# Q2

## Interim Report

as of June 30, 2023

klöckner & co

## Interim Group Management Report

# Klöckner & Co Group Figures

## for the six-month period ending June 30, 2023

| Shipments and income statement | | Q2 2023 | Q2 2022 | Variance | HY1 2023 | HY1 2022 | Variance |
|---|---|---|---|---|---|---|---|
| Shipments | Tto | 1,158 | 1,226 | – 68 | 2,371 | 2,484 | – 113 |
| Sales | € million | 1,967 | 2,580 | – 613 | 4,043 | 5,018 | – 975 |
| Gross profit | € million | 335 | 508 | – 173 | 692 | 990 | – 298 |
| Gross profit margin | % | 17.0 | 19.7 | – 2.7%p | 17.1 | 19.7 | – 2.6%p |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | € million | 62 | 223 | – 161 | 110 | 477 | – 367 |
| EBITDA before material special effects | € million | 63 | 222 | – 159 | 131 | 423 | – 292 |
| EBITDA margin | % | 3.2 | 8.6 | – 5.4%p | 2.7 | 9.5 | – 6.8%p |
| EBITDA margin before material special effects | % | 3.2 | 8.6 | – 5.4%p | 3.2 | 8.4 | – 5.2%p |
| Earnings before interest and taxes (EBIT) | € million | 32 | 191 | – 159 | 45 | 415 | – 370 |
| Earnings before taxes (EBT) | € million | 24 | 188 | – 164 | 27 | 404 | – 377 |
| EBT before material special effects | € million | 21 | 187 | – 166 | 48 | 350 | – 302 |
| Net income | € million | 12 | 151 | – 139 | 4 | 323 | – 319 |
| Net income attributable to shareholders of Klöckner & Co SE | € million | 12 | 149 | – 137 | 4 | 317 | – 313 |
| Earnings per share (basic) | € | 0.12 | 1.50 | – 1.38 | 0.04 | 3.18 | – 3.14 |
| Earnings per share (diluted) | € | 0.12 | 1.36 | – 1.24 | 0.05 | 2.88 | – 2.83 |

| Cash flow statement | | Q2 2023 | Q2 2022 | Variance | HY1 2023 | HY1 2022 | Variance |
|---|---|---|---|---|---|---|---|
| Cash flow from operating activities | € million | 31 | 262 | – 231 | 96 | 1 | 95 |
| Cash flow from investing activities | € million | – 25 | – 20 | – 5 | – 33 | 19 | – 52 |
| Free cash flow*) | € million | 6 | 242 | – 236 | 63 | 20 | 43 |

| Balance sheet | | June 30, 2023 | Dec. 31, 2022 | June 30, 2022 | Variance June 30, 2023 vs. Dec. 31, 2022 | Variance June 30, 2023 vs. June 30, 2022 |
|---|---|---|---|---|---|---|
| Net Working Capital**) | € million | 1,696 | 1,789 | 2,239 | – 93 | – 543 |
| Net financial debt | € million | 596 | 584 | 903 | 12 | – 307 |
| Gearing***) | % | 31.2 | 29.8 | 43.9 | 1.4%p | – 12.7%p |
| Equity | € million | 1,929 | 1,968 | 2,078 | – 39 | – 149 |
| Equity ratio | % | 50.4 | 51.0 | 44.5 | – 0.6%p | 5.9%p |
| Total assets | € million | 3,826 | 3,859 | 4,665 | – 33 | – 839 |

| Employees | | June 30, 2023 | Dec. 31, 2022 | June 30, 2022 | Variance June 30, 2023 vs. Dec. 31, 2022 | Variance June 30, 2023 vs. June 30, 2022 |
|---|---|---|---|---|---|---|
| Employees as of the end of the reporting period | | 7,230 | 7,304 | 7,228 | – 74 | 2 |

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

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

***) Gearing = Net financial debt / (Consolidated equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2019).

# Interim Group Management Report

## Key developments in the first six months of 2023 and outlook

- Operating income (EBITDA) of €131 million before material special effects in the first six months of 2023, after the result for the prior-year period (HY1 2022: €423 million) was characterized by significant positive price effects. Including material special effects, EBITDA for the first six months was €110 million
- Despite ongoing macroeconomic challenges and a sharp steel price correction, proactive net working capital management resulted in solid EBITDA of €63 million before material special effects in the second quarter of 2023, within the forecast range of €60 million to €110 million
- Net income of €12 million in second quarter and €4 million in first half of 2023
- Shipments of 2.4 million tons in reporting period, down on prior-year period (decrease of 4.5%); sales of €4.0 billion down on prior-year period driven by prices (decrease of 19.4%)
- Cash flow from operating activities of €96 million in the first half of 2023, thus significantly higher than the cash flow in the prior-year period (HY1 2022: €1 million)
- Despite challenging macroeconomic environment, EBITDA of €220 million to €280 million before material special effects expected for the full year and a strong and significantly positive cash flow from operating activities*)

*) The forecast for the full year 2023 has been prepared assuming the closing of the acquisition of National Material of Mexico on August 1, 2023.

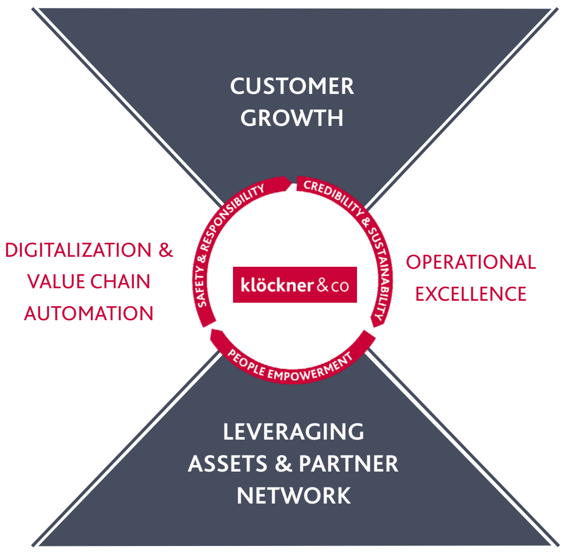
*The information contained in square brackets [ ] in this Management Report represents unreviewed and voluntary disclosures that have been read critically by the auditor.*

# 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 both digitalizing and automating core processes, we can eliminate existing inefficiencies in the value chain and significantly reduce our variable costs.



**Customer Growth**
Our goal is to deliver the best solutions for our customers and add value in everything we do. 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 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 automotive 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 buy more from us, and more customers 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, we improved the efficiency of our digital ordering processes in the relevant organizational units. As a result, the average number of manual changes per order was reduced by more than 14% in the first half of 2023 compared to the prior-year period.

**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.

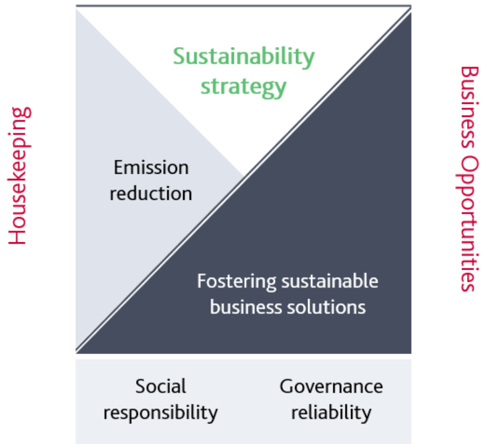
We are committed to responsibility for the environment, safety and our community. This commitment must be reflected in all our actions and decisions. By enforcing the highest safety standards, we ensure a safe working environment that protects our employees. In terms of integrity, we are a transparent, 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.



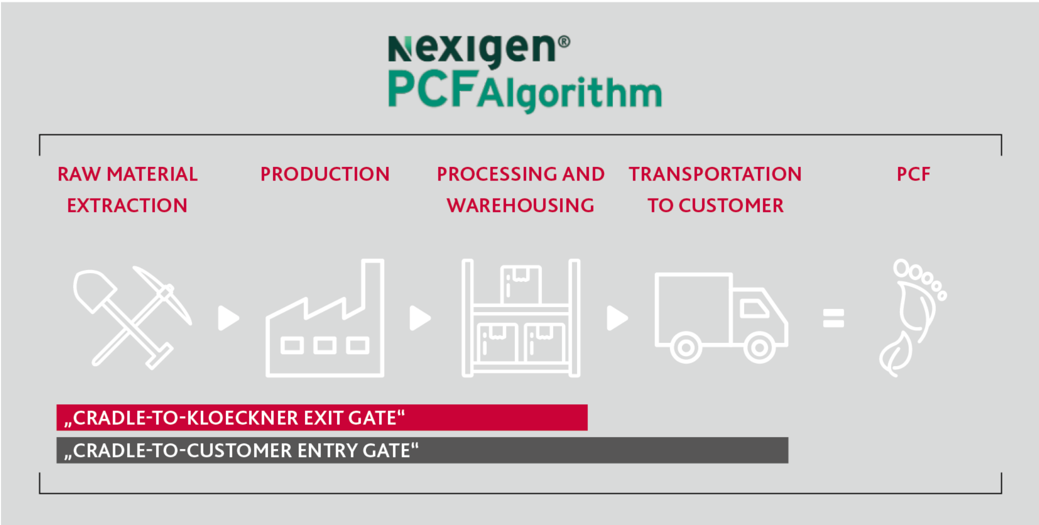

We believe that innovation, technology and new business models, in particular, will enable the steel industry’s successful sustainability transformation. As part of our Group strategy, we are working as a pioneer of a sustainable steel industry to establish innovative business models by creating a comprehensive 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 (closed-loop) solutions and comprehensive Sustainability Advisory Services for sustainable customer solutions. In this way, we are already helping 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 a set of categories for our $CO_2$-reduced steel, stainless steel and aluminum products. These categories 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” (< 700 kg $CO_2$/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").



We have made a further major step towards decarbonizing the steel industry with the recent introduction of Nexigen® Data Services for the active management of product carbon emissions. This digital technology solution will enable customers to view, at a glance, the cradle-to-customer entry gate carbon emission history of all products so far sourced through Klöckner & Co, and automatically receive suggestions for alternative $CO_2$-reduced products and thus potential for reductions compared to past orders. The use of open blockchain technology ensures a high level of data integrity and seamless transparency along the entire value chain. In this way, we are helping our customers to achieve their decarbonization goals.

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.]

# Economic environment

## Macroeconomic situation

The overall economic environment in the first half of 2023 was mainly characterized by high inflation and the corresponding countermeasures taken by central banks. Even though inflation has moderated due to successive increases in key interest rates and the decline in commodity and energy prices, the underlying price pressure still remains. Bank insolvencies in the US and the takeover of Credit Suisse by UBS following the rapid rises in interest rates focused attention on the entire financial sector. Labor markets in major economies remain tight due to the ongoing shortage of skilled labor. In Europe in particular, a gas and energy crisis was averted during the winter months, and recent months have seen energy prices decline significantly, benefiting industrial production. The global economy gained impetus from the economic recovery in China following the shift away from the zero-COVID strategy, which further eased global supply chains. Significant government investment such as the US infrastructure program also benefited the global economy.

The US recorded 2.0% growth in gross domestic product (GDP) compared to the second quarter of 2022. The impact of the Federal Reserve's interest rate hikes – the fastest series of increases since the 1980s – dampened economic growth by increasing the cost of credit and financing conditions, and also triggered the collapse of some regional banks. This in turn weighed on the global financial sector, particularly at the beginning of the year. The US labor market remained tight, particularly due to the ongoing shortage of skilled labor. Benefiting from strong consumer spending and the US government's infrastructure program, the US economy proved to be resilient overall. In addition, the economic environment improved further towards the end of the reporting period following the suspension of the debt ceiling.

Eurozone GDP stagnated in the second quarter of 2023 compared to the prior-year quarter (+0.5%). Mild temperatures, reduced gas demand and increased imports of liquefied natural gas prevented a gas and energy crisis during the winter months of the reporting period. Combined with a further easing of supply chain pressures, this supported European industrial production in particular. However, eurozone economic growth was also dampened by more restrictive monetary and fiscal policy conditions and weaker foreign demand.

The GDP in China grew considerably by 7.4% in the second quarter of 2023. The Chinese economy benefited substantially from the abandonment of the zero-COVID strategy at the beginning of the year. Private consumer spending and the services and manufacturing sectors recovered after the easing of restrictions. On the other hand, China's economic growth was dampened by ongoing problems in the real estate sector and slowing export momentum. In an effort to provide further stimulus to the economy, the Chinese central bank lowered the key interest rates in June.

| Development of GDP (in percent) | Q2 2023 vs. Q2 2022 |
|---|---|
| USA | 2.0 |
| Mexico | 2.5 |
| Brazil | 2.3 |
| Europe*) | 0.5 |
| Germany | – 0.3 |
| United Kingdom | 0.2 |
| France | 0.5 |
| Belgium | 1.3 |
| Netherlands | 0.1 |
| Switzerland | 0.6 |
| China | 7.4 |

Source: Bloomberg, Oxford Economics; in some cases provisional.
*) Eurozone.

## Industry-specific situation

According to the World Steel Association, global crude steel output fell slightly by 1.1% year on year, reaching a production volume of 943.9 million tons in the first half of 2023. Production output was down a slight 2.9% in the USA, while in the EU it fell by a considerable 10.9%. In contrast, Chinese production increased slightly by 1.3% year on year.

### Trend in key customer industries

#### CONSTRUCTION INDUSTRY

According to estimates by Oxford Economics, growth in the US construction industry was negative in the first six months of the year (around –6%). Rising mortgage rates weighed on private residential construction in particular, and the ongoing shortage of skilled labor dampened the entire sector. In contrast, the US government's infrastructure program provided positive stimulus to the non-residential construction sector. Oxford Economics estimates that the Eurozone construction industry recorded constant development in the reporting period (+0.4%). The negative impact of higher interest rates was offset by government investment, notably from the Next Generation EU fund.

#### MACHINERY AND MECHANICAL ENGINEERING

According to Oxford Economics estimates, the machinery and mechanical engineering industry in the USA recorded a constant development in the reporting period (+0.2%). The sector was impacted by rising borrowing costs and a strong US dollar – which reduced foreign demand – but benefited from substantial business investment. Oxford Economics estimates that the eurozone machinery and mechanical engineering industry grew by around 3% in the reporting period, although the sector was impacted by a considerable 10% year-on-year decline in new orders in May according to the German Mechanical Engineering Industry Association (VDMA).

#### AUTOMOTIVE INDUSTRY

The German Association of the Automotive Industry (VDA) reports that unit sales in the US automotive industry increased by around 13% in the first six months of 2023, benefiting from the ongoing high demand. According to estimates from Oxford Economics, the Mexican automotive industry grew by around 4% in the reporting period. The automotive industry in Europe showed considerable growth of around 18% according to VDA, after growth in the prior-year period was significantly affected by material shortages and the effects of the Russian war of aggression against Ukraine. According to the VDA, the automotive market in China grew by around 9%.

# Results of operations, financial position and net assets

The key figures for the results of operations, financial position and net assets in the second quarter and the first half of 2023 are set out in the following. Further information can be taken from Note 4 (Special items affecting the results) in the notes to the condensed interim financial statements.

KEY FIGURES RESULTS OF OPERATIONS

| *(€ million)* | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|
| Shipments (Tto) | 1,158 | 1,226 | 2,371 | 2,484 |
| Sales | 1,967 | 2,580 | 4,043 | 5,018 |
| Gross profit*) | 335 | 508 | 692 | 990 |
| Gross profit margin (%) | 17.0 | 19.7 | 17.1 | 19.7 |
| EBITDA**) | 62 | 223 | 110 | 477 |
| EBITDA margin (%)***) | 3.2 | 8.6 | 2.7 | 9.5 |
| EBITDA before material special effects | 63 | 222 | 131 | 423 |

*) Gross profit = Sales ./. cost of materials + changes in inventory.
**) EBITDA = Gross profit + own work capitalized + other operating income ./. personnel cost ./. other operating expenses.
***) EBITDA margin = EBITDA / sales.

OTHER KEY FIGURES

| *(€ million)* | June 30, 2023 | June 30, 2022 | December 31, 2022 |
|---|---|---|---|
| Net working capital*) | 1,696 | 2,239 | 1,789 |
| Net financial debt**) | 596 | 903 | 584 |
| Gearing***) | 31% | 44% | 30% |

*) Net working capital = Inventories + trade receivables + contract assets + supplier bonus receivables ./. trade liabilities ./. contract liabilities ./. advance payments received.
**) Net financial debt = Financial liabilities as shown in the consolidated statement of financial position + transaction costs ./. cash and cash equivalents.
***) Gearing = Net financial debt / (Consolidated equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2019).

## Shipments and sales

SHIPMENTS BY SEGMENTS

| *(Tto)* | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|
| Kloeckner Metals US | 598 | 588 | 1,197 | 1,174 |
| Kloeckner Metals EU | 387 | 454 | 841 | 936 |
| Kloeckner Metals Non-EU | 174 | 184 | 333 | 374 |
| **Group shipments** | **1,158** | **1,226** | **2,371** | **2,484** |

Shipments totaled 2.4 million tons in the first six months, marking a decline of 4.5% relative to the prior-year period. While the Kloeckner Metals US segment even achieved a slight 2.0% increase in sales despite the continuing downward price trend – which often causes customers to adopt a wait-and-see position regarding purchases – the macroeconomic challenges in the course of the second quarter of 2023 in particular led to a considerable fall in demand in the Kloeckner Metals EU segment (by 10.2%) and in the Kloeckner Metals Non-EU segment (by 10.8%).

SALES BY SEGMENTS

| *(€ million)* | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|
| Kloeckner Metals US | 930 | 1,216 | 1,859 | 2,364 |
| Kloeckner Metals EU | 663 | 913 | 1,457 | 1,808 |
| Kloeckner Metals Non-EU | 374 | 452 | 727 | 846 |
| **Group sales** | **1,967** | **2,580** | **4,043** | **5,018** |

As a result of the lower price level in the first half year and declining shipments relative to the prior-year period – especially in Europe, but also in the USA – sales fell considerably from €5.0 billion to €4.0 billion (a decrease of 19.4%). Adjusted for positive foreign exchange effects, the decline in sales in the first half of the year was 20.3%.

## Earnings

| (€ million) | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|
| Sales | 1,967 | 2,580 | 4,043 | 5,018 |
| Gross profit | 335 | 508 | 692 | 990 |
| Gross profit margin (in %) | 17.0 | 19.7 | 17.1 | 19.7 |
| OPEX*) | – 273 | – 285 | – 582 | – 513 |
| EBITDA | 62 | 223 | 110 | 477 |
| EBITDA before material special effects**) | 63 | 222 | 131 | 423 |
| EBIT | 32 | 191 | 45 | 415 |
| EBT | 24 | 188 | 27 | 404 |
| **Net income** | **12** | **151** | **4** | **323** |

*) OPEX = Own work capitalized + other operating income ./. personnel expenses ./. other operating expenses.

**) Material special effects 2023: Income from the sale of a business unit in Germany (€5 million) and expenses for personnel measures in connection with the implementation of a hub structure in France (€26 million); 2022 – Income from sales of sites in Switzerland (€50 million), in France (€5 million), follow-on expenses from the Surtsey project in the US (€1 million).

Gross profit was €692 million in the first half of the year, considerably down by €298 million on the prior-year figure of €990 million. The main reason for the year on year decline was a sharp steel price correction in the course of the reporting period, particularly in Europe, whereas it was still possible to benefit from significantly positive price effects in the first half of 2022. As selling prices decreased more strongly than procurement prices, the gross profit margin went down from 19.7% in the prior year to 17.1%. Our proactive inventory reduction and overall consistent net working capital management enabled us to mitigate a large part of the negative price effects resulting from the steel price correction. Against this background, it was possible to limit the inventory write-down as of June 30, 2023 to €17 million, with most of the negative impact, in the amount of €12 million, affecting the gross profit margin in the Kloeckner Metals EU segment (12.2%; HY1 2022: 21.1%). In contrast, the gross profit margin in the Kloeckner Metals US segment increased compared to the prior-year period from 16.0% to 18.3%.

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

OPEX

| (€ million) | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|
| Other operating income | 6 | 9 | 18 | 71 |
| Personnel expenses | – 146 | – 156 | – 316 | – 307 |
| Other operating expenses | – 133 | – 138 | – 284 | – 277 |
| **OPEX** | **– 273** | **– 285** | **– 582** | **– 513** |

Comparability of OPEX with the prior year is limited due to special effects. Other operating income in the reporting period includes €5 million in non-recurring income from the sale of a business unit in Germany, whereas the figure for the first half of 2022 included €50 million in income from the sale of a site in Switzerland and €5 million from the sale of two sites in France.

Personnel expenses include expenses of €13 million recognized in the first quarter of 2023 for personnel measures in connection with the implementation of a hub structure in France. Overall, this special effect was already largely offset by lower bonus expenses compared to the prior year.

Other operating expenses increased by €7 million in the first half of 2023 to €284 million. The increase mainly related to €9 million in special effects due to the implementation of the hub structure in France and to higher costs of logistics and packaging, tools and operating supplies. On a currency-adjusted basis, the increase was €5 million.

In total, OPEX increased from €513 million in the prior-year period to €582 million, €6 million of which was currency-related.

Group operating income (EBITDA) came to €110 million in the first half of 2023, compared to €477 million in the prior-year period.

EBITDA BY SEGMENTS (ADJUSTED FOR MATERIAL SPECIAL EFFECTS)

| *(€ million)* | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|
| Kloeckner Metals US | 65 | 80 | 111 | 152 |
| Kloeckner Metals EU | – 16 | 90 | – 5 | 191 |
| Kloeckner Metals Non-EU | 14 | 48 | 27 | 77 |
| Holding and other Group companies | – 1 | 4 | – 1 | 3 |
| **Adjusted EBITDA of the Klöckner & Co Group** | **63** | **222** | **131** | **423** |
| Net adjustments | – 1 | 1 | – 21 | 54 |
| **EBITDA** | **62** | **223** | **110** | **477** |

Adjustments in 2023:
Income from sale of a business unit in Germany (€5 million).
Expenses for personnel measures in connection with the implementation of a hub structure in France (€26 million).

Adjustments in 2022:
Income from sales of sites in Switzerland (€50 million) and France (€5 million).
Follow-on expenses from the Surtsey project in the US (€1 million).

Despite the challenging economic environment, Klöckner & Co generated strong operating income (EBITDA) of €63 million before material special effects in the second quarter of 2023, although this was considerably down on the prior-year quarter driven by prices (Q2 2022: €222 million). EBITDA for the half year amounted to €131 million, compared to €423 million in 2022. Earnings in the prior-year comparative periods benefited substantially from significant positive price effects in a favorable market environment.

The Kloeckner Metals US segment continued to perform well despite the challenging environment. It thus benefited from the better economic conditions compared to Europe, reflected in an extremely strong demand and sales development in the segment in the first half of 2023. After significant positive price dynamics in the prior year, strong operating income before material special effects of €111 million was generated in the first half of 2023 (HY1 2022: €152 million). At the same time, the gross profit margin also increased year on year.

Operating income before material special effects in the Kloeckner Metals EU segment was a negative €5 million, considerably down from €191 million in the first half of 2022 as a result of significant changes in the market and price environment. Whereas our gross profit margin was disproportionately high in the prior-year period due to an exceptionally positive price dynamics, the gross profit margin in the reporting period was low by comparison because of lower shipments and sharp price corrections with higher average inventory prices in the first half of 2023 combined with €12 million in inventory write-downs. After accounting for negative material special effects of €26 million related to the implementation of a hub structure in France, and positive material special effect of €5 million from the sale of a business unit in Germany, EBITDA after material special effects in this segment was a negative €27 million.

EBITDA before material special effects in the Kloeckner Metals Non-EU segment was €27 million in the reporting period, compared to €77 million in the prior-year period. Due to muted development in the construction sector over the course of the year, our shipments in this segment were lower than in the prior-year period. The gross profit margin decreased slightly year on year due to price factors. This segment also had a comparatively lower gross profit margin in the first half of 2023 due to higher average inventory prices, compared to disproportionately high gross profit margins due to positive price dynamics in the prior-year period.

RECONCILIATION TO NET INCOME

| *(€ million)* | HY1 2023 | HY1 2022 |
|---|---|---|
| **EBITDA** | **110** | **477** |
| Depreciation, amortization and impairments | – 65 | – 62 |
| **EBIT** | **45** | **415** |
| Income from investments | – 2 | 4 |
| Financial result | – 16 | – 15 |
| **EBT** | **27** | **404** |
| Income taxes | – 23 | – 81 |
| **Net income** | **4** | **323** |

Due to increased capital expenditure, depreciation, amortization and impairments (excluding inventory write-downs), at €65 million, were slightly higher than the prior-year figure of €62 million.

EBIT was €45 million in the reporting period, after €415 million in the comparative period.

Income from investments mainly contains changes in the fair value of investments.

The financial result, at €16 million, was slightly higher than the prior-year level of €15 million. This increase, which occurred despite lower average debt in the first half of 2023 due to the price-driven reduction in net working capital, reflects the higher level of interest rates compared to the prior year.

The positive pre-tax income resulted in an income tax expense of €23 million for the first half of 2023 (HY1 2022: tax expense of €81 million).

In total, net income was in positive figures at €4 million, compared to €323 million in the comparative period.

Basic earnings per share came to €0.04, compared to €3.18 in the prior year.

## Financial position, balance sheet structure and consolidated statement of cash flows

| (€ million) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Non-current assets | 1,048 | 1,033 |
| Current assets | | |
| Inventories | 1,517 | 1,633 |
| Trade receivables*) | 1,070 | 940 |
| Other current assets | 96 | 73 |
| Liquid funds | 96 | 179 |
| **Total assets** | **3,826** | **3,859** |
| | | |
| Equity | 1,929 | 1,968 |
| Non-current liabilities | | |
| Provisions for pensions | 33 | 38 |
| Financial liabilities | 331 | 401 |
| Other non–current liabilities | 67 | 63 |
| Current liabilities | | |
| Financial liabilities | 357 | 359 |
| Trade payables**) | 891 | 785 |
| Other current liabilities | 217 | 246 |
| **Total equity and liabilities** | **3,826** | **3,859** |

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

Total assets amounted to €3,826 million as of June 30, 2023, virtually unchanged from the end of the fiscal year 2022.

Non-current assets amounted to €1,048 million, a slight €15 million above the level as of December 31, 2022 (€1,033 million). The increase mainly relates, in the amount of €13 million, to the recognition of items of property, plant and equipment. This was countered by a decrease in intangible assets (by €7 million), mainly due to amortization. In property, plant and equipment, additions of €45 million from investing activities and of €32 million from new leases recognized in accordance with IFRS 16 were offset by depreciation totaling €53 million.

Equity decreased from €1,968 million to €1,929 million. This was due to the lower net income compared to the prior year and the €40 million dividend payment in May 2023. Thus, equity ratio was a very solid 50% (December 31, 2022: 51%), despite the decrease in equity.

Net working capital changed as follows:

NET WORKING CAPITAL

| (€ million) | June 30, 2023 | June 30, 2022 | December 31, 2022 |
|---|---|---|---|
| Inventories | 1,517 | 2,006 | 1,633 |
| Trade receivables | 987 | 1,227 | 849 |
| Contract assets | 65 | 60 | 49 |
| Supplier bonus receivables | 18 | 14 | 43 |
| Trade payables*) | – 891 | – 1,068 | – 785 |
| **Net Working Capital** | **1,696** | **2,239** | **1,789** |

*) Including contract liabilities and advance payments received.

Due to the ongoing strict net working capital management and driven by prices, working capital was €93 million down on the 2022 year-end figure.

Liquid funds amounted to €96 million, compared to €179 million as of December 31, 2022.

STABLE FINANCING WITH IMPROVED MATURITY PROFILE

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

NET FINANCIAL DEBT

| (€ million) | June 30, 2023 | June 30, 2022 | December 31, 2022 |
|---|---|---|---|
| Net financial debt | 596 | 903 | 584 |
| **Gearing*)** | **31%** | **44%** | **30%** |

*) Gearing = Net financial debt / (Consolidated equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2019).

The main reasons for the decrease in net financial debt by €307 million relative to the prior-year period are the price-driven reduction in net working capital and lower inventories.

CONSOLIDATED STATEMENT OF CASH FLOWS

| *(€ million)* | **Q2 2023** | Q2 2022 | **HY1 2023** | HY1 2022 |
|---|---|---|---|---|
| Cash flow from operating activities | 31 | 262 | 96 | 1 |
| Cash flow from investing activities | – 25 | – 20 | – 33 | 19 |
| **Free cash flow** | **6** | **242** | **63** | **20** |
| Cash flow from financing activities | – 17 | – 104 | – 145 | 140 |

Primarily due to the proactive net working capital management, a positive operating cash flow was generated of €31 million in the second quarter and €96 million in the first half of 2023. In the comparative period, the cash inflow from operating activities was €262 million in the second quarter of 2022 and €1 million in the first half of 2022.

€41 million in payments for capital expenditure were partly offset by €8 million in receipts from divestments to yield a total cash outflow from investing activities of €33 million (HY1 2022: cash inflow of €19 million due to proceeds from sales of sites).

This resulted in a free cash flow of €6 million in the second quarter of 2023 and of €63 million in the first half of 2023, compared to €242 million in the second quarter of the prior year and €20 million in the prior-year period.

Due to the lower net financial debt, cash flow from financing activities amounted to a negative €145 million in the first half of 2023 (HY1 2022: positive €140 million).

# Macroeconomic outlook including key opportunities and risks

## Expected global economic growth

According to estimates by the International Monetary Fund (IMF), the global economy will grow by 3.0% in 2023. Central banks are expected to maintain their focus on containing inflation risks. Following the decline in inflation rates in recent months and given the aggressive past increases in key interest rates, the IMF forecasts that key interest rates will peak later this year, but that monetary and fiscal conditions will remain generally restrictive. The global economy may benefit from accelerated further easing of pressures in the banking sector and an accompanying improvement in confidence in the economy. Furthermore, consumers in the major economies still have excess savings from the pandemic. Drawing down these savings could lead to a consumption-driven recovery. Further geopolitical fragmentation and renewed stress in the banking sector with repercussions on the financial markets, on the other hand, pose a risk to the economic development.

For the USA, the IMF forecasts economic growth of 1.8% in 2023. The Federal Reserve faces the challenge of curbing inflation while on the other hand avoiding further instability in the financial sector. However, inflation is expected to remain elevated for the remainder of 2023, and the US labor market is likely to stay tight. As the year progresses, the economy should continue to be supported by strong private consumption, driven by rising wages. The Inflation Reduction Act is expected to enable investment in renewable energies especially, thus providing stimulus for the American economy. In addition, the suspension of the debt ceiling should have a positive impact on economic conditions and confidence in the US economy.

For the economy of the eurozone, the IMF forecasts an almost constant development in 2023 (+0.9%). While the manufacturing sector is expected to benefit from the further easing of supply shortages, weaker demand due to high interest rates is likely to have a negative impact on industrial production and the European economy as a whole. Some of the production lost over the winter is unlikely to be recovered as energy and electricity prices remain structurally higher – especially compared to the US – and this is likely to slow the European economy. Another risk to European economic growth is a renewed gas and energy crisis in the winter months.

According to IMF estimates, the Chinese economy will grow considerable by 5.2% in 2023. Economic activity and in particular industrial production are expected to be supported by catch-up effects following the abandonment of the zero-COVID strategy. However, weak export demand is expected to dampen economic activity as the year progresses. In addition, the Chinese economy is fundamentally constrained by structural problems such as high debt levels and the struggling real estate sector. Additional stimulus measures by the Chinese government could provide significant positive momentum and enable stronger growth.

| Expected development of GDP (in percent) | 2023e |
|---|---|
| USA | 1.8 |
| Mexico | 2.6 |
| Brazil | 2.1 |
| Europe*) | 0.9 |
| Germany | – 0.3 |
| United Kingdom | 0.4 |
| France | 0.8 |
| Belgium | 1.0 |
| Netherlands | 0.8 |
| Switzerland | 0.8 |
| China | 5.2 |

Source: International Monetary Fund (IMF), Bloomberg.
*) Eurozone.

## Expected steel sector trend

For the full year 2023, the World Steel Association forecasts around 2.3% growth in global steel demand to 1,822.3 million tons. An increase of 1.6% is expected for the North American Free Trade Area (USMCA), while steel demand in the European Union together with the United Kingdom is expected to remain constant relative to the prior year. The Association forecasts a 1.4% increase in steel demand for South and Central America and a 2.0% year-on-year increase for China.

### Expected trend in our core customer sectors

#### CONSTRUCTION INDUSTRY

Oxford Economics estimates that the US construction industry will contract by around 2% in 2023. High mortgage rates and lower disposable incomes due to high inflation are expected to impact private residential construction especially. In contrast, infrastructure programs are likely to provide support for the US construction industry and particularly non-residential construction. For the eurozone, Oxford Economics estimates that the construction industry will grow by around 1% in 2023. The Next Generation EU fund is expected to further stimulate the European construction sector and thus cushion the negative effects of the restrictive monetary and fiscal policy.

#### MACHINERY AND MECHANICAL ENGINEERING

Oxford Economics forecasts that the US machinery and mechanical engineering industry will contract by around 2% in 2023. Higher borrowing costs are expected to result in a decline in business investment and thus dampen the sector's growth. In the eurozone, on the other hand, Oxford Economics expects that the machinery and mechanical engineering sector will see growth of around 2% in 2023. The industry is likely to benefit from a further easing of supply chain problems, enabling it to work off accumulated order backlogs.

#### AUTOMOTIVE INDUSTRY

According to the German Association of the Automotive Industry (VDA), the global passenger car market will grow by around 6% in 2023 and continue its recovery from the impacts of the COVID-19 pandemic. With regard to the US automotive industry, VDA forecasts that unit sales will increase in 2023 by 7% year on year. Growth of 9% is forecast for the European automotive market. Both in the USA and in Europe, automotive manufacturers are expected to continue building inventories in order to meet ongoing surplus consumer demand. For China, VDA forecasts growth of 3%. Oxford Economics predicts growth of about 4% for the Mexican automotive market, in which we have strengthened our presence through the acquisition of National Material of Mexico.

## Current assessment of opportunities and risks

The information provided in the Opportunities and Risks section on pages 66 to 86 of the Annual Report 2022 generally continues to apply. Market risks continue to dominate. For Klöckner & Co, market risk is mostly determined by trends in demand and prices. The present market situation is characterized by high uncertainty, with a sharp decline in market prices during the second quarter and subdued customer demand. On the other hand, the availability of energy has normalized and energy prices have fallen significantly as a result. The sharp drop in the proportion of the EU's energy supplies coming from Russia, coupled with the increasing establishment of alternative sources, has also significantly reduced the corresponding risk to the economy, particularly with a view to next winter. Inflation has also fallen recently as a result. However, core inflation – which excludes volatile price components such as energy and food – increased slightly at the end of the reporting period. Following a pause in interest rate hikes by the Federal Reserve in June, additional moderate interest rate rises are expected from both the Federal Reserve and the European Central Bank. The current challenge for central banks is to contain inflation without putting undue pressure on the economy. This results in the risk of stagflation – i.e. an above-target inflation at the same time as a stagnating economy. In Q4 2023 and Q1 2024, there is a risk of very weak growth or a slight recession in both the USA and the EU, although the probability of a recession appears smaller especially for the USA. Slowing economic growth, combined with inflation above central banks' targets, also raises the risk of an increase in defaults and corporate insolvencies as borrowing becomes more difficult. This could also lead to other risks, such as a banking crisis, which would further weaken economic growth. In terms of geopolitical risks, tensions between the US and China remain despite recent diplomatic attempts at rapprochement. Similarly, the ongoing war in Ukraine continues to pose a latent risk of escalation. On the other hand, the economy could benefit from an easing of geopolitical problems and a peace settlement in the Ukraine war. The US government's investment programs should continue to support the US economy in the medium term. Further easing of pressures in the banking sector could provide an additional boost to the global economy. This could also lead to higher demand for steel products and thus to rising selling prices.

For a detailed description of the risk management system in the Klöckner & Co Group, please see pages 67 et seq. of the Annual Report 2022.

Major opportunities lie in our strategy, "Klöckner & Co 2025: Leveraging Strengths," whose implementation positions Klöckner & Co as the leading one-stop shop for steel, other materials and processing services in both Europe and America by harmonizing our sales and procurement functions, driving scaling opportunities, smartly integrating selected third parties and expanding our product and service portfolio. As well as targeting operational excellence, our strategy is primarily directed at growth in the customer base and increasing share of wallet. 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. We unlock growth opportunities with sustainable products and services under the Nexigen® umbrella brand – for example with an extensive range of $CO_2$-reduced products that we categorize simply and clearly so that customers have reliable information about the carbon footprint of our product portfolio and can order the desired product in line with their own preferences.

In addition, there are opportunities to further optimize the 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 and automation, we are paving the way for unlocking additional growth potential, including by continuing to take an active role in market consolidation should our core markets present attractive, accretive opportunistic acquisition targets complementary to our business model. Increasing realization of major infrastructure investment in the USA and also in Europe can also provide significant growth impetus for the economy, creating opportunities for us to further increase our successful business performance.

In summary, the main risk for Klöckner & Co is the demand and price trend, which will be significantly influenced by the further development of the economy. If inflation stays above the range targeted by central banks, there is a risk of continuing interest rates hikes, which could trigger a recession and thus, have a negative impact on demand in our cyclically sensitive customer sectors and on the steel price trend.

Against this backdrop, Klöckner & Co is acting with heightened caution. The primary aim is short- and medium-term adaptation to market conditions with a focus on enhancing efficiency and cutting costs. One of the primary challenges here is continuing to adapt our existing organizational structure to make it even leaner and more efficient.

In this highly volatile market environment, newly emerging risks are 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 recognized sufficient provisions and valuation allowances to cover all risks required to be accounted for when preparing the interim report. 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.

# Group forecast

In the reporting period, the development of the global economy was characterized by high inflation, the corresponding countermeasures taken by the major central banks, and tensions in the financial sector. In the steel sector, following rising steel prices at the beginning of the year, the second quarter in particular was characterized by a significant price correction which in turn led to purchasing reluctance, particularly in the European economic region. Against the backdrop of various investment programs, the American economy proved to be significantly more resilient. However, at the end of the reporting period a reliable stabilization of steel prices at an overall high level started to take shape. Despite the macroeconomic challenges, Klöckner & Co was able to generate a solid operating result in the first half of the year. Due to the current economic developments, we also expect some uncertainties in the end markets relevant to us also in the second half of the year. Nevertheless, we expect a continuation of the steel price stabilization, a persistently resilient US economy, and a general improvement of the macroeconomic environment.

Against this backdrop, we forecast a sequential recovery in the demand situation in the further course of the year and now expect Group shipments to slighty increase year-on-year for the financial year 2023. Due to the significant steel price correction during the second quarter and the resulting overall lower average price level compared with the prior-year period, we continuously anticipate a considerable decline in sales in the financial year 2023.

Despite the significant price correction, in particular due to a proactive and disciplined net working capital management we were able to generate solid EBITDA before material special effects in the reporting period. We forecast EBITDA before material special effects of €220 million to €280 million for the financial year 2023, despite the challenging macroeconomic environment.

Furthermore, we continue to expect a strong and significantly positive cash flow from operating activities in the fiscal year 2023, although below the level of the previous year.

The expected segment performance figures are presented in the table below.

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

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

"Stable" corresponds to a change of +/– 0-1%, "slight" to a change of +/– >1-5% and "considerable" to a change of +/– >5%. The forecast for the full year 2023 was prepared assuming the closing of the acquisition of National Material of Mexico on August 1, 2023.

Duisburg, August 2, 2023

Klöckner & Co SE

The Management Board

# Klöckner & Co Share

Klöckner & Co share: Key data

ISIN DE000KC01000 – German Securities Code (WKN) KC0100

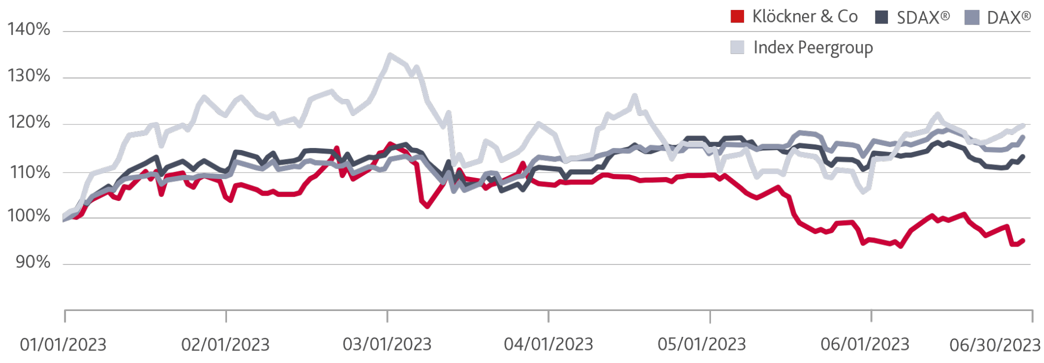
Stock exchange symbol: KCO
Bloomberg: KCO GY
Reuters Xetra: KCOGn.DE
Listed in SDAX®

**SHARE PRICE PERFORMANCE**

The international capital market environment was marked by high volatility in the first half of the year, notably due to the shift in monetary policy by central banks and the corresponding tensions in the financial sector. Klöckner & Co shares lost around 3% compared to the year-end 2022 closing price of €9.24 and ended trading on June 30 at €8.92. The share price reached its lowest level at €8.83 on June 7. The share price reached its highest level at €10.60 on March 3.

The DAX® and SDAX® indices gained 16% and 12% respectively in the same period. The peer group index, which tracks the performance of companies that are comparable with Klöckner & Co, gained around 18% in the reporting period (alongside thyssenkrupp, Salzgitter, Arcelor Mittal, Voestalpine and Swiss Steel, the peer group index also includes Reliance, Olympic Steel and Ryerson).

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




During the second quarter, the average trading volume in Klöckner & Co shares amounted to around €1.7 million per day and was thus below the daily trading volume in the first quarter (around €3.3 million per day). Klöckner & Co shares consequently ranked 102nd by trading volume and 129th by free float market capitalization in Deutsche Börse AG's ranking in June 2023.

### KEY DATA – KLÖCKNER & CO SHARE

| | | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|---|
| Share Capital | € | 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 |
| Closing price (Xetra, Close) | € | 8.92 | 7.27 | 8.92 | 7.27 |
| Market capitalization | € million | 890 | 725 | 890 | 725 |
| High (Xetra, Close) | € | 10.06 | 13.09 | 10.60 | 13.30 |
| Low (Xetra, Close) | € | 8.83 | 7.27 | 8.83 | 7.27 |
| Average daily trading volume | in shares | 180,148 | 557,949 | 257,273 | 549,521 |

### ANNUAL GENERAL MEETING

The 17th Annual General Meeting of Klöckner & Co SE was held in Düsseldorf on May 17, 2023. For the first time since 2019, it was once again possible to organize the Annual General Meeting as an in-person event. In addition, shareholders were able to follow a livestream of the entire meeting, register for the Annual General Meeting and vote via the online service on the Klöckner & Co SE website, www.kloeckner.com. Furthermore, the speeches by Chairman of the Supervisory Board Prof. Dr. Dieter H. Vogel and CEO Guido Kerkhoff were broadcast publicly on the website and remain available there for viewing. In total, around 56% of the voting capital voted on resolutions.

### OWNERSHIP STRUCTURE

According to voting rights notifications received up to the end of the reporting period, our largest shareholder was SWOCTEM GmbH (Prof. Dr. E.h. Friedhelm Loh) with a shareholding of between 25% and 30%. In an offer document dated March 27, SWOCTEM GmbH submitted a voluntary public takeover offer; according to the announcement published by SWOCTEM GmbH on May 17, 2023, the total number of shares for which the takeover offer was accepted together with the shares held directly by SWOCTEM GmbH corresponds to approximately 41.53% of the voting rights. As of the end of the reporting period, the offer continued to be subject to closing conditions. For further details, please refer to the relevant information on the website of SWOCTEM GmbH. According to the aforementioned voting rights notifications, The Goldman Sachs Group, Inc., Claas Edmund Daun and Dimensional Holdings Inc. were additional shareholders with between 3% and 5% (percentages of voting rights from shares and instruments). Our free float as defined by Deutsche Börse AG totaled 58.47% as of the end of the reporting period.

#### CAPITAL MARKET COMMUNICATION

During the first half of 2023, the management and members of the IR team of Klöckner & Co SE provided interested capital market participants with information at five conferences in Germany and internationally, as well as in many additional one-on-one discussions. Talks with investors focused on the business performance of the Klöckner & Co Group, implementation of the “Klöckner & Co 2025: Leveraging Strengths” strategy, progress in establishing sustainable value chains, and global macroeconomic developments.

In the first six months, Klöckner & Co was covered by seven banks and securities houses in numerous research reports. As of the end of June, one of these rated Klöckner & Co shares a “buy”, six gave a “hold” recommendation and none rated the shares a “sell”.

Klöckner & Co also provides information on current Group developments in the Investor Relations section of the corporate website at www.kloeckner.com/en/investors.html. Topics include financial reports, the financial calendar and current data on share performance. All details relating to our Annual General Meeting and other capital market events are also published on the website.

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 or suggestions. Please feel free to contact us at any time by telephone, email or letter mail.

### CONTACT

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# Klöckner & Co SE

## Consolidated statement of income

for the six-month period ending June 30, 2023

| *(€ thousand)* | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
| --- | --- | --- | --- | --- |
| Sales | 1,966,606 | 2,580,394 | 4,042,803 | 5,017,942 |
| Changes in inventory | 12,743 | 10,281 | 12,020 | 29,279 |
| Other operating income | 6,097 | 8,655 | 17,541 | 71,207 |
| Cost of materials | – 1,644,143 | – 2,082,754 | – 3,362,967 | – 4,057,664 |
| Personnel expenses | – 146,307 | – 155,862 | – 315,710 | – 307,248 |
| Depreciation and amortization | – 32,526 | – 31,820 | – 65,005 | – 62,193 |
| Impairment losses | - | - | – 2 | - |
| Reversal of impairment losses | 2,443 | 72 | - | 72 |
| Other operating expenses | – 132,603 | – 137,658 | – 283,720 | – 276,625 |
| **Operating result** | **32,311** | **191,308** | **44,960** | **414,770** |
| **Income from investments** | **– 383** | **4,061** | **– 1,904** | **4,092** |
| Finance income | 771 | 616 | 2,282 | 1,058 |
| Finance expenses | – 9,173 | – 8,300 | – 18,618 | – 16,101 |
| **Financial result** | **– 8,402** | **– 7,684** | **– 16,336** | **– 15,043** |
| **Income before taxes** | **23,526** | **187,685** | **26,720** | **403,818** |
| Income taxes | – 11,490 | – 36,756 | – 22,674 | – 80,612 |
| **Net income** | **12,036** | **150,929** | **4,046** | **323,207** |
| *thereof attributable to* | | | | |
| *– shareholders of Klöckner & Co SE* | *11,844* | *149,136* | *3,518* | *317,116* |
| *– non-controlling interests* | *192* | *1,793* | *528* | *6,090* |
| **Earnings per share (€/share)** | | | | |
| **– basic** | **0.12** | **1.50** | **0.04** | **3.18** |
| **– diluted** | **0.12** | **1.36** | **0.05** | **2.88** |

# Statement of comprehensive income Group

for the six-month period ending June 30, 2023

| *(€ thousand)* | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|
| **Net income** | **12,036** | **150,929** | **4,046** | **323,207** |
| Other comprehensive income not reclassifiable | | | | |
| Actuarial gains losses (IAS 19) | 2,271 | 1,593 | 6,165 | – 67,119 |
| Related income taxes | – 603 | 1,895 | – 920 | 17,024 |
| **Total** | **1,668** | **3,488** | **5,245** | **– 50,095** |
| Other comprehensive income reclassifiable | | | | |
| Foreign currency translation | 10,359 | 62,533 | – 9,983 | 79,951 |
| Gain/losses from cash flow hedges | – 284 | – 193 | 766 | – 193 |
| **Total** | **10,075** | **62,340** | **– 9,217** | **79,758** |
| **Other comprehensive income** | **11,743** | **65,828** | **– 3,972** | **29,663** |
| **Group total comprehensive income** | **23,779** | **216,757** | **74** | **352,870** |
| *thereof attributable to* | | | | |
| *– shareholders of Klöckner & Co SE* | *23,587* | *214,937* | *– 447* | *346,741* |
| *– non-controlling interests* | *192* | *1,820* | *521* | *6,129* |

# Consolidated statement of financial position

as of June 30, 2023

## Assets

| (€ thousand) | Notes | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 7 | 77,344 | 84,525 |
| Property, plant and equipment | 7 | 812,021 | 799,197 |
| Other financial assets | | 36,093 | 36,415 |
| Other non-financial assets | | 75,289 | 67,812 |
| Deferred tax assets | | 46,858 | 45,321 |
| **Total non-current assets** | | **1,047,606** | **1,033,270** |
| **Current assets** | | | |
| Inventories | 8 | 1,516,604 | 1,633,497 |
| Trade receivables | | 987,450 | 848,782 |
| Contract assets | | 65,179 | 49,078 |
| Supplier bonus receivables | | 17,506 | 42,581 |
| Current income tax receivable | | 25,916 | 19,937 |
| Other financial assets | | 15,077 | 17,754 |
| Other non-financial assets | | 52,008 | 31,743 |
| Cash and cash equivalents | | 95,750 | 179,068 |
| Assets held for sale | | 3,390 | 3,752 |
| **Total current assets** | | **2,778,881** | **2,826,190** |
| **Total assets** | | **3,826,486** | **3,859,460** |

## Equity and liabilities

| *(€ thousand)* | Notes | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| **Equity** | | | |
| Subscribed capital | | 249,375 | 249,375 |
| Capital reserves | | 568,622 | 568,622 |
| Retained earnings | | 972,995 | 1,008,383 |
| Accumulated other comprehensive income | | 125,358 | 130,044 |
| **Equity attributable to shareholders of Klöckner & Co SE** | | **1,916,350** | **1,956,422** |
| Non-controlling interests | | 12,355 | 11,834 |
| **Total equity** | | **1,928,706** | **1,968,256** |
| | | | |
| **Non-current liabilities** | | | |
| Provisions for pensions and similar obligations | | 33,421 | 38,012 |
| Other provisions and accrued liabilities | | 15,306 | 14,833 |
| Non-current financial liabilities | 9 | 331,231 | 400,805 |
| Other financial liabilities | | 1,567 | 645 |
| Deferred tax liabilities | | 50,549 | 47,548 |
| **Total non-current liabilities** | | **432,074** | **501,843** |
| **Current liabilities** | | | |
| Other provisions and accrued liabilities | | 140,392 | 145,941 |
| Income tax liabilities | | 18,044 | 21,591 |
| Current financial liabilities | 9 | 357,332 | 358,549 |
| Trade payables | | 884,029 | 776,571 |
| Other financial liabilities | | 18,138 | 35,966 |
| Non-financial contract liabilities | | 3,339 | 2,519 |
| Advance payments received | | 3,575 | 5,637 |
| Other non-financial liabilities | | 40,858 | 42,589 |
| **Total current liabilities** | | **1,465,707** | **1,389,362** |
| **Total liabilities** | | **1,897,780** | **1,891,204** |
| | | | |
| **Total equity and liabilities** | | **3,826,486** | **3,859,460** |

# Consolidated statement of cash flows

## for the six-month period ending June 30, 2023

| *(€ thousand)* | Q2 2023 | Q2 2022 | HY1 2023 | HY1 2022 |
|---|---|---|---|---|
| Net income | 12,036 | 150,929 | 4,046 | 323,207 |
| Income taxes | 11,490 | 36,756 | 22,674 | 80,612 |
| Financial result | 8,402 | 7,684 | 16,336 | 15,043 |
| Income from investments | 383 | – 4,061 | 1,904 | – 4,092 |
| Depreciation, amortization, reversal of impairment losses and impairment losses of non-current assets | 30,083 | 31,748 | 65,007 | 62,121 |
| Other non-cash income/expenses | 713 | 470 | 907 | 16 |
| Gain on disposal of non-current assets | 403 | – 1,315 | – 4,159 | – 55,614 |
| Change in net working capital | | | | |
| Inventories | – 17,091 | – 12,900 | 105,474 | – 206,611 |
| Trade receivables, contract assets and supplier bonus receivables | 9,355 | 61,412 | – 134,795 | – 307,320 |
| Trade payables incl. contract liabilities and advance payments received | 55,102 | 36,629 | 111,115 | 173,626 |
| Change in other operating assets and liabilities | – 48,907 | – 17,304 | – 44,854 | – 13,665 |
| Interest paid | – 7,534 | – 6,740 | – 15,746 | – 13,899 |
| Interest received | 176 | 401 | 959 | 654 |
| Income taxes paid | – 24,359 | – 23,074 | – 37,341 | – 55,674 |
| Income taxes received | 909 | 1,141 | 3,996 | 2,627 |
| **Cash flow from operating activities** | **31,161** | **261,776** | **95,523** | **1,031** |
| Proceeds from the sale of non–current assets | 550 | 2,724 | 805 | 65,867 |
| Proceeds from the sale of other business operations | - | - | 7,429 | - |
| Dividends received | - | 737 | - | 760 |
| Payments for intangible assets, property, plant and equipment | – 23,104 | – 19,769 | – 37,444 | – 39,434 |
| Payments for investments in consolidated subsidiaries | – 1,925 | - | – 2,227 | – 3,387 |
| Payments for financial assets | – 184 | – 3,630 | – 1,603 | – 4,557 |
| **Cash flow from investing activities** | **– 24,663** | **– 19,938** | **– 33,040** | **19,249** |
| Dividend payments to shareholders of Klöckner & Co SE | – 39,900 | – 99,750 | – 39,900 | – 99,750 |
| Borrowings of financial liabilities | 90,345 | 126,185 | 95,766 | 394,311 |
| Repayment of financial liabilities | – 55,824 | – 120,540 | – 177,663 | – 129,978 |
| Repayment of lease liabilities | – 10,578 | – 10,028 | – 21,499 | – 20,723 |
| Proceeds from derivates of financing activities | – 1,169 | 28 | – 1,369 | – 4,042 |
| **Cash flow from financing activities** | **– 17,126** | **– 104,105** | **– 144,665** | **139,818** |
| **Changes in cash and cash equivalents** | **– 10,628** | **137,733** | **– 82,182** | **160,098** |
| Effect of foreign exchange rates on cash and cash equivalents | 148 | 5,729 | – 1,136 | 7,399 |
| Cash and cash equivalents at the beginning of the period | 106,230 | 81,663 | 179,068 | 57,628 |
| **Cash and cash equivalents at the end of the reporting period as per statement of financial position** | **95,750** | **225,125** | **95,750** | **225,125** |

# Summary of changes in equity

## for the six-month period ending June 30, 2023

| | | | | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(€ thousand)* | Subscribed capital of Klöckner & Co SE | Capital reserves of Klöckner & Co SE | Retained earnings | Currency translation adjust-ments | Actuarial gains and losses (IAS 19) | Fair value adjust-ments of financial instru-ments | Equity attributable to shareholders of Klöckner & Co SE | Non-control-ling interests | Total |
| **Balance as of January 1, 2022** | **249,375** | **568,729** | **854,894** | **211,741** | **– 68,551** | **– 4,571** | **1,811,616** | **15,731** | **1,827,348** |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation | - | - | - | 79,929 | - | - | 79,929 | 21 | 79,951 |
| Gain/Loss from cash flow hedges | - | - | - | - | - | – 193 | – 193 | - | – 193 |
| Actuarial gains and losses (IAS 19) | - | - | - | - | – 67,142 | - | – 67,142 | 24 | – 67,119 |
| Related income tax | - | - | - | - | 17,030 | - | 17,030 | – 6 | 17,024 |
| **Other comprehensive income** | **-** | **-** | **-** | **79,929** | **– 50,112** | **– 193** | **29,623** | **39** | **29,663** |
| Net income | - | - | 317,129 | – 12 | - | - | 317,116 | 6,090 | 323,207 |
| **Total comprehensive income** | **-** | **-** | **317,129** | **79,917** | **– 50,112** | **– 193** | **346,739** | **6,129** | **352,870** |
| Dividends | - | - | – 99,750 | - | - | - | – 99,750 | - | – 99,750 |
| Revaluation of equity component of convertible bond | - | – 108 | - | - | - | - | – 108 | - | – 108 |
| Gain/loss from hedges and cost of hedging, reclassified in inventories | - | - | - | - | - | – 2,744 | – 2,744 | - | – 2,744 |
| **Balance as of June 30, 2022** | **249,375** | **568,622** | **1,072,273** | **291,658** | **– 118,663** | **– 7,508** | **2,055,755** | **21,861** | **2,077,615** |
| | | | | | | | | | |
| **Balance as of January 1, 2023** | **249,375** | **568,622** | **1,008,383** | **270,842** | **– 135,158** | **– 5,640** | **1,956,422** | **11,834** | **1,968,256** |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation | - | - | - | – 9,977 | - | - | – 9,977 | – 6 | – 9,983 |
| Gain/Loss from cash flow hedges | - | - | - | - | - | 766 | 766 | - | 766 |
| Actuarial gains and losses (IAS 19) | - | - | - | - | 6,165 | - | 6,165 | – 1 | 6,165 |
| Related income tax | - | - | - | - | – 920 | - | – 920 | - | – 920 |
| **Other comprehensive income** | **-** | **-** | **-** | **– 9,977** | **5,245** | **766** | **– 3,966** | **– 7** | **– 3,972** |
| Net income | - | - | 4,512 | – 994 | - | - | 3,518 | 528 | 4,046 |
| **Total comprehensive income** | **-** | **-** | **4,512** | **– 10,971** | **5,245** | **766** | **– 447** | **521** | **74** |
| Dividends | - | - | – 39,900 | - | - | - | – 39,900 | - | – 39,900 |
| Gain/loss from hedges and cost of hedging, reclassified in inventories | - | - | - | - | - | 276 | 276 | - | 276 |
| **Balance as of June 30, 2023** | **249,375** | **568,622** | **972,995** | **259,871** | **– 129,913** | **– 4,598** | **1,916,350** | **12,355** | **1,928,706** |

# Selected explanatory notes to the condensed interim consolidated financial statements for the six-month period ending June 30, 2023

## (1) Basis of presentation

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2023 were prepared for interim reporting in accordance with Sec. 115 of the German Securities Trading Act (WpHG) and International Financial Reporting Standards (IFRS) including IAS 34 Interim Financial Reporting as adopted for use within the EU.

The condensed interim consolidated financial statements as of June 30, 2023 have been reviewed by an independent auditor.

The accounting policies applied in preparing the interim consolidated financial statements as of June 30, 2023 – with the exception of the changes presented in Note 2 (New accounting standards and interpretations) – are consistent with those used for the consolidated financial statements of Klöckner & Co SE as of December 31, 2022. A detailed description of those policies is provided in the notes to the consolidated financial statements on pages 207 to 210 of the Annual Report 2022. Consistency of presentation is observed.

The exchange rates used to translate the financial statements of material foreign subsidiaries included in the consolidated financial statements were as follows:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| €1 = | June 30, 2023 | December 31, 2022 | HY1 2023 | HY1 2022 |
| Pound Sterling (GBP) | 0.8583 | 0.8869 | 0.8764 | 0.8424 |
| Swiss Franc (CHF) | 0.9788 | 0.9847 | 0.9856 | 1.0319 |
| US Dollar (USD) | 1.0866 | 1.0666 | 1.0807 | 1.0934 |

As part of the preparation of interim consolidated financial statements in accordance with IAS 34 for the period ending June 30, 2023, the Management Board of Klöckner & Co SE is required to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the presentation, recognition and measurement of assets and liabilities, income and expenses. Actual amounts may differ from these estimates.

Due to the global impacts of the Russian war of aggression against Ukraine, the estimates required in preparation of the half-year financial report are indirectly subject in a number of areas to significantly greater uncertainty than usual. This relates in particular to estimates in connection with the impairment testing of non-financial assets (goodwill and non-current assets). Information on our assessment of the impact of these influences is provided in Note 7 (Intangible assets and property, plant and equipment).

In the opinion of the Management Board, the interim consolidated financial statements reflect all information necessary to provide a true and fair view of the results. The results for the period ending June 30, 2023 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2023 were authorized for issuance by the Management Board on August 2, 2023 after discussion with the Audit Committee of the Supervisory Board. Unless otherwise indicated, all amounts are stated in million euros (€ million), which is the Group's functional currency. Discrepancies may arise relative to the unrounded figures.

## (2) New accounting standards and interpretations

The following standards were applied for the first time in the first half of 2023:

| Standard/Interpretation |
| --- |
| IFRS 17 – Insurance Contracts |
| Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information |
| Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies |
| Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

Application of the amendments had no material impact on the interim consolidated financial statements of Klöckner & Co SE.

## (3) Acquisitions

With effect as of June 1, 2023, Debrunner Koenig AG, St. Gallen, Switzerland, acquired 100% of the shares in Müller Wüst AG, Aarau, Switzerland, for a purchase price of €3.4 million, of which €1.3 million is contingent consideration due in the following four years. As a qualitative component of the contingent consideration, the sellers will receive a maximum amount of €154 thousand per year for the years 2024, 2025 and 2026 – a total of €462 thousand – if certain milestones are achieved. The quantitative component of the consideration amounts to €873 thousand and is dependent on cumulative net sales for the years 2024 to 2026 and the EBITDA margin in 2026. The acquisition resulted in goodwill of €3.2 million. Its impact on net income is immaterial.

## (4) Special items affecting the results

**EBITDA**
Comparability between operating income (EBITDA) for the first six months of fiscal year 2023 and the prior year is impacted by the following material one-off effects:

| *(€ thousand)* | **June 30, 2023** | June 30, 2022 |
| --- | --- | --- |
| Material property disposal gains | 4,740 | 55,482 |
| Restructuring expenses | – 26,128 | – 1,770 |
| **EBITDA impact** | **– 21,388** | **53,712** |

### HY1 2023

**Implementation of a hub structure in the Kloeckner Metals EU segment**

In the Kloeckner Metals EU segment, an initiative was launched in the first half of 2023 to implement a hub structure with the aim of optimizing logistics at the French sites in support of further growth. Restructuring expenses of €26 million were incurred for site closures as part of the project.

**Material one-off gains on the sale of a business unit in the Kloeckner Metals EU segment**

A business unit in the Kloeckner Metals EU segment was sold for €5 million in the first half of 2023.

### HY1 2022

**Material one-off gains on the sale of property outside of the ordinary course of business**

In the first half of 2022, one site was sold in the Kloeckner Metals Non-EU segment with a book gain of €50 million and, as a consequence of the Surtsey project, three sites were sold in the Kloeckner Metals EU segment with book gains totaling €5 million. The sites were presented as "non-current assets held for sale" in accordance with IFRS 5 as of December 31, 2021.

**Follow-on costs from restructuring expenses under the Surtsey project**

The Surtsey project resulted in follow-on expenses and adjustments to provisions for personnel and site closure costs in the amount of €1 million in the Kloeckner Metals US segment in the first half of 2022.

## FURTHER SPECIAL ITEMS AFFECTING EARNINGS FOR THE PERIOD

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 June 30, 2023.

**Accounting impacts of the Russian war of aggression against Ukraine**

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 neither made significant sales nor conducted significant procurement in either of these countries to date. Russia's war of aggression against Ukraine therefore has had no direct accounting impact. However, the war activities 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 initially rose sharply at the beginning of fiscal year 2022 due to exceptionally strong demand. Significant price corrections in the second half of 2022 as well in the second quarter of 2023 also led to a wait-and-see approach and a decline in demand in the first six months of the fiscal year 2023, as well as inventory write-downs of €17 million at the end of the first half-year due to measurement at the lower of cost and net realizable value under IAS 2. Such inventory write-downs may be reversed if the general economic situation improves again. 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 Note 7 (Intangible assets and property, plant and equipment) and, in addition, the commentary in the management report on the results of operations, financial position and net assets.

## (5) Sales

The Group's external sales are broken down by region (customer headquarters) as follows:

| 2023 (€ thousand) | Kloeckner Metals US | Kloeckner Metals EU | Kloeckner Metals Non-EU | Holding and other Group companies | Total |
|---|---|---|---|---|---|
| Germany | - | 945,516 | 11,381 | - | 956,897 |
| EU excluding Germany | - | 475,370 | 5,863 | - | 481,233 |
| Switzerland | - | 5,806 | 582,461 | - | 588,267 |
| Rest of Europe | - | 6,205 | 126,368 | - | 132,573 |
| USA | 1,839,882 | 166 | - | - | 1,840,048 |
| Rest of North America | - | - | - | - | - |
| Central and South America | 19,470 | 8,286 | 506 | - | 28,263 |
| Asia/Australia | - | 8,694 | 5 | - | 8,700 |
| Africa | - | 6,818 | 5 | - | 6,823 |
| **Sales** | **1,859,352** | **1,456,861** | **726,590** | **-** | **4,042,803** |

| 2022 (€ thousand) | Kloeckner Metals US | Kloeckner Metals EU | Kloeckner Metals Non-EU | Holding and other Group companies | Total |
|---|---|---|---|---|---|
| Germany | - | 1,105,373 | 6,352 | 234 | 1,111,959 |
| EU excluding Germany | 617 | 655,435 | 5,692 | - | 661,743 |
| Switzerland | 4,511 | 4,608 | 659,499 | - | 668,618 |
| Rest of Europe | 63 | 7,719 | 174,270 | - | 182,053 |
| USA | 2,281,471 | 501 | 35 | - | 2,282,007 |
| Rest of North America | 1,602 | - | - | - | 1,602 |
| Central and South America | 75,335 | 17,301 | 145 | - | 92,781 |
| Asia/Australia | - | 8,660 | 95 | - | 8,756 |
| Africa | - | 8,418 | 5 | - | 8,422 |
| **Sales** | **2,363,600** | **1,808,014** | **846,094** | **234** | **5,017,942** |

The Group's sales by type of business are as follows:

| 2023<br>(€ thousand) | Kloeckner Metals US | Kloeckner Metals EU | Kloeckner Metals Non-EU | Holding and other Group companies | Total |
|---|---|---|---|---|---|
| Stockholding | 741,853 | 718,079 | 425,089 | - | 1,885,021 |
| Processing and Service-Center | 1,104,068 | 613,240 | 231,145 | - | 1,948,453 |
| Direct business | 13,431 | 87,620 | 37,437 | - | 138,488 |
| Other contracts | - | 37,922 | 32,918 | - | 70,841 |
| **External sales** | **1,859,352** | **1,456,861** | **726,590** | **-** | **4,042,803** |

| 2022<br>(€ thousand) | Kloeckner Metals US | Kloeckner Metals EU | Kloeckner Metals Non-EU | Holding and other Group companies | Total |
|---|---|---|---|---|---|
| Stockholding | 871,816 | 938,954 | 492,610 | 234 | 2,303,614 |
| Processing and Service-Center | 1,468,573 | 680,159 | 285,531 | - | 2,434,263 |
| Direct business | 23,211 | 142,288 | 39,566 | - | 205,065 |
| Other contracts | - | 46,613 | 28,387 | - | 75,000 |
| **External sales** | **2,363,600** | **1,808,014** | **846,094** | **234** | **5,017,942** |

## (6) Earnings per share

Earnings per share are calculated by dividing interim-period consolidated net income attributable to the shareholders of Klöckner & Co SE by the weighted average number of shares outstanding during the period.

| | | HY1 2023 | HY1 2022 |
|---|---|---|---|
| Net income attributable to shareholders of Klöckner & Co SE | (€ thousand) | 3,518 | 317,116 |
| Weighted average number of shares | (thousands of shares) | 99,750 | 99,750 |
| **Basic earnings per share** | **(€/share)** | **0.04** | **3.18** |
| Net income attributable to shareholders of Klöckner & Co SE | (€ thousand) | 3,518 | 317,116 |
| Interest expense on convertible bonds (net of tax) | (€ thousand) | 2,334 | 2,335 |
| Net income used to determine diluted earnings per share | (€ thousand) | 5,852 | 319,452 |
| Weighted average number of shares | (thousands of shares) | 99,750 | 99,750 |
| Dilutive potential shares from convertible bonds | (thousands of shares) | 12,041 | 11,087 |
| Weighted average number of shares for diluted earnings per share | (thousands of shares) | 111,791 | 110,837 |
| **Diluted earnings per share** | **(€/share)** | **0.05** | **2.88** |

## (7) Intangible assets and property, plant & equipment

**Impairment testing of goodwill and other non-current assets**

In the annual impairment test at the end of 2022 to determine the recoverable amount of a cash-generating unit (CGU) using the discounted cash flow method, estimation uncertainties were taken into account when determining future cash inflows. These estimation uncertainties were mainly due to the Russian war of aggression against Ukraine. The affected estimates were inferred on the basis of available data and management's assessment and include country-specific market changes for the estimation of shipments and the future gross profit per ton. Expected changes in operating expenses due to factors such as inflation adjustments were also taken into account in the calculation of the expected future cash flows.

The current macroeconomic environment and the resulting business performance in the first half of 2023 indicate that the earnings performance of the individual CGUs does not contradict the assumptions in the detailed planning period underlying the annual impairment test as of December 31, 2022. For the impairment test on the basis of the ratio of the market capitalization to the equity of the Klöckner & Co SE Group, the recoverability of non-current assets was confirmed by testing value in use as of June 30, 2023. As a result of the decision to establish a hub structure in the France CGU and the related site closures, there was an internal indication within the meaning of IAS 36.12 (f) that there may be an impairment of the recoverable amount. In addition, in April 2023, the UK government significantly increased the main corporation tax rate from 19% to 25%, which in accordance with IAS 36.12 (b) may constitute an external indication of a potential impairment of the recoverable amount of the United Kingdom CGU. This impairment test confirmed the recoverability of the non-current assets for the France CGU by testing the value in use as of June 30, 2023. For the United Kingdom CGU, the value in use was less than its carrying amount, hence the recoverable amount of the non-current assets cannot be determined from the cash flows from continuing use. However, as the fair values less costs to sell of the CGU's individual assets exceed the carrying amounts of the CGU, no further impairment loss was required to be recognized as of June 30, 2023.

For detailed information on the impairment tests, please refer to Note 16 (Intangible assets and property, plant and equipment) to our IFRS Consolidated Financial Statements as of December 31, 2022.

## (8) Inventories

| *(€ million)* | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Cost | 1,591 | 1,711 |
| Valuation allowance (net realizable value) | – 75 | – 78 |
| **Inventories** | **1,517** | **1,633** |

## (9) Financial liabilities

The details of financial liabilities are as follows:

| (€ million) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Non-current financial liabilities** | | |
| Liabilities to banks | 197 | 275 |
| Lease liabilities | 134 | 126 |
| **Total non-current financial liabilities** | **331** | **401** |
| | | |
| **Current financial liabilities** | | |
| Bonds | 141 | 139 |
| Liabilities to banks | 17 | 22 |
| Liabilities under ABS programs | 160 | 159 |
| Lease liabilities | 39 | 39 |
| **Total current financial liabilities** | **357** | **359** |
| | | |
| **Financial liabilities as per consolidated balance sheet** | **689** | **759** |

Net financial debt developed as follows:

| (€ million) | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Financial liabilities as per consolidated balance sheet** | **689** | **759** |
| plus transaction costs | 3 | 3 |
| **Gross financial liabilities** | **692** | **762** |
| less cash and cash equivalents | – 96 | – 179 |
| **Net financial debt (before deduction of transaction cost)** | **596** | **584** |

## (10) Financial instruments

The carrying amounts and fair values by category of financial instruments are as follows:

| Financial assets as of June 30, 2023 | | | Category | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(€ thousand)* | Presented in the Statement of Financial Position 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 | 241 | 241 | - | - | - | 241 | - | 241 |
| Participations | Non-current other financial assets | 32,363 | 32,363 | - | - | - | - | 32,363 | 32,363 |
| Short-term deposits (< 3 month) | Cash and cash equivalents | 585 | 585 | - | - | - | 585 | - | 585 |
| **Not measured at fair value** | | | | | | | | | |
| Trade receivables and contract assets | Trade receivables and contract assets | 1,052,629 | - | - | 1,052,629 | - | - | - | - |
| Cash and cash equivalents | Cash and cash equivalents | 95,165 | - | - | 95,165 | - | - | - | - |
| Other financial assets at cost | Current and non-current other financial assets | 18,566 | - | - | 18,566 | - | 18,566 | - | 18,566 |
| Other financial assets at cost | Bonus claims to suppliers | 17,506 | - | - | 17,506 | - | - | - | - |
| **Total** | | **1,217,055** | **33,189** | **-** | **1,183,866** | **-** | **19,392** | **32,363** | **51,755** |

| Financial liabilities as of June 30, 2023 | | | Category / Hedge Accounting / Leasing | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(€ thousand)* | Presented in the Statement of Financial Position 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 | 1,147 | 1,147 | - | - | - | 1,147 | - | 1,147 |
| 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 | 514,835 | - | - | 514,835 | - | 513,583 | - | 513,583 |
| Lease liabilities | Current and non-current financial liabilities | 173,728 | - | - | 173,728 | - | - | - | - |
| Trade payables | Trade payables | 884,029 | - | - | 884,029 | - | - | - | - |
| Other financial liabilities at cost | Other non-current financial liabilities | 1,567 | - | - | 1,567 | - | - | 1,567 | 1,567 |
| Other financial liabilities at cost | Other current financial liabilities | 16,991 | - | - | 16,991 | - | - | - | - |
| **Total** | | **1,592,297** | **1,147** | **-** | **1,591,150** | **-** | **514,730** | **1,567** | **516,297** |

| Financial assets as of December 31, 2022 (€ thousand) | Presented in the Statement of Financial Position as | Carrying amount | Category: Fair value recognized in profit and loss | Category: Fair value recognized in equity | Category: Amortized costs | Fair value: Level 1 | Fair value: Level 2 | Fair value: Level 3 | Fair value: 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 | Non-current other financial assets | 32,664 | 32,664 | - | - | - | - | 32,664 | 32,664 |
| Short-term deposits (< 3 month) | 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 Position 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** |

The fair value measurement of non-current financial assets in the amount of €32,363 thousand (2022: €32,664 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 2023 reporting period, an increase of €1,603 thousand is attributable to capital measures and a decrease of €1,904 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 significant change in the market in which the equity investments are active. 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 June 30, 2023. 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 period.

The Level 3 fair values in miscellaneous other non-current liabilities include a purchase price liability from the acquisition of PC-Tech SA, Penthalaz, Switzerland, in the amount of €102 thousand with a term of more than one year. The estimated fair value would decrease if the agreed EBITDA were not met. A purchase price liability from the acquisition of Müller Wüst AG, Aarau, Switzerland, is also included in the amount of €1.3 million with a term of more than one year. The estimated fair value would decrease if the qualitative milestones and the agreed net sales 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. The future earnings are based on budget figures. The liability amounted to €137 thousand in the reporting period. IFRS 13.97 applies.

### Derivative financial instruments

The Klöckner & Co Group is exposed in its operating business to interest and currency risk and to price fluctuation risk in procurement transactions. 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. 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:

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| *(€ 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 | 117.5 | - | - | 136.3 | - | - |
| Commodity futures | - | - | - | - | 3.9 | 984.4 |

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:

| (€ million) | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Fair value | | Fair value | |
| | Forward exchange transactions | Commodity futures | Forward exchange transactions | Commodity futures |
| Not designated in hedge-accounting | – 0.9 | - | 0.4 | - |
| 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 assets and liabilities; commodity futures contracts are presented in other current liabilities.

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 €118 million (2022: €136 million) have a remaining maturity of less than one year. These include a notional amount of €50 million (2022: €41 million) for the hedging of intra-Group loans.

The commodity forwards have a nominal value of €0 million as of June 30, 2023 (2022: €4 million) as they have reached maturity. They were settled within the half-year; the resulting effects were immaterial.

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.

## (11) Subsequent events

In December 2022, an agreement was signed for the acquisition of 100% of the shares in National Material of Mexico, S. de R.L de C.V., Mexico, including three subsidiaries. Under the agreed terms, the enterprise value purchase price is USD 340 million, of which USD 23 million represents part of the business to be acquired as an asset deal. The purchase price amounts will be paid out of existing liquidity including a drawing on existing credit lines. Closing of the transaction, and thus the transfer of beneficial ownership of the shares and assets, occurred on August 1, 2023. The group is one of the largest steel service centers in Mexico and generated sales of USD 872 million, EBITDA of USD 59 million and net income of USD 36 million in 2022.

## (12) Related party transactions

In the course of its ordinary business activities, the Klöckner & Co Group has business relationships with numerous companies. These also include related parties. Business relations with these companies do not fundamentally differ from trade relationships with other companies. There were no material related party transactions in the reporting period.

## (13) Segment reporting

| | Kloeckner Metals US | | Kloeckner Metals EU | | Kloeckner Metals Non-EU | | Holding and other Group companies*) | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(€ million)* | **HY1 2023** | HY1 2022 | **HY1 2023** | HY1 2022 | **HY1 2023** | HY1 2022 | **HY1 2023** | HY1 2022 | **HY1 2023** | HY1 2022 |
| Shipments (Tto) | 1,197 | 1,174 | 841 | 936 | 333 | 374 | - | - | 2,371 | 2,484 |
| External sales | 1,859 | 2,364 | 1,457 | 1,808 | 727 | 846 | - | - | 4,043 | 5,018 |
| Gross profit | 341 | 378 | 177 | 381 | 174 | 230 | - | - | 692 | 990 |
| Gross profit margin (%) | 18.3 | 16.0 | 12.2 | 21.1 | 23.9 | 27.2 | - | - | 17.1 | 19.7 |
| Segment result (EBITDA)**) | 111 | 151 | – 27 | 197 | 27 | 126 | – 1 | 3 | 110 | 477 |
| EBITDA before material special effects | 111 | 152 | – 5 | 191 | 27 | 77 | – 1 | 3 | 131 | 423 |
| Earnings before interest and taxes (EBIT) | 83 | 125 | – 42 | 182 | 6 | 107 | – 2 | 1 | 45 | 415 |
| Cash flow from operating activities | 97 | 114 | – 25 | – 76 | 15 | – 27 | 9 | – 10 | 96 | 1 |

*) Including consolidations.

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

| (€ million) | Kloeckner Metals US | | Kloeckner Metals EU | | Kloeckner Metals Non-EU | | Holding and other Group companies*) | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | HY1 2023 | FY 2022 | HY1 2023 | FY 2022 | HY1 2023 | FY 2022 | HY1 2023 | FY 2022 | HY1 2023 | FY 2022 |
| Net working capital as of closing date**) | 652 | 698 | 681 | 715 | 366 | 369 | – 3 | 7 | 1,696 | 1,789 |
| Employees as of closing date | 2,258 | 2,206 | 2,586 | 2,639 | 2,127 | 2,197 | 259 | 262 | 7,230 | 7,304 |

*) Including consolidations.
**) Net working capital = Inventories + trade receivables + contract assets + supplier bonus receivables ./. trade liabilities ./. contract liabilities ./. advance payments received.

Duisburg, August 2, 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)

# Review report

To Klöckner & Co SE, Duisburg

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated statement of financial position as of June 30, 2023, consolidated statement of income, consolidated statement of cash flows, summary of changes in equity for the period from January 1 to June 30, 2023 and selected explanatory notes - and the interim group management report of Klöckner & Co SE for the period from January 1 to June 30, 2023 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The voluntary additional information for the second quarter of 2023 and the second quarter of 2022 contained in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated cash flow statement as well as in the sections "Significant effects in the first six months of 2023 and outlook" and "Results of operations, financial position and net assets" of the interim group management report were not subject of our review.

The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. Our opinions on the interim consolidated financial statements and on the interim group management report do not extend to the voluntary additional information for the second quarter of 2023 and the second quarter of 2022 contained in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated cash flow statement as well as in the sections "Significant effects in the first six months of 2023 and outlook" and "Results of operations, financial position and net assets" of the interim group management report.

Düsseldorf, 2. August 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

**Antje Schlotter**
WIRTSCHAFTSPRÜFERIN

**ppa. Verena Polzer**
WIRTSCHAFTSPRÜFERIN

# Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group 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 for the remaining months of the fiscal year.

Duisburg, August 2, 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)

# Financial Calendar

| | |
|---|---|
| October 31, 2023 | Q3 quarterly statement 2023<br>Conference call with journalists<br>Conference call with analysts |
| March 13, 2024 | Annual Financial Statement 2023<br>Financial statement press conference<br>Conference call with analysts |
| May 7, 2024 | Q1 quarterly statement 2024<br>Conference call with journalists<br>Conference call with analysts |
| May 23, 2024 | Annual General Meeting 2024 |
| August 1, 2024 | Half-yearly financial report 2024<br>Conference call with journalists<br>Conference call with analysts |
| November 6, 2024 | Q3 quarterly statement 2024<br>Conference call with journalists<br>Conference call with analysts |

Subject to subsequent changes.

**Klöckner & Co SE**

**Felix Schmitz**
Head of Investor Relations |
Head of Strategic Sustainability

Telephone: +49 203 307-2295
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Head of Corporate Communications |
Head of Group HR

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## Disclaimer

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

Rounding differences may occur with respect to percentages and figures.

**Variances for technical reasons**

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

The English translation of the annual report and the quarterly statements are also available, in case of deviations the German versions shall prevail.

Evaluating statements are unified and are presented as follows:

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