that may result, in particular, in the payment of damages or other cost-intensive measures.

Provisions for warranties are recognized at the time of sale of the goods or provision of the services concerned. The size of the provision is based on the historical development of warranties and an analysis of all possible future warranty events weighted by probability of occurrence.

Miscellaneous provisions relate among other things to provisions for asset retirement obligations and recultivation on leased sites and provisions for environmental remediations on sold sites. The cash outflow from these obligations is determined by the duration of the leases.

Accrued liabilities for employee-related obligations include performance-based remuneration of €62,359 thousand (2021: €59,967 thousand) as well as vacation entitlements and flextime balances in the amount of €10,827 thousand (2021: €10,723 thousand).

The miscellaneous accrued liabilities relate to customer bonuses, discounts, commissions and other bonuses.

(26) Financial liabilities

The details of financial liabilities are as follows:

	December 31, 2022				December 31, 2021			
(€ thousand)	**up to 1 year**	**1-5 years**	**Over five years**	**Total**	up to 1 year	1-5 years	Over five years	Total
Bonds	139,022	-	-	139,022	920	141,130	-	142,050
Liabilities to banks	21,960	268,179	6,600	296,739	37,298	285,516	7,400	330,214
Liabilities under ABS program	159,026	-	-	159,026	188,931	-	-	188,931
Finance lease liabilities	38,541	88,610	37,415	164,566	33,500	85,052	37,348	155,900
	358,549	**356,789**	**44,015**	**759,353**	**260,649**	**511,698**	**44,748**	**817,095**

Financial liabilities of €19,231 thousand (2021: €14,472 thousand) are secured by liens. Inventories as set out in Note 17 (Inventories) and trade receivables as set out in Note 18 (Trade receivables and contract assets) are also pledged as collateral.

Transaction costs directly attributable to the assumption of financial liabilities in the amount of €3,216 thousand (2021: €2,521 thousand) have been deducted from the liabilities.

Bonds
A €148 million senior unsecured convertible bond issue was placed with non-US institutional investors closing September 8, 2016. The issuer is Klöckner & Co Financial Services S.A., a wholly-owned Luxembourg subsidiary. The bonds are guaranteed by Klöckner & Co SE and are convertible into new or existing shares in Klöckner & Co SE. Klöckner & Co uses the proceeds from the issue for general business purposes.

The coupon on the bonds was set at 2.00% p.a. and the conversion premium at 27.5% over the issue date reference price, corresponding to an initial conversion price of €14.82. In accordance with the bond terms, the conversion price was adjusted to €12.1837 following the dividend payouts in May 2017, May 2018, May 2019 and June 2022. The bond has a seven-year term. The issuer did not have an early call option during the first five years. It does have such an option thereafter provided the market price of Klöckner & Co shares exceeds 130% of the conversion price over certain stipulated periods.

Effective July 1, 2022, Klöckner & Co repurchased €7.1 million in convertible bonds. The bonds were then retired, thus reducing the outstanding amount to €141 million.

As it matures in September 2023, the convertible bond was reclassified as of September 30, 2022 from non-current to current financial liabilities.

For accounting purposes, the convertible bond issue is divided into an equity and a debt component. The equity component at the time of issue was €18 million after deducting transaction costs and accounting for deferred taxes. It was credited to capital reserves.

Liabilities to banks
In a contract amendment in December 2021, the facility amount of the syndicated loan was reduced from €300 million to €250 million and the loan extended on improved terms to January 2025. This further improved the maturity profile of Klöckner & Co's Group finances. As before, the facility is provided by a syndicate of eight banks.

The financial covenants require that gearing, defined as net financial debt divided by the book value of equity attributable to shareholders of Klöckner & Co SE less goodwill resulting from acquisitions after May 23, 2019, may not exceed 165%. The thus adjusted book value of equity attributable to shareholders of Klöckner & Co SE may not fall below €600 million (minimum equity). Breach of the financial covenants would require repayment of all outstanding amounts. Subsequent drawings would then be possible if the covenants were once again complied with. The Group complied in fiscal year 2022 with all loan terms, including the financial covenants.

The remaining liabilities to banks comprise bilateral borrowings by the country organizations. Most of this is accounted for by the ABL facility at the US country organization. The facility was originally agreed in November 2020 and was increased in March 2022 from USD 330 million to USD 450 million. In July 2022, the facility was renewed ahead of schedule on improved terms and with a five-year duration to July 2027. In connection with the planned acquisition of National Material of Mexico, the facility was increased in December 2022 from USD 450 million to USD 650 million with the same terms and maturity while expanding the banking syndicate from three to four banks. There are also other bilateral borrowings at the country organizations, used among other things to finance net working capital.

Liabilities under ABS program

Since July 2005, the Klöckner & Co Group has operated a European ABS program. The size of the program was increased in April 2022 from €220 million to €300 million. In December 2022, Klöckner & Co secured an extension of the 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. The agreed covenants are also based on the statement of financial position and are equivalent to those for the syndicated loan.

Utilization of the program including accumulative interest totaled €159 million as of the reporting date and breaks down as follows:

(€ million)	December 31, 2022	December 31, 2021
– utilization	159	189
– maximum volume	300	220

For further information on the ABS program, see Note 3 (Basis of consolidation and consolidation methods) and Note 18 (Trade receivables and contract assets).

Finance lease liabilities

Finance lease liabilities have the following term structure:

(€ thousand)	December 31, 2022	December 31, 2021
Due within one year	43,284	38,004
Due between one and five years	99,880	96,859
Due after five years	43,839	48,146
Future minimum lease payments (nominal value)	**187,003**	**183,009**
Due within one year	4,743	4,504
Due between one and five years	11,270	11,807
Due after five years	6,424	10,798
Interest included in future minimum lease payments	**22,437**	**27,109**
Due within one year	38,541	33,500
Due between one and five years	88,610	85,052
Due after five years	37,415	37,348
Total present value of future minimum lease payments	**164,566**	**155,900**

(27) Trade payables

(€ thousand)	December 31, 2022	December 31, 2021
Trade payables	745,109	809,396
Provisions for pending invoices	31,462	28,736
Bills payable	-	17
Trade payables	**776,571**	**838,149**

(28) Other financial and non-financial liabilities

(€ thousand)	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Other financial liabilities	**35,966**	**645**	**32,625**	**137**
Negative fair value of derivative financial instruments	1,748	-	1,705	-
Customers with credit balances	19,797	-	17,647	-
Miscellaneous other financial liabilities	14,421	645	13,273	137
Other non-financial liabilities	**8,156**	**-**	**6,038**	**-**
Contract liabilities	2,519	-	5,099	-
Advance payments received	5,637	-	939	-
Other non-financial liabilities	**42,589**	**-**	**48,141**	**-**
Value-added tax liabilities	14,453	-	17,623	-
Other tax liabilities	14,888	-	20,538	-
Deferred income	1,987	-	1,729	-
Liabilities to employees	1,551	-	1,902	-
Social security contributions	9,180	-	5,623	-
Miscellaneous other non-financial liabilities	530	-	726	-
Other liabilities	**86,711**	**645**	**86,804**	**137**

The amount of €5,099 thousand included in contract liabilities as of December 31, 2021 was recognized as revenue in fiscal year 2022 (2021: €1,829 thousand).

Other disclosures

(29) Information on capital management

The Klöckner & Co Group determines its capital requirements in relation to risk. Management of and any adjustment in the capital structure is carried out with due regard to changes in the economic environment. Options for maintaining or adjusting the capital structure include adjusting dividend payments, capital repayments to shareholders, issuing new shares and the sale of assets to reduce liabilities.

Capital is managed on the basis of gearing. The Klöckner & Co Group's target is to maintain gearing below the 165% (2021: 165%) required under the financial covenants in order to be able to continue borrowing on reasonable terms.

Further information about the basis of calculation for gearing and about minimum capital requirements is provided in Note 26 (Financial liabilities).

Gearing is determined as follows:

(€ thousand)	December 31, 2022	December 31, 2021	Variance
Financial liabilities	759,353	817,095	– 57,742
Transaction costs	3,216	2,521	695
Liquid funds	– 179,068	– 57,628	– 121,440
Net financial debt (before deduction of transaction cost)	**583,501**	**761,988**	**– 178,487**
Consolidated shareholders' equity	1,968,256	1,827,348	140,908
Non-controlling interests	– 11,834	– 15,731	3,897
Goodwill from business combinations subsequent to May 23, 2019	– 1,225	-	– 1,225
Adjusted shareholders' equity	**1,955,197**	**1,811,616**	**143,581**
Gearing	**29.8%**	**42.1%**	**– 12.2%p**

(30) Financial instruments

Accounting policies
The Group's financial assets primarily consist of cash and cash equivalents, trade receivables and derivative financial instruments with positive fair values. The Group's financial liabilities include bonds, liabilities to banks, trade payables, lease liabilities and derivative financial instruments with negative fair values.

The Klöckner & Co Group recognizes all regular way contracts as of the settlement date, regardless of their classification. For derivative financial instruments classified as held for trading, the Group applies trade date accounting.

The fair value option provided by IFRS 9 (Financial Instruments) is not applied.

Financial instruments are measured on initial recognition at fair value, less transaction costs if applicable. Trade receivables are measured at the transaction price. Transaction costs directly attributable to the acquisition or issue of a financial instrument are included in the carrying amount except in the case of financial instruments at fair value through profit or loss. Subsequent measurement of financial assets is carried out using the categories under IFRS 9 (Financial Instruments) according to business model and contractual cash flow characteristics. This results in measurement at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income. Financial liabilities are measured at amortized cost or at fair value through profit or loss.

a) Non-derivative financial assets and financial liabilities and equity instruments issued by Klöckner & Co
Cash and cash equivalents include cash on hand, bank balances and short-term securities with an original maturity of less than three months that are subject only to an insignificant risk of changes in value and are used for short-term liquidity management. They are measured at amortized cost, which in this case is equal to the nominal value. Foreign currency balances are measured at the mid-point rate at the reporting date. Financial assets at fair value through profit or loss include financial assets initially classified as held for trading. In the Klöckner & Co Group, this classification is applied exclusively to derivative financial instruments that are designated hedging instruments to which hedge accounting is applied. Such assets are presented as other financial assets in the statement of financial position.

Financial assets and financial liabilities are measured at amortized cost using the effective interest method. Also classified in this category are non-current securities that are not quoted in an active market and long-term loans measured at amortized cost.

Equity investments within the scope of IFRS 9 are measured at fair value through profit or loss.

All identifiable risks are accounted for by recognizing appropriate valuation allowances for expected credit losses taking into account any credit insurance. These are determined on the basis of weighted probabilities and applied to financial assets measured at amortized cost or at fair value through other comprehensive income.

The three-stage impairment model is generally applied. A risk allowance is recognized in the amount of the expected 12-month credit losses (Stage 1) or in the amount of the expected lifetime credit losses if the credit risk has increased significantly since initial recognition (Stage 2) or if financial assets are credit-impaired (Stage 3). Financial assets are considered to be credit-impaired if there is objective evidence such as substantial financial difficulty on the part of the obligor, knowledge of an insolvency filing or overdue status, which is not already assumed on exceeding 30 days past due. In the event that a financial asset is categorized as bad debt, it is written off, including the amount of the impairment.

An equity or debt instrument is classified as a financial liability or as equity according to the substance of the contractual agreement. Equity instruments are recognized in the amount of the issue proceeds less directly attributable transaction costs.

The components of compound financial instruments such as convertible bonds are recognized separately as financial liabilities and equity. At the issue date, the fair value of the liability component is determined by discounting at the market interest rate for comparable financial instruments without conversion rights. Subsequent accounting of the liability component as a financial liability is on an amortized cost basis until conversion or maturity of the bond. Applying the residual method, the remaining difference represents the equity component, which is accounted for in capital reserves with no subsequent adjustment.

Financial liabilities are either classified as liabilities at fair value through profit or loss or as other financial liabilities.

In the Klöckner & Co Group, only derivative financial instruments that are not designated and effective as hedging instruments are recognized as liabilities at fair value through profit or loss. Any negative fair value of such instruments is presented in other financial liabilities.

Other financial liabilities, including borrowings, are initially recognized at fair value less transaction costs. After initial recognition, other financial liabilities are generally measured at amortized cost using the effective interest method.

An exchange between Klöckner & Co SE and a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Subject to qualitative considerations, terms are deemed to be substantially different if the discounted present value of the cash flows under the new terms differs from the discounted present value of the remaining cash flows under the original terms by more than 10%.

b) Derivative financial instruments

The Group uses a variety of derivative financial instruments to manage its exposure to interest, foreign exchange rate and commodity price risks. These include forward exchange transactions, currency swaps, cross-currency swaps, interest rate swaps, interest rate caps and commodity forwards.

Derivatives are initially measured at fair value on inception and subsequently measured at fair value at each reporting date. Any gain or loss from a change in the fair value of a derivative financial instrument that is not a designated and effective cash flow hedge or hedge of a net investment is immediately recognized in operating income. For derivative financial instruments that are designated hedges, the timing of the recognition of gains or losses depends on the type of hedge. The Klöckner & Co Group uses certain derivative financial instruments to hedge recognized assets or liabilities. Certain unrecognized firm commitments are also hedged.

Steel purchase contracts entered into to receive or deliver non-financial items in accordance with own requirements are treated as pending transactions (own use exemption) and not accounted for as derivatives.

If embedded derivatives are identified in contracts, they are examined to establish whether they are closely related to the economic characteristics of the host contract. If not, they are accounted for separately as derivatives.

Forward exchange contracts are used to hedge foreign-currency receivables and liabilities arising from the operating business that are either pending or recognized in the balance sheet and to hedge intercompany loans. They are measured item by item at the forward rate as of the reporting date, and exchange differences arising due to the contracted forward exchange rate are recognized in profit or loss.

Interest exchange amounts from interest rate swaps are recognized in profit or loss at the payment date or on accrual at the reporting date. In all other respects, interest rate swaps, like interest rate caps, are measured at fair value at the reporting date and – unless hedge accounting is applied – changes in their fair value during the reporting period are recognized in profit or loss.

Derivatives held for hedging purposes are classified as non-current assets or liabilities if the remaining term of the hedging relationship is more than twelve months and as current assets or liabilities if the remaining term of the hedging relationship is less than twelve months.

Derivatives not designated in a hedging relationship are classified as current assets or liabilities.

c) Hedge accounting

With regard to hedge accounting, Klöckner & Co made use of the option of accounting for hedges in accordance with IAS 39 until December 31, 2021. Since January 1, 2022, hedge accounting has been applied in accordance with IFRS 9. The Klöckner & Co Group designates individual derivatives held for hedging purposes either as cash flow hedges or as hedges of foreign net investments, according to volume, term and risk structure.

The relationship between the hedged item and the hedging instrument, including the risk management objectives and the Company's strategy for undertaking the hedge, are documented at the inception of the hedge. At the inception of the hedge and regularly on an ongoing basis, the hedge is assessed and it is documented whether the hedge is highly effective in offsetting changes in the cash flows attributable to the hedged risk or the net investment. Changes in the reserve for fair value adjustments of financial instruments within other comprehensive income are shown in the summary of changes in consolidated equity.

The effective portion of the change in the fair value of derivative financial instruments designated as cash flow or net investment hedges is recognized in equity through other comprehensive income; the ineffective portion is recognized directly in profit or loss. The amounts recognized in other comprehensive income are reclassified to profit or loss in the period in which the hedged item is recognized in profit or loss. In the case of commodity forwards that hedge purchase prices, the amounts are reclassified to inventories (basis adjustment) and, on consumption of the inventories, the effect on earnings is recognized in cost of materials.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or ceases to be effective. Any cumulative gain or loss that has been recognized through other comprehensive income from changes in the fair value of the derivative remains in other comprehensive income and is reclassified to profit or loss when the forecast transaction is recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in other comprehensive income is immediately recognized in profit or loss.

Additional disclosures on financial instruments

The carrying amounts and fair values by category of financial instruments are as follows:

Financial assets as of December 31, 2022			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other financial assets	1,110	1,110	-	-	-	1,110	-	1,110
Participations	Financial assets	32,664	32,664	-	-	-	-	32,664	32,664
Short term deposits (< 3 months)	Cash and cash equivalents	4,163	4,163	-	-	-	4,163	-	4,163
Not measured at fair value									
Trade receivables and contract assets	Trade receivables and contract assets	897,860	-	-	897,860	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	174,905	-	-	174,905	-	-	-	-
Other financial assets at cost	Current and non-current other financial assets	20,396	-	-	20,396	-	20,396	-	20,396
Other financial assets at cost	Bonus claims to suppliers	42,581	-	-	42,581	-	-	-	-
Total		**1,173,679**	**37,937**	**-**	**1,135,742**	**-**	**25,669**	**32,664**	**58,333**

Financial liabilities as of December 31, 2022			Category / Hedge Accounting / Leasing			Fair value			
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3*)	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current financial liabilities	692	692	-	-	-	692	-	692
Derivative financial instruments designated in hedge accounting	Other current and non-current financial liabilities	1,056	-	1,056	-	-	1,056	-	1,056
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	594,787	-	-	594,787	-	593,447	-	593,447
Lease liabilities	Current and non-current financial liabilities	164,567	-	-	164,567	-	-	-	-
Trade payables	Trade payables	776,571	-	-	776,571	-	-	-	-
Other financial liabilities at cost	Other non-current financial liabilities	645	-	-	645	-	-	645	645
Other financial liabilities at cost	Other current financial liabilities	34,218	-	-	34,218	-	-	-	-
Total		**1,572,536**	**692**	**1,056**	**1,570,788**	**-**	**595,195**	**645**	**595,840**

*) No fair value was disclosed for the remaining amount of other non-current liabilities measured at amortized cost because the fair value corresponds to the carrying amount.

Financial assets as of December 31, 2021			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other financial assets	111	111	-	-	-	111	-	111
Participations	Financial assets	22,386	22,386	-	-	-	-	22,386	22,386
Short term deposits (< 3 months)	Cash and cash equivalents	7,275	7,275	-	-	-	7,275	-	7,275
Not measured at fair value									
Trade receivables and contract assets	Trade receivables and contract assets	885,145	-	-	885,145	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	50,353	-	-	50,353	-	-	-	-
Other financial assets at cost	Current and non-current other financial assets	26,000	-	-	26,000	-	26,000	-	26,000
Other financial assets at cost	Bonus claims to suppliers	55,543	-	-	55,543	-	-	-	-
Total		**1,046,813**	**29,772**	**-**	**1,017,041**	**-**	**33,386**	**22,386**	**55,772**

Financial liabilities as of December 31, 2021			Category / Hedge Accounting / Leasing			Fair value			
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3*)	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current financial liabilities	1,705	1,705	-	-	-	1,705	-	1,705
Derivative financial instruments designated in hedge accounting	Other current and non-current financial liabilities	-	-	-	-	-	-	-	-
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	661,195	-	-	661,195	-	678,204	-	678,204
Lease liabilities	Current and non-current financial liabilities	155,901	-	-	155,901	-	-	-	-
Trade payables	Trade payables	838,149	-	-	838,149	-	-	-	-
Other financial liabilities at cost	Other non-current financial liabilities	137	-	-	137	-	-	137	137
Other financial liabilities at cost	Other current financial liabilities	30,919	-	-	30,919	-	-	-	-
Total		**1,688,006**	**1,705**	**-**	**1,686,301**	**-**	**679,909**	**137**	**680,046**

*) No fair value was disclosed for the remaining amount of other non-current liabilities measured at amortized cost because the fair value corresponds to the carrying amount.

Measurement of the fair value of the equity investments in the amount of €32,664 thousand (2021: €22,386 thousand) is classified as level 3. These are mostly unquoted financial instruments (equity investments) for which there is no active market. Of the change in the fiscal year, an increase of €5,567 thousand (2021: decrease of €1,566 thousand) is attributable to capital measures and an increase of €4,710 thousand (2021: €9,506 thousand) to changes in fair value. Fair value is measured on the basis of available financial information, such as transaction prices for financing rounds or business plans to the extent that this information is reliable, or, as an approximation, as cost, which is considered an appropriate estimate of fair value as no more suitable information is available. A review is carried out on a quarterly basis using all information available on the equity investments to establish whether cost is still representative of fair value. This would no longer be the case, for example, in the event of a change in the economic environment, a significant change in the market in which the equity investments are active or other events relevant to measurement. As cost is the sole input factor for fair value, a percentage change in cost results in an equal change in fair value. The estimated fair value would increase (decrease) with any increase (decrease) in cost. Given the size of the investment amount, even a 10% increase in cost would not have a material impact on fair value.

The fair values of non-current financial liabilities are determined on the basis of risk-adjusted discounted cash flows.

In the case of current financial assets (mostly other assets), fair values are largely identical to carrying amounts. The fair values of financial liabilities reflect the current market situation for the respective financial instruments as of December 31, 2022. Their fair values are not reduced by transaction costs. For current financial liabilities, when there are no transaction costs to be deducted, their carrying amount is identical to fair value.

Financial instruments are classified as Level 1 if the fair value is obtained from quoted prices in active markets. Fair values determined using other directly observable market inputs are classified as Level 2.

There is no indication of any change in the fair interest rates determined on initial recognition. For this reason, fair value is based on the carrying amount. Changes in hierarchy levels are taken into account at the end of the period in which the change took place. There were no transfers between hierarchy levels during the reporting year.

The Level 3 fair values in other non-current liabilities include a purchase price liability from the acquisition of PC-Tech SA, Penthalaz, Switzerland, in the amount of €502 thousand with a term of more than one year. The estimated fair value would decrease if the agreed EBITDA were not met.

They also include a put liability from the acquisition of ODS Belgium B.V., Essen, Belgium (previously GSD System Development BVBA). The put option was entered into for a potential future transfer of non-controlling interests valued by discounting future earnings based on budget figures. These liabilities totaled €137 thousand in fiscal year (2021: €137 thousand). IFRS 13.97 applies.

Derivative financial instruments

The Klöckner & Co Group is exposed to interest, currency and commodity price risk in its operating business. This risk is hedged using derivative financial instruments.

The Group exclusively uses market instruments with sufficient market liquidity. Derivative financial instruments are entered into and managed in compliance with internal directives governing the scope of action, responsibilities and controls. According to these directives, the use of derivative financial instruments is a primary responsibility of the Corporate Treasury department of Klöckner & Co SE, which manages and monitors the use of such instruments. Such transactions are only entered into with credit institutions with impeccable ratings. Derivative financial instruments are not allowed to be used for speculative purposes and may only be used to hedge risks associated with hedged items.

Derivative financial instruments are accounted for at fair value in accordance with IFRS 9. With regard to hedge accounting, Klöckner & Co made use of the option of accounting for hedges in accordance with IAS 39 until December 31, 2021. Since January 1, 2022, hedge accounting has been applied in accordance with IFRS 9.

Derivatives are initially measured at fair value on inception and subsequently measured at fair value at each reporting date. Any gain or loss from a change in the fair value of a derivative financial instrument that is not a designated and effective cash flow hedge or hedge of a net investment is immediately recognized in profit or loss. For derivative financial instruments that are designated hedges, the timing of the recognition of gains or losses depends on the type of hedge and its effectiveness. The Klöckner & Co Group uses certain derivative financial instruments to hedge recognized assets or liabilities. Certain unrecognized firm commitments are also hedged.

Forward exchange transactions are measured item by item at the forward rate as of the reporting date, and exchange differences arising due to the contracted forward exchange rate are recognized in profit or loss.

Commodity forwards are designated in cash flow hedge accounting and classified into planned and pending procurement transactions. Two potential causes of ineffectiveness are over-hedging and divergence between the derivative's underlying and the hedged steel price component from the reference price formula. Any ineffectiveness is accounted for in cost of materials

The notional amounts and fair values of the derivative financial instruments in interest rate and currency hedges as of the reporting date and risks of price fluctuations in procurement transactions are as follows:

	December 31, 2022			December 31, 2021		
(€ million)	Not designated in hedge accounting	Designated in hedge accounting	Average hedge rate (in €)	Not designated in hedge accounting	Designated in hedge accounting	Average hedge rate (in €)
Nominal values						
Forward exchange transactions	136.3	-	-	224.6	-	-
Commodity futures	-	3.9	984	-	-	-

The notional amounts correspond to the non-netted sum of the currency, interest rate and price portfolio.

The amounts relating to items designated as hedging instruments were as follows:

	December 31, 2022		December 31, 2021	
	Fair value		Fair value	
(€ million)	Forward exchange transactions	Commodity futures	Forward exchange transactions	Commodity futures
Not designated in hedge accounting	0.4	-	– 1.6	-
Designated in hedge accounting	-	– 1.1	-	-
Change in value of hedging instrument recognized in other comprehensive income	-	– 3.5	-	-
Ineffectiveness recognized in profit or loss	-	-	-	-
Gains and losses on hedges reclassified to inventories – basis adjustment	-	2.5	-	-
Amount reclassified from hedging reserve to profit or loss	-	-	-	-
Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied	– 56.6	-	– 56.6	-

Forward exchange contracts are presented in other current financial assets and liabilities; commodity forwards are presented in other current financial liabilities.

The amounts relating to items designated as hedged items were as follows:

	December 31, 2022	December 31, 2021
(€ million)	Change in value for calculation of hedge ineffectiveness	Change in value for calculation of hedge ineffectiveness
Commodity futures	-	-

The fair values of the derivative financial instruments are determined on the basis of quantitative finance methods using standard banking models. Counterparty risk as of the measurement date is taken into account in the determination of fair values. Where market prices exist, these correspond to the price a third party would pay for the rights or obligations arising from the financial instruments. The fair values are the market values of the derivative financial instruments, irrespective of any offsetting changes in the value of hedged items.

Forward exchange contracts with a notional amount of €136 million (2021: €225 million) have a remaining maturity of less than one year. These include a notional amount of €41 million (2021: €128 million) for the hedging of intra-group loans.

Commodity forwards with a notional amount of €3.9 million (2021: €0 million) have a remaining maturity of less than one year.

Commodity price risks and opportunities for steel are presented using sensitivity analyses in accordance with IFRS 7. These show how equity as of the reporting date is affected by changes in prices. Commodity price risk is measured as cash flow risk.

Scenario-based sensitivity analysis is used to show the effects on Klöckner & Co of a parallel shift in price curves.

On the basis of financial liabilities as of December 31, 2022, a 10% fall in the price level in each case would have a negative effect in the amount of approximately €0.3 million (December 31, 2021: €0 million); this would be accounted for in equity, in the cash flow hedge reserve.

Derivatives that constitute a financial asset or a financial liability where the right of set-off is contingent on breach of contract or insolvency of one of the counterparties do not meet, or only partly meet, the criteria for offsetting in the consolidated statement of financial position under IAS 32.

The table below in accordance with IFRS 7.13C discloses the gross and net amounts of the financial instruments that are subject to master netting arrangements:

2022 *(€ thousand)*	Gross amounts in balance sheet	thereof subject to offsetting according to master netting agreements	Net amounts according to master netting agreements
Financial assets			
Current and non-current other financial assets			
- Forward exchange transactions	1,110	– 474	636
Financial liabilities			
Current and non-current other financial liabilities			
- Forward exchange transactions	– 692	474	– 218
- Commodity futures	– 1,056	-	– 1,056

2021 *(€ thousand)*	Gross amounts in balance sheet	thereof subject to offsetting according to master netting agreements	Net amounts according to master netting agreements
Financial assets			
Current and non-current other financial assets			
- Forward exchange transactions	111	– 111	-
Financial liabilities			
Current and non-current other financial liabilities			
- Forward exchange transactions	– 1,705	111	– 1,594
- Commodity futures	-	-	-

(31) Financial risk management

IFRS 7 requires an entity to provide disclosure that enables users of financial statements to evaluate the nature and the extent of risks arising from financial instruments. These risks encompass credit risk, market risk (interest rates, exchange rates and commodity prices) and liquidity risk. For a description of the methods, processes, responsibilities and objectives of the risk management system, please refer to the information provided in the Group management report under heading 5.3 (Risks and opportunities).

Credit risk

The Company's exposure to credit risk mainly arises from its operating business. A credit risk is defined as an unexpected loss on financial assets, such as if a customer is unable to meet its obligations when due. Operating receivables are locally monitored on an ongoing basis. Credit risk is taken into account by valuation allowances.

The maximum exposure to credit risk is reflected by the carrying amounts of financial assets in the statement of financial position. The Klöckner & Co Group addresses credit risk with its own credit management and by taking out trade credit insurance. In the fiscal year, €335 million (2021: €279 million) of trade receivables were covered by credit insurance.

Trade receivables

Prospective customers are credit-checked against an in-house risk board before order acceptance. Additionally, there is an active receivables management system incorporating trade credit insurance. The broadly diversified receivables pool is also used for financing purposes an ABS program in Europe and an ABL facility in the USA.

In addition to local monitoring by each subsidiary, Klöckner & Co SE also monitors significant credit risk at Group management level in order to better control specific individual risks and any cumulative risk.

There is no risk concentration at Group level as trade receivables relate to large numbers of customers from a variety of sectors and regions. Klöckner & Co applies the simplified approach to trade receivables and contract assets, recognizing the lifetime expected credit losses on inception. Determination of expected credit losses under the simplified approach is performed at Klöckner & Co in risk groups using historic credit loss rates. The assignment to risk groups is made on the basis of shared credit risk characteristics. For Klöckner & Co, these include a customer's geographical location and the past due status of contract assets.

Future-oriented information is incorporated by adjusting historic credit loss rates with scaling factors. These are based on gross domestic product (GDP) growth rates in each region, which were revised in the prior year following the onset of the COVID-19 pandemic. Due to the structure of the receivables portfolio, the impact of this was small (under €0.6 million).

Contract assets relate to work in progress that has not yet been invoiced and generally have the same risk characteristics as trade receivables for the same types of contract. Klöckner & Co has therefore concluded that the expected credit loss rates on trade receivables not past due are a suitable approximation of loss rates for contract assets.

Individual valuation allowances are recognized under the simplified approach when one or more events have occurred that have a detrimental impact on the debtor's creditworthiness. Such events include payment delays, imminent insolvency or the granting of concessions to the debtor on account of payment difficulties. Trade receivables and contract assets are written off if recovery is no longer probable. This is the case, for example, if a debtor becomes insolvent.

(€ thousand)	2022	2021
Writedowns as of January 1 under IFRS 9	**7,954**	**13,687**
Utilisation	– 754	– 6,069
Additions	852	70
Exchange rate differences	198	266
Writedowns as of December 31	**8,250**	**7,954**

The change in the valuation allowance is mainly due to the increase/decrease in the gross carrying amount of trade receivables/contract assets that are credit-impaired.

The table below contains information on credit risk and expected credit losses on trade receivables and contract assets.

2022	Gross trade receivables (€ thousand)	Average default rates (in %)	Expected credit loss (€ thousand)
Germany/Austria	184,845	0.029–0.032	85
Switzerland	113,637	0.017	16
United Kingdom	48,326	0.125	60
France	78,867	0.159	166
USA	419,702	0.047	197
The Netherlands	49,203	0.010	1
Other	9,895	0.029–0.141	28
Total	**904,475**	**0.017–0.159**	**553**
Writedowns	– 8,250		
Carrying amount trade receivables	**896,225**		

2021	Gross trade receivables (€ thousand)	Average default rates (in %)	Expected credit loss (€ thousand)
Germany/Austria	153,460	0.063–0.086	99
Switzerland	93,569	0.047	39
United Kingdom	56,356	0.680	383
France	74,971	0.225	162
USA	455,555	0.058	264
The Netherlands	45,358	0.065	5
Other	13,830	0.069–0.137	58
Total	**893,099**	**0.047–0.680**	**1,010**
Writedowns	– 7,954		
Carrying amount trade receivables	**885,145**		

In addition to the expected credit losses, valuation allowances were recognized in the amount of €7,697 thousand (2021: €6,944 thousand) for incurred losses on trade receivables.

Cash and cash equivalents and other financial assets
As part of liquidity management, Klöckner & Co SE deposits cash and cash equivalents exclusively with the Group's core banks, which hold immaculate ratings. Their credit standing is also regularly monitored against credit default swaps (CDS).

Cash consists of bank balances and short-term deposits in the form of call and time deposits. The maximum investment period is 90 days.

On the basis of the limited investment period, the banks' credit ratings and current CDS premiums, cash and cash equivalents have low default risk. No material impairment losses were therefore recognized on cash and cash equivalents in fiscal year 2022.

The other financial assets are mainly bonus claims to suppliers. Bonus claims are immediately offset against the next deliveries and their credit risk is assessed as immaterial.

Disclosures on liquidity risk
Liquidity requirements are continuously budgeted by the Klöckner & Co Group and monitored by the Corporate Treasury Department to ensure appropriate levels of liquidity for the Group.

In total, the Group has credit facilities (including the convertible bond issue and leases) in the amount of approximately €1.7 billion (2021: €1.3 billion). Financial liabilities plus transaction costs came to €759 million (2021: €817 million). This corresponds to approximately 46% of the credit facilities (2021: 65%).

In an amend-and-extend process in December 2021, Klöckner & Co extended the syndicated loan ahead of term to January 2025. The facility amount was reduced in this transaction from €300 million to €250 million. In July 2021, the bilateral credit lines in Switzerland were likewise extended ahead of term to March 2025. The credit lines were increased in size from CHF130 million to CHF160 million. The European ABS program was renewed in December 2022 effective January 2023 to January 2026. The size of the program is €300 million. The US country organization's ABL facility was most recently extended in July 2022 to July 2027 and increased in December 2022 from USD450 million to USD650 million.

The Russian war of aggression against Ukraine and the COVID-19 pandemic have had no impact on liquidity risk to date.

December 31, 2022		Cash outflows			
(€ thousand)		Less than one year	1– 5 years	More than 5 years	Total
Bonds	Nominal values	140,700	-	-	140,700
	Interest	2,814	-	-	2,814
	Total	**143,514**	**-**	**-**	**143,514**
Bank loans, ABL	Nominal values	-	154,697	-	154,697
Bank loans, Other	Nominal values	21,960	116,552	6,600	145,112
ABL	Interest	10,309	27,311	-	37,620
Other	Interest	7,813	13,109	638	21,560
	Total	**40,082**	**311,669**	**7,238**	**358,989**
ABS	Nominal values	158,825	-	-	158,825
	Interest	23,442	-	-	23,442
	Total	**182,267**	**-**	**-**	**182,267**
Lease liabilities	Nominal values	38,541	88,610	37,415	164,566
	Interest	4,743	11,270	6,424	22,437
	Total	**43,284**	**99,880**	**43,839**	**187,003**
Total financial liabilities		**409,147**	**411,549**	**51,077**	**871,773**
Cash outflows from derivative financial instruments designated in interest hedging relationships		**-**	**-**	**-**	**-**

December 31, 2021 *(€ thousand)*		Cash outflows Less than one year	1– 5 years	More than 5 years	Total
Bonds	Nominal values	-	147,800	-	147,800
	Interest	2,956	2,956	-	5,912
	Total	**2,956**	**150,756**	**-**	**153,712**
Bank loans, ABL	Nominal values	-	239,714	-	239,714
Bank loans, Other	Nominal values	12,801	72,522	7,400	92,723
ABL	Interest	6,536	20,081	-	26,617
Other	Interest	2,588	5,744	740	9,072
	Total	**21,925**	**338,061**	**8,140**	**368,126**
ABS	Nominal values	189,153	-	-	189,153
	Interest	8,198	-	-	8,198
	Total	**197,351**	**-**	**-**	**197,351**
Lease liabilities	Nominal values	33,500	85,052	37,348	155,900
	Interest	4,504	11,807	10,798	27,109
	Total	**38,004**	**96,859**	**48,146**	**183,009**
Total financial liabilities		**260,236**	**585,676**	**56,286**	**902,198**
Cash outflows from derivative financial instruments designated in interest hedging relationships		**-**	**-**	**-**	**-**

The table includes all instruments for which contractual payments are agreed as of the reporting date; budgeted payments for new liabilities to be assumed in the future are not included. Variable interest on financial instruments is determined on the basis of the forward yield curve immediately before the reporting date. For drawings on the revolving credit facility, it was assumed that the level of drawings as of the reporting date will be maintained for the remaining term of the facility.

Net gains or losses by category

Net gains or losses in the assets at amortized cost measurement category are presented in the table below. Further information about the presentation of net interest income is provided in Note 13 (Financial result).

(€ thousand)	December 31, 2022	December 31, 2021
Exchange rate differences	1,234	–2,053
Valuation allowance	– 2,286	– 1,495
Subtotal	**– 1,052**	**– 3,548**
Net income credit insurance	– 3,159	– 2,022
Net result	**– 4,211**	**– 5,570**

There was a net loss of €0 thousand (2021: €0 thousand) in the equity instruments at fair value through other comprehensive income (OCI) category.

The net gain or loss in the other financial liabilities category relates to currency translation. In the fiscal year, there was a net loss of €966 thousand (2021: net gain of €237 thousand).

Financial assets measured at fair value total €1,110 thousand (2021: €111 thousand). The net effect on earnings (other effects recognized in profit or loss) is €636 thousand (2021: negative net effect of €2,321 thousand). Further information about income from long-term equity investments measured at fair value is provided in Note 12 (Income from investments).

There are €1,748 thousand (2021: €1,705 thousand) in financial liabilities measured at fair value and €1,570,788 thousand (2021: €1,686,301 thousand) in financial liabilities measured at amortized cost. This resulted in net income effects of €1,112 thousand (2021: €1,146 thousand) (other effects recognized in profit or loss).

Disclosures on interest rate risk

Klöckner & Co is exposed to interest rate changes due to the use of financial instruments. The hedging policy is geared to risk arising from interest rate changes on variable-rate financial liabilities. The Klöckner & Co Group faces interest rate risk exposure on its central financing instruments in the eurozone (syndicated loan; European ABS) and on local borrowings, notably in the US (ABL) and in Switzerland (bilateral credit lines). There is additional interest rate risk exposure on short-term deposits of liquid funds at banks. The Corporate Treasury Department monitors and controls interest rate risk on financial liabilities.

As part of central Group financing, the Group's borrowing needs are primarily met with a diversified portfolio of financing instruments. These mainly comprise the working capital instruments (syndicated loan; European ABS; US ABL) supplemented by the September 2016 convertible bond issue. The working capital instruments are variable-rate financial instruments, generally with flexible drawing provisions. The convertible bond was issued with a fixed coupon and is subject to no interest rate risk for its entire term to maturity.

Taking into account the fixed-coupon convertible bond in the amount of €141 million, local borrowings in the amount of €20 million and lease liabilities in the amount of €165 million, as of December 31, 2022, €326 million or some 43% (2021: €327 million or approximately 40%) of financial liabilities before transaction costs were fixed-rate.

Interest rate risk exposures and opportunities are presented using sensitivity analyses in accordance with IFRS 7. These show how interest income and expense and equity as of the reporting date are affected by changes in market interest rates. Interest rate risk is measured as cash flow risk.

Scenario-based sensitivity analysis is used to show the effects on Klöckner & Co's profit or loss of a parallel shift in yield curves in the relevant currencies. The cash flow effect of the shift in the yield curve relates solely to interest expense and income for the following reporting period.

On the basis of financial liabilities as of December 31, 2022, an increase in market interest rates on each of the relevant currencies by 100 basis points would have a negative effect on the financial result in the amount of approximately €4.4 million (2021: €4.9 million) for an analysis period of one year.

	2022	2021
(€ million)	**100 bp**	100 bp
EUR	1.7	1.9
USD	1.6	2.4
GBP	0.3	0.4
CHF	0.8	0.2
Total	**4.4**	**4.9**

A rising interest rate scenario creates upside potential for the accumulated holdings of liquidity. Assuming a one-year investment period, an increase in market interest rates by 100 basis points would have a positive effect in the amount of €1.8 million (2021: €0.6 million).

	2022	2021
(€ million)	**100 bp**	100 bp
EUR	0.5	0.3
USD	0.9	0.2
GBP	0.1	0.1
CHF	0.3	0.0
Total	**1.8**	**0.6**

Conversely, a decrease in market interest rates by 100 basis points would result in a substantially negative interest rate scenario in the eurozone and Switzerland and a very low interest level in the USA. We expect that such a scenario would show the aforesaid effects on profit or loss in the opposite direction.

Disclosures on currency risk
Within our risk strategy, only transaction risk and risk on intra-group borrowings are subject to our hedging policy. Our hedging activities do not target translation risk relating to the translation of income and expenses into our Group currency. Currency risk therefore arises from borrowing, intra-group dividend payments, acquisitions and operating activities.

The Klöckner & Co Group operates central foreign currency management. Domestic and foreign subsidiaries are required to identify currency risk and to hedge it through the Corporate Treasury Department or, within set limits, individually with banks. The hedges cover currency risk on recognized sales and purchases as well as on firm sale and purchase commitments. With regard to currency risk on firm sale commitments, the hedging strategy takes into account the compensatory effects of operating measures and market changes (natural hedges).

At the reporting date, the Klöckner & Co Group did not have any material exposure to currency risks arising from its operating activities or acquisitions.

In financing, currency risk arises on foreign currency loans provided by Klöckner & Co SE to subsidiaries. These loans are granted to finance Group companies as part of central Group financing and are fully hedged. As of the reporting date, there were pound sterling loans of this kind totaling €41 million (2021: €128 million). The intragroup loans, including ongoing interest payments, have been hedged with forward contracts and currency swaps.

Currency transactions at our subsidiaries in the Netherlands, Switzerland, the UK and Brazil amounted to €95 million at the year-end. These relate to forward exchange contracts and currency swaps entered into to hedge customer and supplier payments.

A sensitivity analysis is performed to show the effects of changes in exchange rates on foreign exchange gains and losses as well as on equity as of the reporting date. Currency risk is measured as cash flow risk (flow variable-based analysis) for the following year.

Our currency swaps had a fair value as of reporting date of €0.4 million (2021: negative fair value of €1.6 million).

Commodity price risk
Due to its business model, the company is dependent on steel, the price of which is highly volatile due to cyclical demand and speculation. To limit the price risk on expected future net requirements, Klöckner & Co enters into contracts with suppliers for future physical delivery.

In addition, cash-settled OTC steel forwards are used, which are entered into at the US country organization in coordination with Corporate Treasury and result in a settlement payment based on a market index. Forward positions vary according to expected production volumes and price movements during the year.

Commodity forwards are designated in cash flow hedge accounting and classified into planned and pending procurement transactions. Two potential causes of ineffectiveness are over-hedging and divergence between the derivative's underlying and the reference price formula. Any ineffectiveness is accounted for in cost of materials.

Due to the existing contract volumes as of December 31, 2022, (December 31, 2021: nil) there are no material sensitivities on these positions. Commodity price risks and opportunities for steel are presented using sensitivity analyses in accordance with IFRS 7. These show how equity as of the reporting date is affected by changes in prices. Commodity price risk is measured as cash flow risk.

Scenario-based sensitivity analysis is used to show the effects on Klöckner & Co of a parallel shift in price curves.

(32) Litigation, contingent liabilities and commitments

Contingent liabilities are possible obligations which arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They also include present obligations that arise from past events but are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Unless the possibility of any outflow in settlement is remote, a description of the nature of the contingent liability is disclosed.

The Klöckner & Co Group is not involved in any litigation or arbitration proceedings that could have a material impact on the Group's financial situation. Notwithstanding extensive compliance measures, however, isolated compliance violations and legacy cases cannot be ruled out.

There are also guarantees that are given on divestments and property disposals. Such guarantees cover customary representations and warranties as well as environmental and tax contingencies.

Other commitments arise from capital expenditure purchase obligations; these amounted as of December 31, 2022, to €14.3 million (2021: €14.2 million).

In addition, there are contingent liabilities for pension obligations in the amount of €4.6 million as of December 31, 2022 (2021: €4.9 million) for which there is no recourse and whose future probability of occurrence the Management Board judged as unlikely as of the reporting date.

(33) Related party transactions

Klöckner & Co SE is a dependent company of SWOCTEM GmbH, Haiger, within the meaning of Section 312 of the German Stock Corporation Act. The majority shareholder of SWOCTEM GmbH is Prof. Dr. E.h. Friedhelm Loh, who is to be regarded as a controlling party of Klöckner & Co. SE due to his shareholding in SWOCTEM. Pursuant to Section 312 (1) of the German Stock Corporation Act, the Management Board of Klöckner & Co SE has therefore prepared a report on relations with affiliated companies. Please see the concluding statement to the report in section 4.1 of the combined management report for fiscal year 2022.

Related parties within the meaning of IAS 24 therefore include SWOCTEM GmbH, entities related to it and entities which are controlled, jointly controlled or significantly influenced by Prof. Dr. E.h. Friedhelm Loh or his close family members or in which key management positions are held by these persons. In the reporting year, the Group supplied these companies with goods to the value of €4,641 thousand (2021: €3,838 thousand) and purchased goods to the value of €0 thousand (2021: €252 thousand) and services to the value of €56 thousand (2021: €139 thousand). All transactions took place at arm's length. There were receivables of €215 thousand (2021: €81 thousand) and liabilities of €13 thousand (2021: €5 thousand) as of the reporting date.

The Management Board, the Supervisory Board and their close family members are also classified as related parties within the meaning of IAS 24. With the exception of the above disclosures concerning Prof. Dr. E.h. Friedhelm Loh, transactions with members of the Management Board and Supervisory Board are restricted in the reporting period to transactions in their capacity as members of the Management Board or Supervisory Board as set out below. The members of the Management Board are Guido Kerkhoff, Dr. Oliver Falk, John Ganem and Bernhard Weiß. The members of the Supervisory Board are Prof. Dr. Dieter H. Vogel, Dr. Ralph Heck, Prof. Dr. Tobias Kollmann, Prof. Dr. E.h. Friedhelm Loh, Uwe Röhrhoff and Ute Wolf.

The principles of the remuneration system for the Management Board and the Supervisory Board are set out in detail with disclosures for individual members in the remuneration report. The table below shows total compensation of members of the Management Board and of the Supervisory Board of Klöckner & Co SE – differing from the disclosures of remuneration granted and owed contained in the remuneration report – pursuant to the stipulations of German commercial law:

(€ thousand)	2022	2021
Management Board		
Fixed components	2,214	2,315
Bonuses	4,616	6,168
Other remunerations	718	516
Total pursuant to Section 314 No. 6a of the German Commercial Code (HGB) - Management Board	**7,548**	**8,999**
Supervisory Board		
Fixed components	501	469
Total pursuant to Section 314 No. 6a of the German Commercial Code (HGB) - Supervisory Board	**501**	**469**

The following table illustrates the remuneration in accordance with IAS 24 (Related Party Disclosure) for the Management Board and the Supervisory Board:

(€ thousand)	2022	2021
Short-term benefits (IAS 24.17 a)		
- Management Board	7,548	8,999
- Supervisory Board	501	469
Termination benefits (IAS 24.17 d)	-	1,849
Service cost for pension obligations (IAS 24.17 e)	63	1,459
Total remunerations IFRS	**8,112**	**12,776**

Pursuant to Section 314 No. 6 b) of the German Commercial Code (HGB), total remuneration paid to former members of the Management Board was €853 thousand in the reporting year (2021: €2,398 thousand). In fiscal year 2021, this included a severance payment of €1,849 thousand on termination of a Management Board member's service on the Management Board. In addition, there are pension provisions in the amount of €20,001 thousand (2021: €27,336 thousand) for former members of the Management Board, including a member who left in the reporting year.

Furthermore, all Group companies listed in the annex to the notes to the consolidated financial statements of the parent company of Klöckner & Co. SE are also classified as related parties within the meaning of IAS 24. All transactions with related parties included in the consolidated financial statements have been eliminated in the consolidation entries. Transactions with associates or non-consolidated subsidiaries generally resulted from normal trading in goods and services. In the reporting year, the Group supplied these companies with goods to the value of €6 thousand (2021: €0 thousand) and services to the value of €20 thousand (2021: €37 thousand) and purchased goods to the value of €1,071 thousand (2021: €709 thousand). All transactions took place at arm's length. There were receivables of €1 thousand (2021: €0 thousand) and liabilities of €113 thousand (2021: €68 thousand) as of the reporting date. The Group also received a profit distribution in fiscal year 2021 in the amount of €251 thousand.

Without exception, the transactions between the Group companies and related parties are attributable to ordinary activities and were conducted on an arm's length basis.

(34) Notes to the consolidated statement of cash flows

The consolidated statement of cash flows is presented in accordance with IAS 7 (Statement of Cash Flows). It is of central importance in assessing the cash flows of the Klöckner & Co Group.

The changes in the items of the statement of financial position that provide the basis for the statement of cash flows cannot be directly reconciled to the statement of financial position due to the effects of currency translation and changes in the scope of consolidation, which are eliminated in preparing the statement of cash flows.

Cash and cash equivalents (including €4 million (2021: €7 million) in short-term securities) came to €179 million at the year-end 2022 (2021: €58 million).

Cash flow from operating activities

Cash flow from operating activities was a positive €405 million in the fiscal year (2021: negative €306 million). The main drivers of cash flow from operating activities are operating income (EBITDA) and changes in net working capital. The additional release of funds (2021: commitment of funds) in net working capital net of exchange rate effects and changes in the scope of consolidation was made up as follows:

	Variance	
(€ thousand)	**2022/2021**	2021/2020
Inventories	– 156,244	802,219
Trade receivables	– 25,153	292,545
Contract assets	5,759	14,339
Commissions, discounts and rebate receivables	– 15,241	10,068
Trade payables	92,742	–333,391
Contract liabilities	2,568	–3,260
Advance payments received	–4,601	61
Net working capital	**– 100,170**	**782,581**

Cash flow from investing activities
Cash outflows of €84 million from capital expenditure on property, plant and equipment, intangible assets and financial assets, of €22 million for the acquisition of consolidated subsidiaries and of €2 million for the acquisition of non-consolidated subsidiaries were offset by a total of €74 million in cash inflows from disposal of property, plant and equipment and financial assets. The net outcome was a cash outflow of €34 million (2021: €60 million).

Cash flow from financing activities
The negative €249 million (2021: positive €249 million) cash flow from financing activities includes a cash outflow of €100 million for dividend payments to shareholders of Klöckner & Co SE, €10 million for dividend payments to non-controlling shareholders of Klöckner & Co SE and €43 million for lease liability repayments in accordance with IFRS 16. The €6 million (2021: €11 million) payments for derivatives in financing activities relate to the settlement of currency transactions with banks (currency swaps) used to hedge intercompany loans.

The Klöckner & Co Group's business activities constantly generate short-term cash inflows. These are generally used within one month to repay working capital facilities.

Financial liabilities changed as follows:

(€ thousand)	Bonds	Liabilities to bank	Liabilities under ABS program	Liabilities from leases	Total
Balance as of January 1, 2021	**145,867**	**83,976**	**111,296**	**179,516**	**520,655**
Changes from financing cash flows					
Borrowings	1	257,762	75,768	-	333,531
Repayment of financial liabilities	– 252	– 24,546	-	– 47,190	– 71,988
Changes from financing cash flows	**– 251**	**233,216**	**75,768**	**– 47,190**	**261,543**
The effect of changes in foreign exchange rates	-	13,698	1,867	7,214	22,779
Other changes liability-related					
Changes in bank overdraft	-	– 23	-	-	– 23
New leases				22,065	22,065
Early terminated leases	-	-	-	– 5,705	– 5,705
Interest income	– 7,799	-	-	-	– 7,799
Interest expense	7,189	11,469	1,943	3,048	23,649
Interest paid	– 2,956	– 12,122	– 1,943	– 3,048	– 20,069
Total liability-related other changes	**– 3,566**	**– 676**	**-**	**16,360**	**12,118**
Balance as of December 31, 2021	**142,050**	**330,214**	**188,931**	**155,900**	**817,095**
Balance as of January 1, 2022	**142,050**	**330,214**	**188,931**	**155,900**	**817,095**
Changes from financing cash flows					
Issue of Convertible Bond (incl. equity component)	-	-	-	-	-
Repayment of Convertible Bond	-	-	-	-	-
Repayment Syndicated Loan	-	-	-	-	-
Repayment Promissory Note Loan	-	-	-	-	-
Borrowings	-	326,209	80,263	-	406,472
Repayment of financial liabilities	– 7,100	– 382,064	– 107,977	– 42,708	– 539,849
Changes from financing cash flows	**– 7,100**	**– 55,855**	**– 27,714**	**– 42,708**	**– 133,377**
Changes arising from obtaining or losing contol of subsidiaries or other businesses	-	165	-	1,418	1,583
The effect of changes in foreign exchange rates	-	19,607	– 2,191	4,162	21,578
Change in fair value	107	-	-	-	107
Other changes liability-related					
Changes in bank overdraft	-	619	-	-	619
New leases	-	-	-	46,048	46,048
Early terminated leases	-	-	-	– 253	– 253
Interest expense	6,774	21,455	4,264	3,757	36,250
Interest paid	– 2,809	– 20,807	– 4,264	– 3,757	– 31,637
Interest received	-	1,341	-	-	1,341
Total liability-related other changes	**3,965**	**2,608**	**-**	**45,795**	**52,368**
Balance as of December 31, 2022	**139,022**	**296,739**	**159,026**	**164,567**	**759,354**

(35) Segment reporting

Reporting of operating segments in accordance with IFRS 8 is based on the internal organization and reporting structure. The Klöckner & Co Group is organized by regions. The reporting structure covers all companies domiciled in these regions. Central functions not assigned to a segment and consolidation adjustments are reported separately.

The segments use the same significant accounting policies as described in Note 5 (Significant accounting policies), except in the case of intra-group transactions (especially profit distributions and impairments on consolidated affiliated companies), which are eliminated within the individual segments.

(€ thousand)	Kloeckner Metals US 2022	Kloeckner Metals US 2021	Kloeckner Metals EU 2022	Kloeckner Metals EU 2021	Kloeckner Metals Non-EU 2022	Kloeckner Metals Non-EU 2021	Total Segments 2022	Total Segments 2021
Shipments (Tto)	2,238,832	2,398,574	1,752,032	1,727,783	688,213	754,177	4,679,077	4,880,534
External sales	4,427,086	3,511,475	3,332,325	2,583,659	1,618,830	1,345,379	9,378,241	7,440,513
Sales from other segments	-	-	10,508	177	2,182	132	12,690	309
Gross profit	662,311	847,192	507,860	652,368	392,871	392,966	1,563,042	1,892,526
Gross profit margin (%)	15.0	24.1	15.2	25.2	24.3	29.2	16.7	25.4
Segment result (EBITDA)	193,355	458,107	151,851	319,709	131,969	108,780	477,175	886,596
EBITDA before material special effects	194,471	455,612	135,730	293,788	82,591	106,780	412,792	856,180
Income from participation	-	-	– 4	255	148	-	144	255
Earnings before interest and taxes (EBIT)	138,940	409,579	117,830	289,233	92,404	72,605	349,174	771,417
Scheduled depreciation on intangible assets and property, plant and equipment	– 54,415	– 48,528	– 33,620	– 32,227	– 39,949	– 35,824	– 127,984	– 116,579
Impairment losses on intangible assets and property, plant and equipment	-	-	– 435	– 797	– 140	– 364	– 575	– 1,161
Reversal of impairments on intangible assets and property, plant and equipment	-	-	34	2,549	525	13	559	2,562
Income taxes	– 32,708	– 97,994	2,261	– 14,142	– 14,262	– 7,811	– 44,709	– 119,947
Other non-cash income/expenses	-	-	– 9	95	1,325	– 687	1,316	– 592
Capital expenditure for intangible assets, property, plant and equipment and financial investments	30,467	28,290	21,030	17,418	28,403	38,672	79,900	84,380
Cash flow from operating activities	315,849	– 63,637	32,814	– 36,021	57,769	– 46,170	406,432	– 145,828

(€ thousand)	Kloeckner Metals US Dec. 31, 2022	Kloeckner Metals US Dec. 31, 2021	Kloeckner Metals EU Dec. 31, 2022	Kloeckner Metals EU Dec. 31, 2021	Kloeckner Metals Non-EU Dec. 31, 2022	Kloeckner Metals Non-EU Dec. 31, 2021	Total Segments Dec. 31, 2022	Total Segments Dec. 31, 2021
Net working capital	698,050	831,474	715,247	645,396	369,280	340,779	1,782,577	1,817,649
Employees at year-end (headcount)	2,206	2,198	2,639	2,517	2,197	2,178	7,042	6,893

Holding and other Group companies		Consolidation		Total	
2022	2021	2022	2021	2022	2021
-	-	-	-	4,679,077	4,880,534
445	350	-	-	9,378,686	7,440,863
-	-	– 12,690	– 309	-	-
445	350	-	-	1,563,487	1,892,876
-	-	-	-	16.7	25.4
3,865	– 7,687	-	-	481,040	878,909
3,865	– 7,687	-	-	416,657	848,493
5,378	10,262	-	-	5,522	10,517
– 1,091	– 16,918	-	-	348,083	754,499
– 4,891	– 7,623	-	-	– 132,875	– 124,202
– 66	– 1,609	-	-	– 641	– 2,770
-	-	-	-	559	2,562
– 15,067	1,388	-	-	– 59,776	– 118,559
– 123	– 159	-	-	1,193	– 751
6,469	8,992	-	-	86,369	93,372
– 1,374	– 159,980	107	41	405,165	– 305,767

Holding and other Group companies		Consolidation		Total	
Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
6,633	– 5,425	-	-	1,789,210	1,812,224
262	260	-	-	7,304	7,153

Earnings before interest and taxes (EBIT) can be reconciled to consolidated income before taxes as follows:

(€ thousand)	2022	2021
Earnings before interest and taxes (EBIT)	348,083	754,499
Income from investments	5,522	10,517
Financial result	– 34,493	– 17,120
Income before taxes	**319,112**	**747,896**

For the breakdown of sales by customer location and type of transaction, please see Note 7 (Sales).

EBITDA, as a key performance indicator, is defined as earnings before interest, taxes, depreciation, amortization, impairments and reversals of impairments of intangible assets and property, plant and equipment. The material special effects adjusted out of EBITDA are shown in Note 6 (Special items affecting the results).

Net working capital comprises inventories and trade receivables, including contract assets and supplier bonus receivables, less trade payables, including contract liabilities and advance payments received.

Non-cash income and expenses mainly relate to changes in fair values of derivative financial instruments.

Non-current assets by country

Intangible assets and property, plant and equipment are broken down by country as follows:

(€ thousand)	2022	2021*)
USA	275,994	255,896
Switzerland	311,321	304,063
Germany	145,576	142,411
France	44,440	50,762
United Kingdom	71,314	69,228
The Netherlands	16,627	17,885
Other countries	18,450	17,497
Total	**883,722**	**857,742**

*) The disclosure has been adjusted in accordance with IFRS 8.33 b).

(36) Subsequent events

In December 2022, an agreement was signed for 100% of the shares in National Material of Mexico, S. de R.L. de C.V., Mexico, including three subsidiaries. The purchase price amounts to USD 340 million and will be paid out of existing liquidity and drawings on existing credit lines. The transaction is expected to close mid 2023, subject to regulatory approvals. The group is one of the largest steel service centers in Mexico and in 2021, with 412 employees, generated sales of USD 564 million, EBITDA of USD 65 million and net income of USD 42 million.

We held initial talks with employee representatives at the beginning of March 2023 on logistics optimization of the sites in France to enable a strengthening of the operating business as well as future growth. By implementing the concept, we estimate future one-off expenses for provisions to be in the low double-digit million Euro range. In return, we expect income from the sale of real estate and annually recurring positive earnings effects from efficiency improvements in the medium term.

(37) Fees and services of the auditor of the consolidated financial statements

The auditor of the individual and consolidated financial statements of Klöckner & Co SE is KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin. The audit opinion is signed by Wirtschaftsprüfer Christoph Velder (from fiscal year 2018) and Wirtschaftsprüfer Ireen Mehdi Zadegan (from fiscal year 2022).

The following fees were incurred for services performed by the auditor KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, in the fiscal year:

(€ thousand)	**2022**	2021
Audit of financial statements	1,016	1,124
Other assurance services	47	91
Tax advisory services	-	8
	1,063	**1,223**

The fees for the audit of financial statements mainly relate to the audit of the consolidated financial statements in accordance with IFRS and the audits performed by the auditors of the separate financial statements of the consolidated companies and the review of the 2022 half-year financial report.

The fees for other assurance services relate to other statutory or contractual audits.

The fees for tax consulting services in the prior year related to individual case consulting and ongoing consulting in connection with tax returns and advice on other national and international tax issues.

(38) Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporations Act (AktG)

The Management Board and the Supervisory Board submitted the Declaration of Conformity in accordance with Section 161 AktG on December 13, 2022 and made it permanently publicly available to shareholders on the Klöckner & Co SE website.

Duisburg, March 3, 2023

Klöckner & Co SE
MANAGEMENT BOARD

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD
(CEO)

Dr. Oliver Falk
MEMBER OF THE MANAGEMENT BOARD
(CFO)

John Ganem
MEMBER OF THE MANAGEMENT BOARD
(CEO AMERICAS)

Bernhard Weiß
MEMBER OF THE MANAGEMENT BOARD
(CEO EUROPE)

Independent Auditor's Report

To Klöckner & Co SE, Duisburg, Germany

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

OPINIONS

We have audited the consolidated financial statements of Klöckner & Co SE, Duisburg, Germany, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of income, the consolidated statement of comprehensive income, the summary of changes in consolidated equity and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Management Report on the Company and the Group (hereinafter: "Group management report") of Klöckner & Co SE for the fiscal year from January 1 to December 31, 2022.

In accordance with German legal requirements, we have not audited the content of the components of the Group management report referred to in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2022, and of its financial performance for the fiscal year from January 1 to December 31, 2022, and

- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group management report does not cover the content of the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

KEY AUDIT MATTERS FOR AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Impairment test of individual non-current assets or a group of non-current assets (without goodwill)

For the accounting policies applied, please refer to section (5) in the notes to the consolidated financial statements of Klöckner & Co SE. Further disclosures on impairment testing can be found in section (16) of the notes to the consolidated financial statements.

FINANCIAL STATEMENT RISK

Klöckner recognizes intangible assets of EUR 84.5 million in the consolidated statement of financial position as at December 31, 2022; thereof EUR 50.0 million for intangible assets (without goodwill) and EUR 799.2 million for property, plant and equipment. At 23% of total assets, this represents a significant impact on the assets of the Company.

As at December 31, 2022, impairment losses totaling EUR 0.6 million were recognized on intangible assets and property, plant and equipment and write-ups on property, plant and equipment totaling EUR 0.4 million.

Impairment testing of non-current assets is conducted at the level of the cash-generating units. When determining the value of the cash-generating units, Klöckner consults an external expert. Any identified impairment loss has to be allocated to the individual assets. In this regard, the carrying amount of an individual asset may not be impaired below its fair value less cost of disposal (minimum carrying amount). Klöckner made use of appraisals by an external experts as well as external sources for ground values to derive the minimum carrying amounts needed for allocating any identified impairment loss on the individual assets.

The impairment testing of individual cash-generating units, the allocation of an identified impairment loss to the individual assets as well as the derivation of the minimum carrying amount are complex and are based on a number of discretionary assumptions.

In particular, the estimates on the timing and amount of future expected cash inflows relevant for measurement as well as the discount rates used for the derivation of the recoverable amount of cash-generating units are subject to discretion. Management has assessed the impacts on the business activities of the Russian war of aggression against Ukraine and of the possible country-specific market changes and has taken appropriate account thereof in the expected future cash inflows relevant for measurement. The effects of the Russian war of aggression against Ukraine have increased the uncertainty of estimates of the expected future cash inflows relevant for measurement.

In determining the minimum carrying amount of the individual assets, estimates must be made for the significant measurement parameters, such as indexation, depreciation, total useful life, deductions for technical obsolescence and costs to sell property, plant and equipment, market leasing payments as well as the location, usability and condition of land and buildings.

The financial statement risk is that an impairment need may not have been identified, that an identified impairment need was not allocated to the individual assets, or not to the extent necessary and thus the Group's assets are overstated. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

By involving our valuation specialists, we assessed, among others, the appropriateness of the significant assumptions and valuation parameters, the calculation methods for the recoverable amount of the cash-generating unit as well as the minimum carrying amount of the individual assets of each cash-generating unit. Our audit procedures included, among others, an audit of whether the cash inflows used to derive the value in use of the cash-generating units were appropriate. To this end, we discussed the expected cash flows, the impacts of the Russian war of aggression against Ukraine and the assumed long-term growth rates with the persons responsible for planning. We also performed the reconciliation with the budget prepared by management and approved by the Supervisory Board (first planning year) and the three further planning years noted. In addition, we assessed the corporate planning on the basis of market data and publicly available analyst reports. We also assessed the appropriateness of the planning values included in the corporate planning for the cash-generating units and the underlying assumptions. We compared the assumptions and data underlying the discount rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

Where a potential impairment loss was identified for a cash-generating unit, Klöckner & Co engaged an external expert to derive the minimum carrying amounts for the individual assets. We verified the expertise, capability and objectivity of the external expert and conducted a substantive audit of the external expert's determination of the minimum carrying amounts for the individual assets. Thereby, we first ensured that all assets of the cash-generating units to be audited were fully included in the valuation. In the following step, we assessed whether the valuation methods used to derive the minimum carrying amounts were properly applied. In this context, we also verified whether the above-mentioned significant measurement assumptions and parameters were properly and reasonably applied.

In order to assess the methodologically and mathematically correct implementation of the valuation method used to determine the recoverable amount of the cash-generating units, we used our own calculations to reproduce, for a risk-oriented selection, the measurement performed by an independent expert engaged by the company and analyzed any deviations. We verified the expertise, capability and objectivity of the external expert and conducted a substantive audit of the external expert's determination. Furthermore, we verified the accuracy of calculations of the valuation models used to determine the lower value limit of the individual assets on the basis of assets selected on a risk-oriented basis.

Moreover, we assessed whether the resulting impairment loss was accurately recognized in the financial statements.

In addition, we evaluated if the information provided in the notes to the consolidated financial statements on impairment testing are appropriate.

OUR OBSERVATIONS
The underlying calculation method used for impairment testing and for the minimum carrying amount is appropriate and in line with the accounting policies to be applied. The assumptions and data used for measurement are appropriate.

The required disclosures in the notes are appropriate.

OTHER INFORMATION
Management and the Supervisory Board are responsible for the other information. The other information comprises the following parts of the Group Management Report, which have not been audited:

- the combined management declaration of the Company and the Group contained in section 7 of the Group management report,
- disclosures in the Group management report that are not normally part of the management report and are marked as unaudited.

The other information additionally comprises:

- the separate non-financial Group report published together with the Group management report, and
- the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the audited disclosures in the Group management report and our related auditor's report.

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited disclosures in the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., accounting manipulations and misstatements of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the presentation, structure and content of the consolidated financial statements overall, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards implemented to eliminate threats to that independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

REPORT ON ASSURANCE IN ACCORDANCE WITH SECTION 317 (3A) HGB ON THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we performed a reasonable assurance audit to determine whether the data provided in the file „kloecknercoseconsol-2022-12-31-de.zip“ (SHA256-Hashwert: 2a5a225025da5f76af6bfbd49d06197f4d537df260a0299c8e7e37c1a5266b22) and prepared for the purpose of publication of the consolidated financial statements and the Group management report (hereinafter also referred to as "ESEF documents") comply with the requirements of section 328 (1) HGB regarding the electronic report format ("ESEF format") in all material respects. In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproductions of the consolidated financial statements and the Group management report provided in the above-mentioned file and prepared for disclosure purposes comply in all material respects with the electronic reporting format requirements of Section 328 (1) HGB. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the fiscal year from January 1, to December 31, 2022 contained in the “Report on the Audit of the Consolidated Financial Statements and of the Group Management Report” above.

We conducted our assurance work of the reproduction of the consolidated financial statements and the Group management report provided in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company’s management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for marking up the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company’s management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation process of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal controls relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file providing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.
- Evaluate whether marking up of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date enables an appropriate and full machine-readable XBRL copy of the XHTML reproduction.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as Group auditor by the annual general meeting on July 6, 2022. We were engaged by the Supervisory Board on December 1, 2022. We have been the Group auditor of Klöckner & Co SE without interruption since fiscal year 2006.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matters - use of the auditor's report

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the audited ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format - including the versions to be published in the Company Register - are merely electronic reproductions of the audited consolidated financial statements and the audited Group management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Christoph Velder.

Düsseldorf, March 3, 2023

KPMG AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

signed Velder
WIRTSCHAFTSPRÜFER

signed Mehdi Zadegan
WIRTSCHAFTSPRÜFERIN

Declaration of the Management Board

Statement by the Management Board on the consolidated financial statements and the Group management report

To the best of our knowledge, and in accordance with International Financial Reporting Standards (IFRS), the consolidated financial statements give a true and fair view of the results of operations, financial position and net assets of the Group, and the Group management report, which has been combined with the management report for the Company, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Duisburg, March 3, 2023

Klöckner & Co SE
MANAGEMENT BOARD

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD
(CEO)

Dr. Oliver Falk
MEMBER OF THE MANAGEMENT BOARD
(CFO)

John Ganem
MEMBER OF THE MANAGEMENT BOARD
(CEO AMERICAS)

Bernhard Weiß
MEMBER OF THE MANAGEMENT BOARD
(CEO EUROPE)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INDIVIDUAL FINANCIAL STATEMENTS

of Klöckner & Co SE

Individual financial statements

Statement of income

for the 12-month period ending December 31, 2022

(€ thousand)	2022	2021
Sales	52,494	42,825
Other operating income	3,825	33,972
Cost of purchased services	– 9,167	– 11,039
Personnel expenses	– 30,364	– 33,040
Depreciation of intangible assets and property, plant and equipment	– 522	– 586
Other operating expenses	– 22,249	– 16,790
Income from participations	53,143	75,801
Income from profit transfer agreements	56,533	158,204
Income from long-term loans	90	4,243
Other interest and similar income	13,582	5,608
Impairment of investments	– 15,221	– 34,733
Expenses from loss transfer agreements	– 1,560	-
Interest and similar expenses	– 17,664	– 12,141
Result before taxes	**82,917**	**212,325**
Income taxes	– 9,596	– 24,169
Net income	**73,321**	**188,156**
Unappropriated profits carried forward	188,156	-
Dividends	– 99,750	-
Appropriation to other revenue reserves	– 88,406	-
Unappropriated profits	**73,321**	**188,156**

Balance sheet

as of December 31, 2022

ASSETS

(€ thousand)	December 31, 2022	December 31, 2021
Intangible assets	120	264
Property, plant and equipment	1,154	1,437
Non-current investments	1,073,611	1,084,632
Fixed assets	**1,074,884**	**1,086,333**
Trade receivables	3	-
Receivables from affiliated companies	388,844	455,206
Other assets	2,816	2,344
Cash and cash equivalents	20,124	2,928
Current assets	**411,786**	**460,478**
Prepaid expenses	1,895	2,386
Pension plan surplus	-	20,792
Total assets	**1,488,565**	**1,569,989**

EQUITY AND LIABILITIES

(€ thousand)	December 31, 2022	December 31, 2021
Equity		
Subscribed capital	249,375	249,375
Capital reserves	585,776	585,776
Other revenue reserves	345,912	257,506
Unappropriated profits	73,321	188,156
Equity	**1,254,384**	**1,280,813**
Provisions for pensions and similar obligations after offsetting with plan assets	630	-
Provisions for taxes	7,400	430
Other provisions	17,933	17,833
Bonds	140,700	147,800
Liabilities to banks	25,145	36,146
Trade payables	1,005	1,046
Liabilities to affiliated companies	38,631	76,870
Other liabilities	2,736	9,039
Deferred income	1	12
Total equity and liabilities	**1,488,565**	**1,569,989**

Movements in intangible assets, property, plant and equipment and non-current investments

as of December 31, 2022 (annex to the Notes)

	Intangible assets	Property, plant and equipment			Non-current investments		Fixed assets
(€ thousand)	Software	Buildings	Other equipment, operating and office equipment	Prepayments	Investments in affiliated companies	Loans to affiliated companies	Total
Acquisition and manufacturing costs as of Jan. 01, 2022	**1,589**	**1,792**	**1,793**	**-**	**1,377,104**	**-**	**1,382,278**
Additions	-	-	108	23	4,200	-	4,331
Disposals	– 18	– 77	– 182	-	-	-	– 277
Acquisition and manufacturing costs as of Dec. 31, 2022	**1,571**	**1,715**	**1,719**	**23**	**1,381,304**	**-**	**1,386,332**
Accumulated depreciation as of Jan. 01, 2022	**– 1,325**	**– 921**	**– 1,227**	**-**	**– 292,472**	**-**	**– 295,945**
Additions	– 144	– 241	– 137	-	– 15,221	-	– 15,743
Disposal depreciation	18	42	181	-	-	-	241
Accumulated depreciation as of Dec. 31, 2022	**– 1,451**	**– 1,120**	**– 1,183**	**-**	**– 307,693**	**-**	**– 311,447**
Fixed assets, net as of Dec. 31, 2022	**120**	**595**	**536**	**23**	**1,073,611**	**-**	**1,074,884**

	Intangible assets	Property, plant and equipment			Non-current investments		Fixed assets
(€ thousand)	Software	Buildings	Other equipment, operating and office equipment	Prepayments	Investments in affiliated companies	Loans to affiliated companies	**Total**
Acquisition and manufacturing costs as of Jan. 01, 2021	**1,581**	**1,792**	**1,753**	**-**	**1,303,794**	**163,160**	**1,472,079**
Additions	8	-	40	-	73,310	9,059	82,417
Disposals	-	-	-	-	-	– 172,219	– 172,219
Acquisition and manufacturing costs as of Dec. 31, 2021	**1,589**	**1,792**	**1,793**	**-**	**1,377,104**	**-**	**1,382,278**
Accumulated depreciation as of Jan. 01, 2021	**– 1,173**	**– 671**	**– 1,042**	**-**	**– 289,448**	**-**	**– 292,334**
Additions	– 152	– 249	– 185	-	– 34,733	-	– 35,319
Attribution	-	-	-	-	31,709	-	31,709
Accumulated depreciation as of Dec. 31, 2021	**– 1,325**	**– 921**	**– 1,227**	**-**	**– 292,472**	**-**	**– 295,945**
Fixed assets, net as of Dec. 31, 2021	**264**	**871**	**566**	**-**	**1,084,632**	**-**	**1,086,333**

Notes to the financial statements

for the 12-month period ending December 31, 2022

General information

Klöckner & Co SE is the parent company of the Klöckner & Co Group and is domiciled in Duisburg. It is entered in the commercial register of Duisburg Local Court under HRB 20486.

Klöckner & Co SE is in charge of operating management of the Klöckner & Co Group. It directly holds the ownership interests in most management companies heading the Group's national and international country organizations, as well as in individual country operating companies themselves.

Since the initial public offering on June 28, 2006, Klöckner & Co SE's shares have been listed on the Frankfurt Stock Exchange's Regulated Market (Prime Standard).

The annual financial statements and the consolidated financial statements are published in the Federal Gazette.

Accounting policies

The financial statements for the fiscal year January 1 to December 31, 2022 are prepared in accordance with the stipulations applying for large corporations in the German Commercial Code (HGB) and in accordance with the German Stock Corporation Act (AktG).

Klöckner & Co SE prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The presentation of the financial statements is in accordance with Sections 266–277 HGB.

Assets
Acquired intangible assets and property, plant and equipment are normally carried at cost less accumulated amortization and depreciation recognized in accordance with commercial law. The option of recognizing self-generated intangible assets is not used. Moveable depreciable assets are depreciated on a straight-line basis. Minor assets are expensed in the year of purchase or production. If the attributable value of a depreciable asset is diminished as of the reporting date, a write-down for impairment is recognized. Other operating and office equipment is depreciated over between three and 13 years.

Financial assets are accounted for at cost of purchase and in case of other-than-temporary impairment at their lower attributable cost. For material investments in affiliated companies, attributable value is determined using the income approach. The cash flows used in the income approach are based on budgets for each affiliate for the next four years (2021: three years), extrapolated using long-term growth rate assumptions. They are discounted at a discount rate derived from the yield on a risk-equivalent alternative investment.

Receivables and other assets are normally measured at cost. Specific valuation allowances are established to account for identifiable risks. Foreign currency receivables are translated at the midpoint spot rate at the reporting date. Section 253 (1) sentence 1 and Section 252 (1) 4 HGB are not applied if the remaining maturity is less than one year.

Equity and liabilities

Provisions for pensions are measured using the projected unit credit method (analogous to IAS 19). In accordance with the requirements under the Accounting Law Modernization Act (BilMoG), the parameters for valuation were 2.9% (2021: 2.7%) for salary increases and 4.50% (2021: 2.00%) for pension increases. The biometric parameters are based on the Prof. Dr. Klaus Heubeck 2018 G tables (2021: Prof. Dr. Klaus Heubeck 2018 G tables). The obligation is discounted at the average market rate based on an assumed remaining maturity of 15 years as regularly published by the German Bundesbank. Ten years are assumed for calculation of the average discount rate. At the reporting date, this is 1.78% (2021: 1.87%). Ring-fenced assets that exclusively serve the purpose of meeting pension obligations are offset against the corresponding liability. To meet pension obligations, assets are held in trust under a contractual trust arrangement (CTA). The assets are measured at fair value. The fair value is based on the market values of the asset management companies at the reporting date. The plan assets are offset against the benefit obligation. Any net plan liability is accounted for in provisions. Any excess of plan assets over plan liabilities is presented in assets as a pension plan surplus.

Other provisions account for all identifiable obligations and emerging risks. They are recognized at their settlement amount estimated with the due care and diligence of a prudent businessman. Provisions with a remaining maturity of more than one year are discounted to the reporting date. The discount rate is the past seven-year average market interest rate for congruent maturities as published by the German Bundesbank.

Liabilities are normally stated at their settlement amount. Foreign currency liabilities with a remaining maturity of up to one year are normally translated at the midpoint spot rate at the reporting date. Foreign currency liabilities with longer maturities are translated at the invoice date exchange rate or, if higher, the average spot exchange rate at the reporting date.

Derivative financial instruments are accounted for at fair value, determined on the basis of banks' quoted prices or by quantitative finance methods using standard banking models. Where market prices exist, these correspond to the price a third party would pay for the rights or obligations arising from the financial instruments. The fair values are the market values of the derivative financial instruments, irrespective of any offsetting changes in the value of hedged items. Positive fair values are presented in other assets and negative fair values in other liabilities.

In accordance with Section 254 HGB, financial instruments that match the volume and timing of risks on a hedged item are accounted for in a unit with the hedged item. Under application of the net hedge presentation method, they are estimated according to the value on the date of issue. Changes in value in respect of the hedged risk are not recognized on the balance sheet or in the statement of income.

Statement of income
The statement of income is prepared using the nature of expense method of analysis (Section 275 (2) HGB).

Expense from the unwinding of the discount on pension obligations is accounted for in net interest income.

Fixed assets

Changes in fixed assets in the reporting year are presented in the statement of movements in intangible assets, property, plant and equipment and non-current investments.

Additions to intangible assets relate in their entirety to purchased software.

Impairment losses were recognized in the reporting year on the carrying amount of the investment in Kloeckner Metals Belgium N.V., Harelbeke, Belgium €8,489 thousand (2021: 0 T€), Kloeckner Metals Brasil Ltda., São Paulo, Brazil €1,854 thousand (2021: 0 T€) and Kloeckner Metals France Holding S.A.S., Aubervilliers, France €678 thousand (2021: impairment reversal of €31,709 thousand).

A €4,200 thousand (2021: €9,500 thousand) capital increase was also carried out in the reporting year at XOM Materials GmbH, Berlin, on which an impairment loss was immediately recognized in the full amount (2021: impairment loss of €34,733 thousand, the full carrying amount of the investment).

A listing of all equity investments is presented in the appendix.

Receivables and other assets

(€ thousand)	2022	2021
Trade receivables	3	-
Receivables from affiliated companies	388,844	455,206
Other assets	2,816	2,344
	391,663	**457,550**

Receivables from affiliated companies relate to European cash pooling, profit distributions, profit transfer agreements, financial services, clearing and short-term loans.

All receivables have a maturity of less than one year.

Other assets totaling €2,553 thousand (2021: €2,304 thousand) have a remaining maturity of more than one year and mainly relate to non-pledged pension liability insurance.

Pension plan surplus

With the aim of fully funding the pension obligations, a trust model in the form of a double-sided two-tier contractual trust arrangement (CTA) was introduced in fiscal year 2021 and provided with a payment of €122 million. As the fair value of plan assets in the CTA and plan assets under pension liability insurance exceeded plan liabilities as of December 31, 2021, the excess was presented as a pension plan surplus of €20,792 thousand. As of December 31, 2022, reporting date, pension obligations totaled €135,223 thousand and, after offsetting against plan assets under pension liability insurance, are presented at a net amount of €630 thousand as provisions for pensions and similar obligations. Further information is provided under “Provisions for pensions and similar obligations”.

Provisions for pensions and similar obligations

Pension obligations as of December 31, 2022 were €135,223 thousand. After offsetting against plan assets – comprising the double-sided two-tier contractual trust arrangement (CTA) and pension liability insurance – with a fair value of €134,592 thousand, the reported net amount of the pension obligations is €630 thousand. In the prior year, pension obligations totaled €129,190 thousand and, after offsetting against plan assets, were presented at a net amount of €20,792 thousand as pension plan surplus. Please see the information under “Pension plan surplus”.

(€ thousand)	2022	2021
Settlement amount of obligations from pension commitments	135,223	129,190
Fair value of the security assets/reinsurance policy invested with the CTA	134,592	149,982
Excess of assets over pension obligations (excess of plan assets over pension liabilities)	**-**	**20,792**
Accrued pension and similar obligations	**630**	**-**
Acquisition costs of the security assets invested with the CTA	114,000	121,598
Acquisition cost of reinsurance	29,556	28,418

The amount resulting from the change in the discount rate for retirement benefit obligations that is not allowed to be distributed to shareholders under Section 253 HGB is €5,948 thousand (2021: €8,963 thousand).

Expenses from the unwinding of the discount on pension obligations in the financial year amounted to €2,344 thousand; expenses arising from the measurement of plan assets at fair value amounted to €7,157 thousand. In the prior year, expenses from the unwiding of the discount on pension obligations in an amount of €2,737 thousand were offset against returns on plan assets in the amount of €313 thousand.

Equity

The Company's share capital is €249,375,000, as in the prior year, and is divided into 99,750,000 shares. Each share notionally corresponds to €2.50 of the share capital.

By Annual General Meeting resolution of June 1, 2022, the Management Board is authorized to acquire, by or before May 31, 2027, treasury stock of up to 10% of the Company's share capital in issue at the time of adoption of the resolution by the Annual General Meeting on June 1, 2022 or, if lower, the Company's share capital in issue at the time of exercise of the authorization. The Management Board was additionally authorized to acquire treasury stock using derivatives (put options, call options or forward contracts). The authorization may be utilized in whole or in part, on one or more occasions, by the Company, by Group companies or by third parties acting on the Company's account or on the account of Group companies. The authorization may be used for any legally permissible purpose. Trading with treasury stock is prohibited. No use has been made of the authorization so far.

The amount resulting from the change in the discount rate for retirement benefit obligations that is not allowed to be distributed to shareholders under Section 253 (6) HGB is €5,948 thousand (2021: €8,963 thousand).

The Management Board and Supervisory Board propose the distribution from Klöckner & Co SE's unappropriated profits for fiscal year 2022 of an amount of €39,900 thousand to shareholders as dividend and the transfer of the remaining €33,421 thousand of the unappropriated profits to other revenue reserves. At 99,750,000 eligible no-par-value shares, the dividend proposal corresponds to a dividend of €0.40 per share.

Other provisions

Other provisions consist of:

(€ thousand)	2022	2021
Personnel expenses	10,384	10,504
Outstanding invoices	4,703	3,808
Miscellaneous other provisions	2,846	3,521
	17,933	**17,833**

Liabilities

	December 31, 2022			December 31, 2021		
(€ thousand)	up to 1 year	1–5 years	Total	up to 1 year	1–5 years	Total
Bonds	140,700	-	140,700	-	147,800	147,800
Liabilities to banks	145	25,000	25,145	217	35,927	36,146
Trade payables	1,005	-	1,005	1,046	-	1,046
Liabilities to group companies	38,631	-	38,631	76,870	-	76,870
Miscellaneous liabilities	2,736	-	2,736	9,039	-	9,039
Liabilities	**183,217**	**25,000**	**208,217**	**87,172**	**183,727**	**270,901**

A €147,800 thousand convertible bond issue was launched in September 2016. The issuer is Klöckner & Co Financial Services S.A., a wholly-owned Luxembourg subsidiary. The bonds are guaranteed by Klöckner & Co SE and are convertible into new or existing shares in Klöckner & Co SE.

The bond issue is split into 1,478 bonds with a total of 10,480 thousand conversion rights as of December 31, 2022. The coupon on the bonds was set at 2.00% p.a. and the conversion premium at 27.5% over the issue date reference price, corresponding to an initial conversion price of €14.82. The conversion price was most recently modified to €12.1837 in connection with the June 2022 dividend payment. The term of the convertible bonds is seven years. The issuer did not have an early call option during the first five years. It does have such an option after that period provided the market price of Klöckner & Co shares exceeds 130% of the conversion price over certain stipulated periods.

In July 2022, Klöckner & Co repurchased and then retired part of the convertible bond issue with a nominal amount of €7,100 thousand, thus reducing the outstanding amount to €140,700 thousand.

As it matures in September 2023, the convertible bond has been reclassified from non-current to current financial liabilities.

Liabilities to banks include €145 thousand in interest payable on the syndicated loan. The liabilities under the syndicated credit facility, which as of December 31, 2022, was drawn in the amount of €25,000 thousand (2021: €20,000 thousand), are uncollateralized.

Other liabilities include:

(€ thousand)	2022	2021
Tax liabilities	2,524	8,575
Social security contributions	-	13
Miscellaneous other liabilities	212	451
Other liabilities	**2,736**	**9,039**

Derivative financial instruments

The nominal values and fair values of the derivative financial instruments as of December 31, 2022 are as follows:

(€ million)	Nominal values	Fair values
Forward exchange transactions	41	0

The forward exchange contract relates to an intra-group loan to the British country organization in the amount of GBP36 million.

Klöckner & Co SE manages central financing for the Klöckner & Co Group. Klöckner & Co SE is exposed to currency risk arising from the financial instruments. This arises from foreign currency loans that are granted to finance Group companies as part of central Group financing and are fully hedged. Derivative financial instruments are entered into for this purpose.

Derivative financial instruments used to hedge cash flow risks and matching hedged items can be accounted for as a unit if a clear hedging relationship is demonstrated. Such a hedging relationship exists in the form of microhedges for six forward exchange contracts with a maximum maturity of three months. In these cases, the hedged items are recognized at the contractually agreed hedged rates and the derivative financial instruments are not recognized separately.

As a fundamental rule, Klöckner & Co SE only enters into derivative financial instruments that are in a hedging relationship with a hedged item. Changes in value and cash flows fully cancel each other out due to matching terms and parameters in the hedged item and the hedge.

The following methods are used to determine fair (market) value:

Currency hedges
The fair value of forward exchange contracts is calculated on the basis of the average spot exchange rate at the reporting date, taking into account forward premiums and discounts for the respective remaining maturity of the contract relative to the contracted forward rate. Counterparty risk is taken into account in discounting.

Commitments

Obligations fall due in the following year due to multiple-year tenancies and leases in the amount of €1,829 thousand (December 31, 2021: €1,808 thousand). The total amount of these obligations is €4,645 thousand (December 31, 2021: €6,453 thousand).

Sales

Sales consist of goods or services provided to subsidiaries and relate to the following:

(€ thousand)	2022	2021
Group services rendered/rights of use granted	44,756	34,060
Service fees ABS program	4,615	6,308
Rental income	1,117	1,530
Insurance	1,056	680
Other income	949	246
Sales	**52,493**	**42,824**

Other operating income

Other operating income includes income attributable to prior periods of €814 thousand (2021: €336 thousand) and, in the prior year, income from currency translation of €17 thousand.

The decrease in other operating income mainly reflects the €31,709 thousand prior-year income from reversals of impairment losses on the carrying amount of the investment in Kloeckner Metals France S.A.S., Aubervilliers, France.

Personnel expenses

(€ thousand)	2022	2021
Wages and salaries	17,937	21,397
Social security contributions	971	951
Retirement benefit cost	11,451	10,692
Welfare	5	-
	30,364	**33,040**

Personnel expenses in the prior year included expenses of €2,008 thousand for severance and furlough expenses. The remaining decrease in wages and salaries is mainly due to lower earnings-based bonus expenses compared to the prior year.

Average number of employees over the year:

	2022	2021
Salaried employees	67	62
Wage earners	1	1
	68	**63**

The principles of the compensation system for the Management Board and the Supervisory Board are set out in detail with disclosures for individual members in the remuneration report, which is an integral part of the Annual Report. The table below shows total compensation of members of the Management Board of Klöckner & Co SE – differing from the disclosures of compensation granted and allocated contained in the remuneration report – pursuant to the stipulations of German commercial law:

(€ thousand)	2022	2021
Fixed components	1,795	1,959
Bonuses	4,367	5,957
Other remunerations	584	463
Total remuneration pursuant to Section 285 (9a) HGB	**6,746**	**8,379**

German Commercial Code (HGB)-basis pension provisions for former Management Board members amount to €24,605 thousand (2021: €22,085 thousand). Pension payments to former members of the Management Board in the reporting year amounted to €747 thousand (2021: €455 thousand). In addition, a severance payment of €1,849 thousand was made to a Management Board member in the prior year on termination of service on the Management Board.

Transactions with members of the Management Board are restricted in the reporting period to transactions in their capacity as members of the Management Board as set out above.

Other operating expenses

Remuneration for the Supervisory Board in fiscal year 2022 totaled €501 thousand (2021: €469 thousand).

The auditor of the individual and consolidated financial statements of Klöckner & Co SE is KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin. The audit opinion is signed by Wirtschaftsprüfer Christoph Velder (from fiscal year 2018) and Wirtschaftsprüfer Ireen Mehdi Zadegan (from fiscal year 2022).

The following fees were incurred for services performed in the fiscal year by the auditor KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and are included in other operating expenses:

(€ thousand)	2022	2021
Audit of financial statements	828	927
Other assurance services	38	91
Tax advisory services	-	8
	866	**1,026**

The fees for the audit of financial statements mainly relate to the audit of the consolidated financial statements in accordance with IFRS and the audits performed by the auditors of the separate financial statements of the consolidated companies and the review of the 2022 half-year financial report.

The fees for other assurance services relate to other statutory or contractual audits.

The fees for tax consulting services in the prior year related to individual case consulting and ongoing consulting in connection with tax returns and advice on other national and international tax issues.

Income from investments

(€ thousand)	2022	2021
Income from participations	53,143	75,801
Income from profit transfer agreements	56,533	158,204
Expenses from loss transfer agreements	– 1,560	-
Income from investments	**108,116**	**234,005**

Income from participations relates to dividends from Debrunner Koenig AG, St. Gallen, Switzerland, and Kloeckner Metals Belgium, Harelbeke, Belgium.

The income from profit transfer agreements relates to agreements with Becker Stahl-Service GmbH, Duisburg, Germany, kloeckner.v GmbH, Berlin, Germany, and Kloeckner Metals Germany GmbH, Duisburg, Germany.

In addition, losses were assumed in the reporting year for Klöckner & Co Center of Excellence GmbH, Duisburg, Germany, and kloeckner.i GmbH, Berlin, Germany.

Net interest income

(€ thousand)	2022	2021
Income from long-term loans		
– affiliated companies	-	4,243
– income from long-term loans	90	-
Other interest and similar income		
– affiliated companies	13,064	5,608
– other interest and similar income	518	-
Interest and similar expenses		
– affiliated companies	– 3,220	– 3,827
– interest on provisions	– 9,501	– 2,411
– other interest and similar expenses	– 4,943	– 5,903
	– 3,992	**– 2,290**

Interest income from affiliated companies results from Group financing. The increase in interest income is due to the increase in interest rates and the increase in financial receivables from affiliated companies.

The interest expense on provisions exclusively relates to pension provisions.

Taxes

Taxes exclusively relate to taxes on income and affect the result from ordinary activities in their full amount.

The determination of deferred taxes resulted in a net deferred tax asset. In accordance with Section 274 (1) sentence 2 HGB, the Company elected not to recognize the net deferred tax asset. The tax expense consequently does not contain any deferred taxes. The net deferred tax asset not recognized amounts to €24,238 thousand (2021: €35,934 thousand) comprising deductible temporary differences in the amount of €24,561 thousand (2021: €36,606 thousand) less taxable temporary differences in the amount of €323 thousand (2021: €672 thousand). There are additionally tax loss carryforwards for which deferred tax assets could in principle be recognized and which would increase the amount of the net deferred tax asset not recognized.

Deductible temporary differences primarily originate from provisions for pensions, social plan provisions and provisions for onerous contracts. Deferred taxes were determined on the basis of a combined tax rate of 31.8% (2021: 31.8%) for corporate income tax, solidarity surcharge and trade tax.

Contingent liabilities

The contingent liabilities of Klöckner & Co SE exclusively comprise guarantees in the amount of €19,691 thousand (2021: €31,291 thousand) relating to domestic and foreign Group company loans and to guarantees and credit support granted to secure the financing of affiliated companies.

To the best of our knowledge, all Group companies concerned are in a position to meet their obligations in their course of their activities. As such, we do not expect that the guarantees will be called in.

Subsequent events

No events that would require disclosure in the financial statements have occurred subsequent to the end of the reporting period.

Other disclosures

Information pursuant to Section160 (1) No. 8 of the German Stock Corporation Act (AktG)
Pursuant to Article 61 of the SE Regulation in conjunction with Section 160 (1) No. 8 AktG, information must be provided on the existence of shareholdings notified to the Company pursuant to Section 33 (1) or 33 (2) of the Securities Trading Act (WpHG).

Notifications of shareholdings in Klöckner & Co SE provided to us under Sections 40, 33 WpHG (or predecessor legislation, as applicable) that still apply and have not become obsolete by later notification of a shortfall below a threshold are set out in the annex to these Notes. Any shortfall below a threshold during the course of the reporting year is shown in the table contained in the annex. The table also includes any notifications under Sections 40, 33 WpHG made beyond the reporting year up to March 3. März 2023, 2023 (if any). In cases where an investor's shareholdings have multiply reached, exceeded or fallen below the aforementioned thresholds, in general only the most recent notification leading to a threshold being exceeded, fallen below or reached is stated. If notifications have been made under a prior version of WpHG, those are reflected as they have been notified with the applicable old version of the WpHG (WpHG o.v.) being mentioned accordingly. It is pointed out that the stated percentage shareholding and number of voting rights may be out of date.

The listing pursuant to Section 160 (1) 8 AktG is annexed to these Notes.

Governing bodies

A list of the members of the Management Board and the Supervisory Board is attached as an appendix.

Declaration of Conformity

The Management Board and the Supervisory Board submitted the Declaration of Conformity in accordance with Section 161 AktG on December 13, 2022 and made it permanently publicly available to shareholders on the Klöckner & Co SE website.

Duisburg, March 3, 2023

Klöckner & Co SE

MANAGEMENT BOARD

Guido Kerkhoff

CHAIRMAN OF THE MANAGEMENT BOARD
(CEO)

Dr. Oliver Falk

MEMBER OF THE MANAGEMENT BOARD
(CFO)

John Ganem

MEMBER OF THE MANAGEMENT BOARD
(CEO AMERICAS)

Bernhard Weiß

MEMBER OF THE MANAGEMENT BOARD
(CEO EUROPE)

Independent Auditor's Report

To Klöckner & Co SE, Duisburg, Germany

Report on the Audit of the Financial Statements and the Management Report

OPINIONS

We have audited the annual financial statements of Klöckner & Co SE, Duisburg, which comprise the balance sheet as at December 31, 2022, and the statement of income for the fiscal year from January 1 to December 31, 2022, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report (hereinafter “management report”) of Klöckner & Co SE for the fiscal year from January 1 to December 31, 2022.

In accordance with the German legal requirements we have not audited the parts of the management report referred to in the “Other Information” section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the attached annual financial statements comply in all material respects with the provisions of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of December 31, 2022 and of its results of operations for the fiscal year from January 1 to December 31, 2022 in accordance with German principles of proper accounting; and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the information in the management report referred to in the “Other Information” section.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the annual financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment of non-current investments

Please refer to the accounting policies described in the notes to the financial statements for more information on the accounting policies applied. Movements in non-current investments are presented in movements in intangible assets, property, plant and equipment and non-current investments.

FINANCIAL STATEMENT RISK

In the financial statements of Klöckner & Co SE as at December 31, 2022, the balance sheet item "non-current investments" includes investments in affiliated companies of EUR 1,073.6 million. Investments in affiliated companies amount to a 72% portion of total assets and thus have a material effect on the Company's net assets.

Financial assets are recognized at cost or, if they are expected to be permanently impaired, at their lower fair value. The Company determines the fair values of investments in affiliated companies using the income approach. When determining the fair values, Klöckner consults an external expert.

The cash flows used for the income approach are based on budgets for each affiliate for the next four years, extrapolated based on assumptions for long-term growth rates. They are discounted at a discount rate derived from the yield on a risk-equivalent alternative investment.

Impairment testing including the calculation of the fair value according to the capitalized earnings method is complex and, as regards the assumptions made, based largely on estimates and assessments of the Company. This applies particularly for estimates of future cash flows and the determination of the capitalization rate. Management has assessed the impacts on the business activities of the Russian war of aggression against Ukraine and of the possible country-specific market changes and has taken appropriate account thereof in the expected future cash inflows relevant for measurement. The effects of the Russian war of aggression against Ukraine have increased the uncertainty of estimates of the expected future cash inflows relevant for measurement.

Against the background of the macroeconomic impacts of the Russian war of aggression against Ukraine and the associated reduction in earnings prospects in some cases, Klöckner & Co SE recognized impairment losses on shares in affiliated companies totaling EUR 15.2 million in the financial year.

There is a risk for the financial statements that impairments have not been recognized to the extent necessary and that investments in affiliated companies are impaired.

OUR AUDIT APPROACH

First, involving our valuation specialists, we referred to explanations of the investment controlling department and assessed documentation to obtain an understanding of the Company's process for impairment testing of non-current investments that it holds. In doing this, we intensively analyzed the Company's approach to determining a need for impairment and, based on the information obtained in the course of our audit, assessed whether there were indications of need for impairment that had not been identified by the Company.

With the involvement of our valuation specialists, we then assessed on the basis of a risk-oriented selection, among other things, the appropriateness of the significant assumptions and of the valuation methodology for business valuations performed by an independent expert engaged by the Company. In order to assess the methodologically and mathematically correct implementation of the valuation method, we used our own calculations to reproduce, for a risk-oriented selection, the measurement performed by the independent expert engaged by the company and analyzed any deviations. We verified the expertise, capability and objectivity of the external expert and conducted a substantive audit of the external expert's determination. We have compared the assumptions and data underlying the capitalization rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

In addition, we discussed the expected cash flows, the impacts of the Russian war of aggression against Ukraine and the assumed long-term growth rates with the persons responsible for planning. To do this, we obtained clarification from the Company on these assumptions and the impact of strategic and operating activities on the projections. We also performed the reconciliation with the budget prepared by management and approved by the Supervisory Board (first planning year) and the other three further planning years noted.

In addition, we confirmed the quality of the Company's previous forecasts by comparing the budgets of previous fiscal years with actual results and by analyzing deviations.

Finally, we discussed with the Management Board the measurements that had been established by Klöckner & Co SE and verified the accounting entry of the measurements derived from this.

OUR OBSERVATIONS

The approach used for impairment testing of non-current investments is appropriate and in line with the accounting policies. The assumptions and parameters used by the Company are appropriate.

OTHER INFORMATION

Management and the Supervisory Board are responsible for the other information. The other information comprises the following parts of the management report, which have not been audited:

– the combined corporate governance statement of the Company and the Group contained in section 7 of the management report, and

– disclosures in the Group management report that are not normally part of the management report and are marked as unaudited.

The other information additionally comprises:

– the separate non-financial report published together with the management report, and

– the remaining parts of the annual report.

The other information does not include the annual financial statements, the audited disclosures in the management report and our related auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above mentioned other information and, in so doing, to consider whether the other information

– is materially inconsistent with the annual financial statements, the audited information in the management report or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., accounting manipulation or asset misstatement) or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for the risk of not detecting a material misstatement resulting from error, as fraud may involve fraudulent collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

– Obtain an understanding of an internal control relevant to the audit of the financial statements and of the arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

– Evaluate the presentation, structure and content of the annual financial statements overall, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

– Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

– Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards implemented to eliminate threats to that independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

REPORT ON ASSURANCE IN ACCORDANCE WITH SECTION 317 (3A) HGB ON THE ELECTRONIC REPRODUCTION OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we performed a reasonable assurance audit to determine whether the data provided in the file „kloecknercoseconsol-JA-2022-12-31-de.zip" (SHA256-Hashwert: e19a8590b92e799d49ae203c724506b87c82e71dc903ef3e4f3a1c68376112e6) and prepared for the purpose of publication of the annual financial statements and the management report (hereinafter also referred to as "ESEF documents") comply with the requirements of section 328 (1) HGB regarding the electronic report format ("ESEF format") in all material respects. In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned and provided electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the fiscal year from January 1, to December 31, 2022 contained in the "Report on the Audit of the annual financial statements and of the management report" above.

We conducted our assurance work of the reproduction of the annual financial statements and the management report contained in the above-mentioned and provided electronic file in accordance with Section 317 (3a) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation process of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal controls relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the provided electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the annual general meeting on July 6, 2022. We were engaged by the Supervisory Board on December 1, 2022. We have been the auditor of Klöckner & Co SE without interruption since fiscal year 2006.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matters - use of the auditor's report

Our audit opinion should always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and management report converted to the ESEF format - including the versions to be published in the Company Register - are merely electronic reproductions of the audited annual financial statements and the audited management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Christoph Velder.

Düsseldorf, March 3, 2023

KPMG AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

signed Velder
WIRTSCHAFTSPRÜFER

signed Mehdi Zadegan
WIRTSCHAFTSPRÜFERIN

Declaration of the Management Board

To the best of our knowledge and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Klöckner & Co SE, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Duisburg, March 3, 2023

MANAGEMENT BOARD

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD (CEO)

Dr. Oliver Falk
MEMBER OF THE MANAGEMENT BOARD (CFO)

John Ganem
MEMBER OF THE MANAGEMENT BOARD (CEO AMERICAS)

Bernhard Weiß
MEMBER OF THE MANAGEMENT BOARD (CEO EUROPE)

Annex to the notes to the financial statements and notes to the consolidated financial statements of Klöckner&Co SE

Subsidiary listing according to Sections 285 No. 11/313 para 2 German Commercial Code (HGB)

No.	Entity	Interest in percent
1	Klöckner & Co SE, Duisburg/Germany	-
I.	**Consolidated affiliated companies**	
2	Klöckner & Co Center of Excellence GmbH, Duisburg/Germany	100.00
3	Klöckner & Co Financial Services S.A., Luxembourg/Luxembourg	100.00
4	kloeckner.i GmbH, Berlin/Germany	100.00
5	kloeckner.v GmbH, Berlin/Germany	100.00
6	XOM Materials GmbH, Berlin/Germany	100.00
7	XOM Materials Operations Inc., Wilmington / Delaware/USA	100.00
8	Kloeckner Metals Germany GmbH, Duisburg/Germany	100.00
9	Klöckner Stahl und Metall Ges.m.b.H., Vienna/Austria	100.00
10	Kloeckner Metals Austria GmbH & Co KG, Vienna/Austria	51.00
11	Klöckner Netherlands Holding B.V., Amsterdam/The Netherlands	100.00
12	ODS B.V., Rotterdam/The Netherlands	100.00
13	O-D-S Transport B.V., Barendrecht/The Netherlands	100.00
14	ODS Metering Systems B.V., Rotterdam/The Netherlands	100.00
15	ODS Belgium B.V., Essen/Belgium	80.00
16	ODS Metering Systems Asia Pacific Pte. Ltd., Singapore/Singapore	100.00
17	ODS Middle East FZE, Dubai/UAE	100.00
18	ODS Saudi Co. LLC, City of Dammam/Saudi Arabia	85.00
19	ODS do Brasil Sistemas de Medicao Ltda., Campinas, State of Sao Paulo/Brazil	99.00
		1.00
20	Kloeckner Metals Belgium N.V., Harelbeke/Belgium	99.99
		0.01
21	Kloeckner Metals UK Holdings Limited, Leeds/United Kingdom	100.00
22	ASD Limited, Leeds/United Kingdom	100.00
23	ASD Westok Limited, Leeds/United Kingdom	100.00
24	Richardsons Westgarth Ltd., Leeds/United Kingdom	100.00
25	Kloeckner Metals France Holding S.A.S., Aubervilliers/France	99.58
26	Kloeckner Metals France S.A.S., Aubervilliers/France	100.00
27	Reynolds European S.A.S., Aubervilliers/France	100.00
28	AT2T Acier Transforme Targe Tournier S.A.S., La Grand-Croix/France	100.00
29	KDI Davum S.A.S., Le Port, La Réunion/France	100.00
30	KDI Immobilier S.A.S., Aubervilliers/France	100.00
31	Prafer S.A.S., Woippy/France	100.00
32	Becker Stahl-Service GmbH, Duisburg/Germany	100.00
33	Becker Aluminium-Service GmbH, Duisburg/Germany	100.00
34	Becker Stainless GmbH, Bönen/Germany	100.00
35	Umformtechnik Stendal GmbH, Stendal/Germany	100.00

1) IFRS HBII amounts.
2) Use has been made of the exemption provided in Section 264 (3) and Section 264b of the German Commercial Code (HGB).

Held by entity no.	Currency	Equity in Euro[1]	Net income in Euro[1]		Sales in Euro[1]
-		-	-		-
1	EUR	1,434,143	587,955		-
1	EUR	3,935,091	137,404	[2]	-
1	EUR	1,987,694	313,315	[2]	-
1	EUR	10,989,905	4,761,383	[2]	-
1	EUR	740,722	– 5,614,091		445,503
6	EUR	– 5,864	– 23,937		-
1	EUR	102,418,724	20,963,218	[2]	1,209,248,392
8	EUR	8,169,814	8,880,603		-
9	EUR	22,270,566	12,038,671		182,368,845
1	EUR	37,585,161	– 583,627		-
11	EUR	30,797,794	2,904,813		202,828,477
12	EUR	-	-		-
12	EUR	14,402,858	– 1,332,584		41,319,092
14	EUR	1,295,155	345,538		4,876,012
14	EUR	259,182	8,847		-
14	EUR	8,162,731	977,123		10,705,918
14	EUR	2,107,525	488,459		7,743,252
14	EUR	11,071,663	5,456,456		31,786,939
11	EUR	-	-		-
1	EUR	11,365,629	– 1,461,211		73,387,422
8	EUR	-	-		-
1	EUR	80,070,830	– 19,486,419		-
21	EUR	111,012,959	4,628,278		295,668,511
21	EUR	2,642,670	– 1,671,965		21,937,613
21	EUR	0	-		-
1	EUR	187,071,010	28,740,330		-
25	EUR	50,819,448	7,446,904		352,935,216
25	EUR	14,025,718	2,206,596		68,706,897
26	EUR	14,310,726	1,780,960		58,417,853
26	EUR	– 1,828,000	– 1,455,516		12,006,934
26	EUR	95,311,150	12,924,209		-
26	EUR	– 6,144,371	– 321,384		-
1	EUR	114,028,361	– 31,673	[2]	987,159,227
32	EUR	– 254,623	– 496,619	[2]	147,802,260
32	EUR	635,819	– 457,050	[2]	-
32	EUR	4,222,189	-	[2]	24,144,638

Subsidiary listing according to Sections 285 No. 11/313 para 2 German Commercial Code (HGB)

No.	Entity	Interest in percent
36	Becker Stainless Center GmbH, Süßen/Germany	100.00
37	Debrunner Koenig AG, St. Gallen/Switzerland	100.00
38	BEWETEC AG, St. Gallen/Switzerland	100.00
39	Debrunner Acifer AG, St. Gallen/Switzerland	100.00
40	Debrunner Acifer Bewehrungen AG, St. Gallen/Switzerland	100.00
41	Metall Service Menziken AG, Menziken/Switzerland	100.00
42	PC-Tech S.A., Penthalaz/Switzerland	100.00
43	Klöckner USA Holding Inc., Delaware/USA	100.00
44	Kloeckner Metals Corporation, Delaware/USA	100.00
45	California Steel and Tube LLC, Delaware/USA	100.00
46	Kloeckner Metals P.R., Inc., Delaware/USA	100.00
47	Kloeckner Metals Relief Fund, Inc., Delaware/USA	100.00
48	Kloeckner Metals de Mexico S.A. de C.V., Monterrey, Estado de Nuevo Leon/Mexico	100.00
49	Kloeckner Metals Brasil Ltda., Sao Paulo/Brazil	100.00

Held by entity no.	Currency	Equity in Euro[1]	Net income in Euro[1]		Sales in Euro[1]
34	EUR	2,136,306	289,819	2)	52,208,787
1	EUR	207,424,923	37,085,779		-
37	EUR	103,592,965	7,616,692		261,197,076
37	EUR	-	-		-
37	EUR	-	-		-
37	EUR	24,998,481	– 235,815		142,559,793
37	EUR	4,354,224	112,178		3,560,497
1	EUR	125,345,992	– 3,697		-
43	EUR	868,951,179	84,353,448		4,139,139,361
44	EUR	28,058,423	– 548,252		47,592,342
44	EUR	1,415,098	162,661		1,852,538
44	EUR	124,019	47,079		-
44	EUR	38,112,852	5,808,658		193,977,071
1	EUR	7,693,018	– 1,666,264		45,085,747

Subsidiary listing according to Sections 285 No. 11/313 para 2 German Commercial Code (HGB)

No.	Entity	Interest in percent
II.	**Non-consolidated affiliated companies**	
50	ASD GP Limited, Edinburgh/United Kingdom	100.00
51	ASD RBS Trustee Limited, Leeds/United Kingdom	100.00
52	ASD RBS Scottish Limited Partnership, Edinburgh/United Kingdom	50.00
		50.00
53	Umformtechnik Stendal UTS s.r.o., Skalica/Slovakia	100.00
		-
III.	**Associates**	
54	Birs-Stahl AG, Birsfelden/Switzerland	50.00

	Held by entity no.	Currency	Equity in Euro[1]	Net income in Euro[1]		Sales in Euro[1]
	22	EUR	119	-		-
	22	EUR	119	-		-
	22	EUR	238	-		-
	51	EUR	-	-		-
	35	EUR	64,595	37,095	3)	42,684
	-	EUR	-	-		-
	39	EUR	1,040,698	8,120	3)	1,298,520

3) Based on report as of December 31, 2021.

Listing pursuant to Section 160 (1) No. 8 of the German Stock Corporations Act (AktG)

For further information on the ownership structure of Klöckner & Co SE and all publications by Klöckner & Co SE on notifications of shareholdings in the reporting year, together with later notifications, please see the Klöckner & Co SE website (at https://www.kloeckner.com/en/investors/shares.html and https://www.kloeckner.com/en/investors/legal-announcements/voting-rights.html).

Notifier	Registered office/Country	Notification threshold	Date on which threshold was crossed or reached	Total positions in % (absolute figure/total number of voting rights)	
				Voting rights	Instruments
SWOCTEM GmbH [1]	Haiger, Germany	25% (Exceeding of threshold)	February 2, 2016	25.245604% (25,182,490/99,750,000)	
				25.245604% (25,182,490)	
Prof. Dr. E.h. Friedhelm Loh [2]	Germany	25% (Exceeding of threshold)	February 2, 2016	25.245604% (25,182,490/99,750,000)	
				25.245604% (25,182,490)	
Claas Edmund Daun		3% (Exceeding of threshold)	May 17, 2019	3.05% (3,047,051/99,750,000)	
				3.05% (3,047,051)	0%
Rossmann Beteiligungs GmbH	Burgwedel, Germany	5% (Exceeding of threshold)	June 30, 2022	5.02%	
				0.50% (500,000)	4.52% (4,510,000)
The Goldman Sachs Group, Inc. [3]	Wilmington, DE, USA	5% (Shortfall threshold)	November 2, 2022	4.99%	
				0.18% (175,878)	4.82%
Dimensional Holdings Inc. [4]	Austin, Texas, USA	3% (Shortfall threshold)	November 25, 2022	3.014%	
				2.669% (2,662,103)	0.345%
Union Investment Privatfonds GmbH [5]	Frankfurt am Main, Germany	3% (Exceeding of threshold)	December 6, 2022	3.15%	
				3.10% (3,093,200)	0.05% (51,800)

1) For the full chain of undertakings stated in the notification, please see our publication of February 9, 2016 pursuant to Section 26 (1) WpHG (pre-amendment).
2) For the full chain of undertakings stated in the notification, please see our publication of February 9, 2016 pursuant to Section 26 (1) WpHG (pre-amendment).
3) For the full chain of undertakings stated in the notification, please see our publication of November 4, 2022 pursuant to Section 40 (1) WpHG.
4) For the full chain of undertakings stated in the notification, please see our publication of December 1, 2022 pursuant to Section 40 (1) WpHG.
5) For the full chain of undertakings stated in the notification, please see our publication of December 7, 2022 pursuant to Section 40 (1) WpHG.

	Voting rights attached to shares in % or absolute figures (as notified)		Financial instruments according to Section 38 WpHG (if notified)		Attribution provision of WpHG (as in force at time of notification)	Names of shareholders with 3% or more voting rights (if different from notifier)
	direct	indirect	Sec. 38 (1) No. 1 WpHG	Sec. 38 (1) No 2 WpHG		
	25.245604% (25,182,490)					
		25.245604% (25,182,490)			Sec 22 WpHG o.v. (now: Sec 34 WpHG)	SWOCTEM GmbH
		3,05% (3,047,051)			Sec 34 WpHG	DAUN & CIE. Aktiengesellschaft
	0.50% (500,000)		4.52% (4,510,000)		Sec 39 WpHG	
		0.18% (175,878)	3.78% (3,765,677)	1.05% (1,043,081)	Sec 39 WpHG	
		2.669% (2,662,103)	0.345% (344,020)		Sec 34 WpHG	
		3.10% (3,093,200)	0.05% (51,800)		Sec 34 WpHG	

Additional information concerning the consolidated and individual financial statements

Attachment to the additional information

Information on additional mandates of the members of the Management Board of Klöckner & Co SE (Section 285 no. 10 German Commercial Code (HGB – Handelsgesetzbuch)

Guido Kerkhoff

CHAIRMAN OF THE MANAGEMENT BOARD

Group mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- Klöckner USA Holding Inc., Wilmington/USA, Member of the Board of Directors
- Kloeckner Metals Germany GmbH, Duisburg, Chairman of the Supervisory Board
- ODS Metering Systems B.V., Rotterdam/The Netherlands, Chairman of the Supervisory Board

Other mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- None

Dr. Oliver Falk

MEMBER OF THE MANAGEMENT BOARD, CFO

Group mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- Klöckner USA Holding Inc., Wilmington/USA, Member of the Board of Directors
- Kloeckner Metals Germany GmbH, Duisburg, Member of the Supervisory Board
- ODS B.V., Rotterdam/The Netherlands, Member of the Supervisory Board
- ODS Metering Systems B.V., Rotterdam/The Netherlands, Member of the Supervisory Board

Other mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- None

John Ganem

MEMBER OF THE MANAGEMENT BOARD

Group mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- Kloeckner Metals Relief Fund Inc., Wilmington/USA, Member of the Board of Directors

Other mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- None

Bernhard Weiß

MEMBER OF THE MANAGEMENT BOARD

Group mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- ODS B.V., Rotterdam/The Netherlands, Chairman of the Supervisory Board

Other mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- None

Additional mandates of the members of the Supervisory Board of Klöckner & Co SE (Section 285 no. 10 HGB)

Prof. Dr. Dieter H. Vogel, Chairman

MANAGING PARTNER, CASSIOPEIA GMBH, DÜSSELDORF, GERMANY

- denkwerk GmbH, Member of the Advisory Board[2)]
- HSBC Trinkaus & Burkhardt GmbH, Member of the Advisory Board[2)]

Dr. Ralph Heck, Deputy Chairman

DIRECTOR EMERITUS MCKINSEY & COMPANY, MEGGEN, SWITZERLAND AND CHAIRMAN OF THE MANAGEMENT BOARD OF BERTELSMANN STIFTUNG, GÜTERSLOH, GERMANY

- Adolf Würth GmbH & Co. KG, Member of the Advisory Board[2)]
- Formel D GmbH, Chairman of the Advisory Board[2)]

Prof. Dr. Tobias Kollmann

CHAIR OF DIGITAL BUSINESS AND DIGITAL ENTREPRENEURSHIP AT THE UNIVERSITY OF DUISBURG-ESSEN, GERMANY

- COMECO GmbH & Co KG, Deputy Chairman of the Supervisory Board[2)]
- StartUp Ökovation Verwaltungs GmbH, Member of the Advisory Board[2)] (until September 30, 2022)

Prof. Dr. E.h. Friedhelm Loh

ENTREPRENEUR, OWNER AND CHAIRMAN OF FRIEDHELM LOH STIFTUNG & CO. KG, HAIGER, GERMANY

- None

Uwe Röhrhoff

INDEPENDENT CONSULTANT AND SUPERVISORY BOARD MEMBER

- EPL Limited, Independent Director, Chairman of the Nomination and Remuneration Committee[2)]
- Constantia Flexibles Holding GmbH, Member of the Supervisory Board[2)]
- PGP Glass Private Limited, Non Executive Director[2)]

Ute Wolf

CFO OF EVONIK INDUSTRIES AG, ESSEN, GERMANY

- DWS Group GmbH & Co. KGaA, Member of the Supervisory Board[1)]
- Pensionskasse Degussa VVaG, Member of the Supervisory Board[1)]
- Borussia Dortmund Geschäftsführungs-GmbH, Member of the Council of economic affairs[2)]

1) Membership in legally required Supervisory Boards as defined by Section 125 German Stock Corporations Act (AktG).
2) Membership in similar corporate Supervisory Bodies in Germany and abroad as defined by Section 125 German Stock Corporations Act (AktG).

Disclaimer

This report (particularly the "Forecast" section) 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 significant 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 this annual report. For other terms not defined in this annual report, please refer to the glossary on our website at
https://www.kloeckner.com/en/glossary.html.

Rounding
There may be rounding differences with respect to the percentages and figures in this report.

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

This English version of the Annual Report is a courtesy translation of the original German version; in the event of variances, the German version shall prevail over the English translation.

Evaluating statements
Evaluating statements are unified and are presented as follows:

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

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www.kloeckner.com

FINANCIAL CALENDAR 2023

March 9, 2023	**Annual Financial Statements 2022** Financial statement press conference Conference Call with analysts
May 3, 2023	**Q1 quarterly statement 2023** Conference Call with journalists Conference Call with analysts
May 17, 2023	**Annual General Meeting 2023**
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

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