Your partner for a sustainable tomorrow

klöckner & co

2023
ANNUAL REPORT

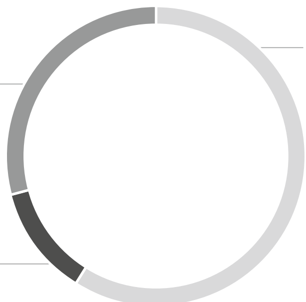
KEY FIGURES

Klöckner & Co SE

in € million		Group, total						Group, continuing operations		
		2023	2022	2021	2020	2019	Change 2023–2022	2023	2022	Change 2023–2022
Shipments	Tto	4,685	4,679	4,881	4,873	5,648	6	4,248	4,193	55
Sales		7,742	9,379	7,441	5,130	6,315	–1,637	6,957	8,337	–1,380
EBITDA before material special effects		187	417	848	111	124	–230	190	355	–165
EBITDA		167	481	879	52	139	–314	190	407	–217
EBIT		–114	348	754	–93	2	–462	66	299	–233
EBT		–164	319	748	–124	–39	–483	16	270	–254
Net income		–190	259	629	–114	–55	–449	0	213	–213
Earnings per share (basic)	€	–1.91	2.54	6.21	–1.16	–0.56	–4.45	–0.01	2.08	–2.09
Earnings per share (diluted)	€	–1.91	2.32	5.58	–1.16	–0.56	–4.23	–0.01	1.90	–1.91
Cash flow from operating activites		322	405	–306	161	204	–83	287	360	–73
Cash flow from investing activities		–434	–34	–60	–62	3	–400	–432	–34	–398
Free cash flow		–112	371	–366	99	207	–483	–145	326	–471
Net working capital[1]		1,636	1,789	1,813	967	1,119	–153	1,489	1,789	–300
Employees (as of Dezember, 31)		7,733	7,304	7,153	7,274	8,253	429	6,375	5,713	662
Liquid funds		168	179	58	173	183	–11	155	179	–24
Net financial debt		807	584	762	351	445	223	775	584	191
Equity ratio	%	45.4	51.0	47.1	39.9	40.5	–5.6			
Balance sheet total		3,867	3,859	3,878	2,613	2,916	8			

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

SHIPMENTS*)

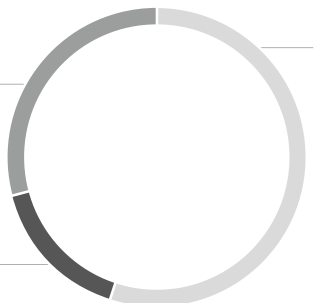


29% Kloeckner Metals EU

59% Kloeckner Metals Americas

12% Kloeckner Metals Non-EU

SALES*)



29% Kloeckner Metals EU

55% Kloeckner Metals Americas

16% Kloeckner Metals Non-EU

*) Group continuing operations.

CONTENT

To our shareholders
- Letter to the shareholders — 6
- Management Board — 10
- Report of the Supervisory Board — 12
- Supervisory Board — 22
- Klöckner & Co on the capital market — 24

Group Management Report
- Fundamental information about the Group — 32
- Economic report — 42
- Single-entity financial statements of Klöckner & Co SE — 62
- Other disclosures — 65
- Macroeconomic outlook including key oppertunities ans risks — 68
- Group forecast — 92
- Corporate Governance Statement — 93

Sustainability reporting — 117

Remuneration report — 168

Group and Individual financial statements

Group financial statements
- Consolidated statement of income — 202
- Statement of comprehensive income — 203
- Consolidated statement of financial position — 204
- Consolidated statement of cash flows — 206
- Summary of changes in consolidated equity — 208
- Notes to the consolidated financial statements — 210
- Declaration of the Management Board — 311
- Independent Auditor's Report — 312

Individual financial statements
- Statement of income — 324
- Balance sheet — 325
- Fixed asset movement schedule — 326
- Notes to the financial statements — 328
- Declaration of the Management Board — 341
- Independent Auditor's Report — 342

Additional information concerning the consolidated and individual financial statements — 360

Services
- Disclaimer — 364
- Contact/Imprint — 365
- Financial calendar — 366

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

Klöckner & Co SE FACTS 2023

~6,400
Employees

>85,000
Customers

6,957 €m
Sales

~150
Locations

~190,000
Products

190 €m
EBITDA
before material special effects

4,248 Tto
Shipments

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Ladies and Gentlemen,

Klöckner & Co operated in a persistently challenging environment in the past fiscal year 2023, which was marked by an increasingly faltering global economy, high inflation, and the consequential monetary policy responses from central banks. Business optimism was also tempered by the uncertainties arising from the Russian war of aggression against Ukraine and a resurgence of conflicts in the Middle East. Overall demand for steel declined significantly in Europe, while steel and metal prices were volatile.

Despites these challenging conditions, Klöckner & Co delivered a solid performance. For the full year 2023, we generated sales of €7.0 billion and operating income (EBITDA) of approximately €190 million before material special effects. The net result from continuing operations was close to break-even, with a net loss of €0.3 million. Mainly due to impairment losses recognized in connection with the planned sale of the four European country organizations in Belgium, France, the Netherlands and the United Kingdom, the Group recorded a net loss of €190 million including discontinued operations. This resulted in negative earnings per share of €1.91. Cash flow from operating activities, was very strong and clearly positive at €287 million. Against this backdrop and considering the earnings generated in recent years, which were only partially distributed, we will propose a dividend of 20 cents per share to the Annual General Meeting.

Fiscal year 2023 was also notable for the continued systematic implementation of our corporate strategy, “Klöckner & Co 2025: Leveraging Strengths.” We made major progress here across many areas: With the introduction of the Nexigen® PCF Algorithm and Nexigen® Data Services, we further strengthened our position as a pioneer of a sustainable steel industry. Through selective acquisitions, we significantly expanded our market share in our important growth market of North America. Focusing on higher value-added business also enables us to make Klöckner & Co even stronger and more efficient for the future and remain the best possible partner to our customers. We have also made important changes within Klöckner & Co and reinforced our corporate culture by formulating our corporate values.

Further strengthening of our portfolio of CO_2-reduced product and service solutions

At Klöckner & Co, we see the decarbonization of the steel industry as a strategic opportunity for ourselves and our customers. As part of our sustainability strategy, under the Nexigen® umbrella brand, we provide customers with transparent, CO_2-reduced solutions in the categories of materials, processing, logistics and service solutions that aid in the establishment of sustainable value chains.

We significantly expanded our Nexigen® product and service portfolio in fiscal year 2023. With the Nexigen® PCF Algorithm, we make CO_2 emissions transparent and visible. Our customers can now have the individual product carbon footprint (PCF) calculated and stated for almost every single one of the approximately 190,000 Klöckner products.

Nexigen® Data Services enables the smart and digital management of product CO_2 emissions. The solution provides an overview of the CO_2 emission history of products that a customer has purchased from Klöckner & Co, suggests environment-friendly alternatives, and displays the associated reduction potential. With this technology-based transparency on emissions, we support our customers in the decarbonization of their products.

In addition to developing new solutions, we have also expanded our partner network with Salzgitter and the GMH Group. Our goal is to significantly increase the

„Focusing on higher value-added business also enables us to make Klöckner & Co even stronger and more efficient for the future and remain the best possible partner to our customers.“

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD (CEO)

availability of high-quality green steel, both for Klöckner & Co and for our customers. The Salzgitter Group will therefore supply our subsidiary Becker Stahl-Service with CO_2-reduced steel from the end of 2025, while the GMH Group will supply Klöckner & Co with CO_2-reduced quality steel. A first delivery has already been received under the collaboration with the GMH Group. In turn, the delivery of 500 tons of CO_2-reduced steel to the Italian steel tube maker Acciaitubi provides a very good example of the continuously rising interest shown by our customers.

Near-term CO_2 emission reduction target achieved early

Klöckner & Co is committed to making an active contribution to environmental protection and driving forward the decarbonization of the steel industry. As part of the “kloeckner takes action 2040” initiative, we place a focus as a Group on reducing emissions from our operations and our supply chain. Accordingly, we have committed to reducing emissions along the entire value chain to net zero by 2050. We have also adopted a near-term target of halving our directly controllable Scope 1 and Scope 2 emissions by 2030. In fiscal year 2023, we already achieved a reduction in our Scope 1 and Scope 2 emissions by almost 52% compared to the 2019 baseline. This means we have achieved our near-term reduction target well ahead of schedule. Achieving this milestone demonstrates the effectiveness of our sustainability initiative and underscores our position as a committed pioneer of a sustainable steel industry.

Increasing North American market share

In August 2023, we successfully completed the acquisition of National Material of Mexico (“NMM”) through our US subsidiary, Kloeckner Metals Corporation (“KMC”). With this move, we have significantly expanded and strengthened our position in Mexico, where the most important automotive and industrial customers are located. NMM and KMC are an ideal complementary fit. With 60 locations and some 2,800 employees, the combined company covers all relevant regions in the USA and Mexico. In the future, we plan to expand this good market position even further, extend the product range and widen existing customer relationships through cross-selling. Since the acquisition’s completion, our automotive and industrial customers have requested significantly larger volumes as a result of our expanded product and service portfolio.

In addition, in North America, we have acquired the US metal components fabricator Industrial Manufacturing Services (“IMS”). The acquisition has enabled us to further expand our product and service portfolio along the value chain. By augmenting our processing portfolio, we have been able to reduce our exposure to volatile steel price trends.

Focus on higher value-added business and measures to increase efficiency
In the past fiscal year, we took action enabling us to further enhance our focus on higher value-added business. We therefore announced in December 2023 that Klöckner & Co was planning to divest parts of its distribution business in Europe and thus the country organizations in France, the UK, the Netherlands, and Belgium. Following the successful completion of this transaction in March 2024, Klöckner & Co is now able to focus even more strongly on the processing and metalworking business. This business has higher profitability and more stable demand. It is characterized by long-term contractual relationships and greater customer specialization. The sale has also significantly reduced our dependence on the volatile commodity markets.

In a further step towards making the company more resilient, we adopted a European efficiency program in October 2023. For this purpose, targeted, efficiency-enhancing measures have been specified for the country organizations in the Kloeckner Metals EU and Kloeckner Metals Non-EU segments and were implemented step by step from the fourth quarter of 2023.

As all of these changes show, Klöckner & Co will concentrate in the future on its largest market of North America and its attractive European activities in Germany, Austria, and Switzerland.

Changes in the shareholder structure and on the Management Board of Klöckner & Co SE
In March 2023, SWOCTEM GmbH, whose shareholder is Prof. Dr. E.h. Friedhelm Loh, submitted a voluntary public takeover offer for all shares in the company to all shareholders of Klöckner & Co SE. Following this offer, SWOCTEM GmbH increased its stake in Klöckner & Co SE to approximately 41.53%, thus strengthening its long-standing position as our largest shareholder. In this context, I would like to emphasize that we welcome the support of Prof. Dr. E.h. Friedhelm Loh in the successful implementation of our corporate strategy and that we have the shared goal of creating added value for all shareholders.

Furthermore, in September 2023, the Supervisory Board of Klöckner & Co SE decided to reorganize the responsibilities of the members of the Management Board regarding the European business. Alongside my colleagues on the Management Board, Dr. Oliver Falk (CFO) and John Ganem (CEO Americas), I have since held additional responsibility for the Group's EU activities. In turn, Bernhard Weiß stepped down from the Management Board of Klöckner & Co SE.

Strengthening the corporate culture and relocation to modern Group headquarters
In the past fiscal year, the Management Board, together with a project team, explored the kind of corporate culture that we seek to embrace at Klöckner & Co. As part of this, in collaboration with our employees, we also redefined our corporate values as Collaboration, Excellence and Responsibility. Coupled with our purpose statement – "We partner with customers and suppliers to deliver innovative metal solutions for a sustainable tomorrow" – we have formulated an all-encompassing identity for our Company. Through this important process, we have laid the foundations for our future working relationship as a team. Looking further ahead, this will not only help us in our day-to-day teamwork, it will also facilitate the onboarding of new employees.

With the lease on the current headquarters set to expire, the Group headquarters will relocate to Düsseldorf at the latest by summer 2025. The Company will move there into a sustainable building with LEED (Leadership in Energy and Environmental Design) certification, which will more than halve the Group's headquarters CO_2 emission compared to the current location. We look forward to being able to offer our employees a far more up-to-date and future-oriented working environment at the new location following the move.

As you can see, we made numerous strategic changes in the past fiscal year 2023 to ensure that your company remains successful in the long term. The Klöckner & Co workforce play a key part in our way forward. I would therefore like to take this opportunity to thank them for their great commitment and tireless efforts on behalf of the Company. With their daily work, they all ensure that we remain a strong and reliable partner to our customers.

My gratitude also goes out to the members of our Supervisory Board for their support and advice in shaping the Company. And I thank you, our shareholders, for sharing this journey with us and placing your trust in Klöckner & Co.

Sincerely,

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD (CEO)

Klöckner & Co SE Management Board

Guido Kerkhoff

CHAIRMAN OF THE MANAGEMENT BOARD (CEO)

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

Dr. Oliver Falk

MEMBER OF THE MANAGEMENT BOARD (CFO)

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

John Ganem

MEMBER OF THE MANAGEMENT BOARD (CEO AMERICAS)

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

REPORT OF THE SUPERVISORY BOARD

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

The Supervisory Board was involved on a timely basis in all matters of fundamental importance. To this end, the Management Board provided the Supervisory Board with information on planning, the Company's business and financial situation, and all transactions of importance to the Company and the Group, both in and between Supervisory Board meetings. The Supervisory Board was also directly involved in the review of the voluntary takeover offer made by SWOCTEM GmbH in the reporting year and issued a joint statement together with the Management Board. Supervisory Board meetings regularly included reports on the overall economic climate, the industry situation and the performance of the Klöckner & Co Group and its segments, key performance indicators and the performance of the Klöckner & Co share price. Risk exposure, risk management, the internal control system and compliance (including data protection and information security) were also covered in detail. Matters discussed in particular detail at the September meeting included the corporate strategy; in addition, in the course of an extraordinary meeting of the Presidium in November 2023, the Presidium and the Management Board held a joint strategy workshop. The corporate strategy and its implementation were also addressed at other ordinary meetings of the Supervisory Board during the reporting year. In all instances, the Supervisory Board was supplied with comprehensive documentation.

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

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

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

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

The Management Board is closely involved in the work of the Supervisory Board. All members of the Management Board took part in Supervisory Board meetings; the Presidium's strategy workshop in November 2023 was attended by the full Management Board and the remaining meetings of the Presidium by the CEO; the meetings of the Audit Committee were attended by the CFO and the CEO. In the course of its meetings, the Supervisory Board also regularly consulted without the Management Board. At the Audit Committee meetings on March 3, 2023, July 31, 2023 and October 25, 2023, which the auditor was asked to attend in the role of expert (to discuss the annual and consolidated financial statements, the half-year financial report and the initial consolidation of National Material Mexico in accordance with IFRS), a corresponding resolution of the Audit Committee was adopted stating that the presence of the aforementioned Management Board members was deemed necessary. In addition, the Audit Committee consulted with representatives of the auditor prior to the meeting on March 3, 2023, without the presence of the Management Board. The July 31, 2023 meeting included an agenda item for consultation with the auditor without the Management Board.

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

Meeting attendance

The Supervisory Board held a total of five plenary meetings in fiscal year 2023. In addition, seven resolutions were adopted by written procedure. The Presidium met four times in the reporting year and the Audit Committee five times.

Plenary meetings were held in person, with individual members partly attending by video call. The same applied to the meetings of the Presidium in the reporting year. Two meetings of the Audit Committee took place via video conference. These were the meetings to discuss the first-quarter and third-quarter interim management statements prior to publication in each case. The March, July and December meetings were held in person.

Due to the conflict of interest in his capacity as bidder, Prof. Dr. E.h. Friedhelm Loh voluntarily refrained from attending the extraordinary plenary meeting of the Supervisory Board on March 31, 2023, at which the Supervisory Board consulted on the voluntary takeover offer made by SWOCTEM GmbH and adopted a resolution on the joint statement of the

	Supervisiory Board			Presidium			Audit Committee		
	Attendance	Meetings	Attendance	Attendance	Meetings	Attendance	Attendance	Meeting	Attendance
Prof. Dr. Dieter H. Vogel	5	5	100 %	4	4	100 %	5	5	100 %
Dr. Ralph Heck	4	5	80 %	3	4	75 %			
Prof. Dr. Tobias Kollmann	4	5	80 %						
Prof. Dr. E.h. Friedhelm Loh	4	5	80 %	4	4	100 %			
Uwe Röhrhoff	5	5	100 %				5	5	100 %
Ute Wolf	5	5	100 %				5	5	100 %
Total			**90 %**			**92 %**			**100 %**

Management Board and Supervisory Board. In addition, one member was unable to attend both the Presidium meeting and the plenary meeting on December 8, 2023, while a further member was absent from the plenary meeting on December 8, 2023 due to illness. Otherwise, all Supervisory Board and committee members attended all meetings in fiscal year 2023 (see Recommendation D.7 of the Code). The attendance rate for all Supervisory Board meetings, including committee meetings, was consequently 93%.

A detailed member-by-member overview of meeting attendance during the reporting year can be found in tabular form above. The overview can also be found on the Company's website at https://www.kloeckner.com/en/group/supervisory-board/.

Supervisory Board meeting agenda items and resolutions

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

The Group's business performance in fiscal year 2023 was mainly influenced by the macroeconomic effects of interest rate rises and more restrictive monetary policy imposed by central banks in response to high inflation rates. In Europe, energy and raw material prices that continue to be structurally higher than in the USA had an additional negative impact on the general economic environment and on energy-intensive industries in particular. Following price corrections in the second half of 2022, steel prices in Europe and the USA were significantly down at the beginning of fiscal year 2023 compared to a year earlier and, especially in the European market, fell to an annual low over the further course of the year. However, steel prices stabilized again towards the end of the year.

Major topics of the Supervisory Board meetings – in addition to the development of the market and business situation – included the current strategy and its onward development and transition to a new strategy, the further improvement of efficiency and profitability, and the expansion of sustainable business models.

In implementing this, an agreement was reached in December for the intended sale of the country organizations in France, the United Kingdom, the Netherlands (excluding the metering business) and in Belgium. The strategically important acquisition of National Material of Mexico was also completed in the reporting year, thus strengthening Klöckner & Co's leading position in North America. This is supported by the acquisition of Industrial Manufacturing Services during the reporting year.

The Supervisory Board closely watched and analyzed share price performance throughout the reporting year and discussed it with the Management Board at meetings. International capital markets continued to be significantly influenced in the reporting year by the global inflation trend and the countermeasures taken by central banks. These developments and also affected the Klöckner & Co share price, which ended the year below its closing price from a year earlier. Klöckner's share price was also influenced in 2023 by the voluntary takeover offer from SWOCTEM GmbH, which at the end of the reporting period was still subject to the fulfillment of a closing condition and which was closed on February 1, 2024.

The Supervisory Board also closely monitored the financing side. Following the acquisition of National Material of Mexico, it was thus decided to expand the financing arrangements by a working capital financing in Mexico. The extension of the syndicated loan by one year until 2026 was also addressed. Finally, with a view to the intended sale of the country organizations in France, the United Kingdom, the Netherlands (excluding the metering business) and Belgium, the Supervisory Board dealt with the future structure of the syndicated loan and the European ABS program.

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

At its meeting on March 3, 2023, the Supervisory Board approved, among other items, the Company's annual and consolidated financial statements for 2022, the Group non-financial report and the dependency report for fiscal year 2022. It also discussed and passed resolutions on Supervisory Board matters (the qualification matrix for the Supervisory Board, the proposal for the election to the Supervisory Board at the 2023 Annual General Meeting, and the review of Supervisory Board remuneration) and on Management Board matters (the 2022 bonus). Current market and business developments and the corporate strategy were also discussed. Other topics included the audit engagement for the audit of the financial statements, the substantive audit of the remuneration report and the review of the non-financial report for fiscal year 2023, and the results of a Group-wide employee survey conducted at the end of 2022. Furthermore, the Supervisory Board adopted the proposals for the resolutions of the Company's 2023 Annual General Meeting, including the proposal for election of the auditor for fiscal year 2023. The selection decision was preceded by a call for tenders in fiscal year 2022. The proposals to the Annual General Meeting for the election to the Supervisory Board and for the amendment of the remuneration system for the Supervisory Board had been discussed previously under the "Supervisory Board matters" agenda item.

The sole topic of the extraordinary meeting of the Supervisory Board on March 31, 2023 was the voluntary takeover offer from SWOCTEM GmbH and, in particular, the respective joint statement by the Management Board and Supervisory Board of the Company. Prof. Dr. E.h. Friedhelm Loh voluntary refrained from attending this meeting (see above).

The Supervisory Board meeting on May 17, 2023 was largely devoted to preparing for the Company's Annual General Meeting, which was the first Annual General Meeting since 2019 held in person again with the presence of the shareholders. Current market and business developments were also discussed in this meeting. Furthermore, the Supervisory Board signed off on various transactions requiring approval (consulting agreements on the further development of product solutions for the sustainability strategy and for a global IT project).

The Supervisory Board meeting on September 18, 2023 focused on business developments and corporate strategy. Other topics included Supervisory Board matters (self-assessment of the work of the Supervisory Board) and Management Board matters (peer comparison of Management Board remuneration, and the leave of Bernhard Weiß). In addition, the Supervisory Board gave approval for the conclusion of a working capital financing arrangement by the Mexican country organization and the Management Board presented an acquisition opportunity in the USA (the acquisition of Industrial Manufacturing Services) and its considerations with regard to the expiry of the lease agreement regarding the corporate headquarters in Duisburg in 2025.

At its meeting on December 8, 2023, the Supervisory Board once again dealt in depth with business developments and the corporate strategy. It also discussed the potential sale of European country organizations. Other notable topics were corporate planning and the budget for fiscal year 2024 (including the three subsequent years). The meeting also focused on corporate governance matters (the Declaration of Conformity) and Management Board matters (amendment to the contract with John Ganem, the setting of bonus targets for fiscal year 2024, and target remuneration for fiscal year 2024). Moreover, the annual report on GRC (governance, risk and compliance) topics was discussed. Finally, the Supervisory Board gave its approval for the signing of a lease for corporate headquarters at a new location (comprising non-prolongation of the expiring lease agreement at the current location).

In addition, eleven resolutions were adopted by written procedure in the reporting year: On January 30, 2023 and March 16, 2023 approving the relocation of a site in the USA and an expansion at the new location; on March 19, 2023 on the commissioning of an external review of the consideration offered in the voluntary takeover offer from SWOCTEM GmbH; on August 1, 2023 on the prolongation of the contract for the outsourcing of accounting services and granting approval for Dr. Oliver Falk to assume office on the Commerzbank Regional Advisory Board West; on September 27, 2023 approving the termination agreement with Bernhard Weiß; on October 27, 2023 approving the acquisition of Industrial Manufacturing Services by the US country organization; and on December 21, 2023 regarding the intended sale of the country organizations in France, the United Kingdom, the Netherlands (excluding the metering business) and in Belgium, including any preparatory and implementation measures as well as a reduction in the European ABS program (the date stated in each case being the resolution adoption date as established by the Supervisory Board Chairman).

Reports from the committees

Presidium:

The Presidium met a total of four times in 2023. The standard agenda items in all cases comprised business development, an update on strategy and the agenda for the following Supervisory Board meeting.

The Presidium on March 3, 2023 also dealt with Supervisory Board matters (the qualification matrix for the Supervisory Board, the proposal for the election to the Supervisory Board at the 2023 Annual General Meeting, and the review of Supervisory Board remuneration) and with Management Board matters (the 2022 bonus).

At its meeting on September 18, 2023, the Presidium consulted extensively on the corporate strategy. Other topics included Supervisory Board matters (the Supervisory Board's self-assessment) and Management Board matters (peer comparison of Management Board remuneration, review of the system and weighting of the targets for Management Board remuneration, and the leave of Bernhard Weiß).

Following the September meeting of the Supervisory Board, and in preparation for the December meeting, the Presidium held an additional extraordinary meeting on strategy on November 20, 2023 in the form of a workshop with the Management Board, including the discussion of short-term measures to improve profitability.

The meeting on December 8, 2023 addressed, among other matters, corporate governance matters (the Declaration of Conformity), initial steps in the implementation of the modified corporate strategy, and the 2024 budget. In addition, the Presidium discussed Management Board matters (amendment to the contract with John Ganem, the setting of bonus targets for fiscal year 2024, and target compensation for fiscal year 2024).

Audit Committee:

The Audit Committee met five times in total.

At the meeting on March 3, 2023, the Audit Committee dealt mainly with the Company's annual and consolidated financial statements for 2022, as well as the Group non-financial report and the dependency report to be prepared for fiscal year 2022 (in each case with the auditor); prior to the meeting, the Audit Committee had already consulted with the auditor without the Management Board (primarily on the annual and consolidated financial statements). At the meeting on March 3, 2023, the Audit Committee also discussed the recommendation for the proposal for the election of the auditor for fiscal year 2023 (including the report prepared on the selection process), the substantive audit of the remuneration report and the auditor's review of the non-financial report for fiscal year 2023 (in each case including the approval as a non-audit service) and prepared the engagement of the auditor by the full Supervisory Board. The Audit Committee saw no need to recommend to the Supervisory Board any additional focal points for the audit beyond the key audit matters yet to be determined for the statutory audit of the financial statements. The expected reaction of the capital market to the 2022 annual figures was also discussed, as were governance matters (internal control system, risk management, compliance, data protection and information security).

At the meetings held on April 27, 2023, July 31, 2023, and October 25, 2023, the drafts of the half-year financial report and interim statements were discussed prior to publication (the half-year financial report was also discussed with the auditor). The Audit Committee brought up points and suggestions in the course of the discussion. The expected response of the capital market was also covered. Additional focal issues were the development of the Group's business and financial situation as well as the market situation. All this was discussed with the CFO and the CEO on the basis of Management Board reports and the key performance indicators. Furthermore, other topics were regularly dealt with on the occasion of interim reporting, in particular those topics relating to governance (the internal control system, risk management, compliance, data privacy and information security) and the committee's internal activity list. Matters discussed at the April 27, 2023 additionally included the status with regard to the transition of the engagement for the financial statement audit and the preparations for the closing of the acquisition of National Material of Mexico and its integration; with regard to the latter, the Audit Committee also approved the engagement of the auditor for a voluntary review of the separate financial statements of the acquired companies as a non-audit service. Also in this meeting, as a follow-up to the December 2022 meeting, the Audit Committee discussed the audit findings of Internal Audit for fiscal year 2022. On July 31, 2023, the Management Board reported to the Audit Committee, in addition to the topics referred to above, on the current status with regard to the closing of the acquisition of National Material of Mexico, the potential renewal of the outsourcing of accounting services, and the granting of the audit engagement for the local audit in the United Kingdom. Furthermore, the initial consolidation of National Material of Mexico in accordance with IFRS was discussed (including with the auditor) at the meeting on October 25, 2023.

At the meeting on December 7, 2023, the Audit Committee was provided, among other things, with a presentation on the new organization of IT in the Group. In addition, the meeting primarily addressed governance matters relating to internal control (the internal control system, the risk report, 2023 Internal Audit findings and the 2024 audit plan), IT security (the information security strategy 2026) and the annual report on governance, risk and compliance (GRC) topics. A further focus was the complex of topics surrounding corporate sustainability. In particular in this regard, current legislative developments were discussed together with their implications for Klöckner & Co. Committee-related topics were also covered, as was the need to prepare a dependency report for fiscal year 2023. The Audit Committee was also provided with a report on the transition of the financial statement audit engagement and, following up on the October 2023 meeting, on the initial consolidation of the most recent acquisitions in Mexico and the United States.

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

Corporate governance and Declaration of Conformity

On December 8, 2023, the Supervisory and Management Boards issued the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). The Declaration is permanently available to shareholders on the Company's website. The declaration states that Klöckner & Co SE, with one sole exception, is fully compliant with all recommendations of the Code. Further information on corporate governance can be found beginning on page 93 et. seq. of this Annual Report. The Management Board and Supervisory Board keep abreast of changes to the Code's recommendations and suggestions, along with their implementation. They also take part in related consultation procedures as required.

Treatment of conflicts of interest
As a consequence of the voluntary takeover offer from SWOCTEM GmbH, one conflict of interest arose for Prof. Dr. E.h. Friedhelm Loh as its sole shareholder. Consequently, Prof. Dr. E.h. Friedhelm Loh voluntarily refrained from attending the extraordinary plenary meeting of the Supervisory Board on March 31, 2023, at which the Supervisory Board dealt with the aforementioned takeover offer and with its corresponding statement thereto; he was also not provided with the preparatory documentation for this meeting.

No other instances of conflicts of interest arose in relation to the Supervisory Board in the reporting year that had to be addressed by the Supervisory Board.

Audit of the 2023 annual and consolidated financial statements including the dependency report and the Group non-financial report; preparation of the remuneration report
Klöckner & Co SE's annual financial statements for fiscal year 2023 and the consolidated financial statements and combined management report were audited and issued with an unqualified audit opinion by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, the auditor elected by the Annual General Meeting and engaged by the Supervisory Board. Klöckner & Co SE's annual financial statements and the combined management report for Klöckner & Co SE and the Group were prepared in accordance with German commercial law. Pursuant to Section 315e of the German Commercial Code (HGB), the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The audit reports and further documentation relating to the financial statements, including the Group non-financial report and the audit report thereon, were made available to all members of the Supervisory Board in a timely manner; the same applies to the dependency report and the audit report on that. These documents were dealt with in detail by both the Audit Committee and the plenary Supervisory Board. In particular, in relation to the annual and consolidated financial statements, the key audit matters described in the relevant audit opinion as well as the audit procedures applied were also discussed. The auditor took part in the discussions, reported on the material findings of their audit and responded to questions. The Management Board was also present or represented at these meetings (following a corresponding resolution by the Supervisory Board or Audit Committee). In the course of its meeting, the Audit Committee also consulted with the auditor without the Management Board (primarily on the annual and consolidated financial statements). At the Supervisory Board meeting held on March 5, 2024 to approve the annual financial statements, the Chairwoman of the Audit Committee reported on the Audit Committee's consultations on the annual and consolidated financial statements and the combined management report. With regard to the risk early warning system, the auditor stated that the Management Board had taken the measures required in Section 91 (2) of the German Stock Corporation Act (AktG) in an appropriate manner – in particular for establishing a monitoring system – and that the monitoring system was capable of promptly identifying developments threatening the Company's ability to continue as a going concern. The same applies with regard to the internal control system and risk management system (in each case including the compliance management system) to be implemented in accordance with Section 91 (3) of the German Stock Corporation Act (AktG). The Supervisory Board received and approved the auditor's findings and the explanations provided by the Chairwoman of the Audit Committee. On completion of its own examination of the Company's annual financial statements, the consolidated financial statements and the combined management report, as well as in line with the Audit Committee's recommendation, the Supervisory Board concluded that there were no objections to be raised. At its meeting on March 5, 2024, the Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board; the financial statements were thus adopted.

The Remuneration Report for the fiscal year 2023 contained in the Annual Report was prepared jointly by the Management Board and the Supervisory Board in accordance with Section 162 (1) of the German Stock Corporation Act (AktG) and adopted by the Supervisory Board in its March 2024 meeting – as recommended by the Audit Committee. It was also reviewed by the auditor for its content. This audit did not give rise to any objections.

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

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

"Based on our prudent and evaluation audit and assessment, we confirm that

- the factual disclosures in the report are correct,

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

- there are no circumstances indicating a materially different assessment of the measures listed in the report than that made by the Executive Board"

The Supervisory Board has examined the dependency report. On March 5, 2024, the dependency report and the auditor's audit report were addressed in detail and discussed with the auditor by the Audit Committee and the plenary Supervisory Board; the Supervisory Board noted the auditor's findings with approval. On completion of its own examination, and in line with the Audit Committee's recommendation, the Supervisory Board concluded that there were no objections to be raised to the dependency report including the Management Board's concluding statement.

Changes on the board

The composition of the Supervisory Board of Klöckner & Co SE did not change in fiscal year 2023.

The composition of the Management Board of Klöckner & Co SE changed as follows in fiscal year 2023: Bernhard Weiß left the Management Board by joint agreement as of September 30, 2023 as part of the reorganization of responsibilities on the Management Board. His duties have been taken over by CEO Guido Kerkhoff, in addition to the latter's existing responsibilities.

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

DUISBURG, MARCH 5, 2024

Prof. Dr. Dieter H. Vogel
CHAIRMAN

SUPERVISORY BOARD

Supervisory Board

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

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

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

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

Uwe Röhrhoff
Independent consultant and member of various supervisory boards

Ute Wolf
Independent consultant and member of various supervisory boards

Presidium

(also the Personnel Committee and the Nomination Committee)

Prof. Dr. Dieter H. Vogel
Chairman

Dr. Ralph Heck

Prof. Dr.-Ing. E.h. Friedhelm Loh

Audit Committee

Ute Wolf [1]
Chairwoman

Uwe Röhrhoff

Prof. Dr. Dieter H. Vogel

[1] Financial Expert.

Klöckner & Co on the capital market

KLÖCKNER & CO SHARES

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

SHARE PRICE PERFORMANCE

€6.87

Year-end closing share price on December 29, 2023

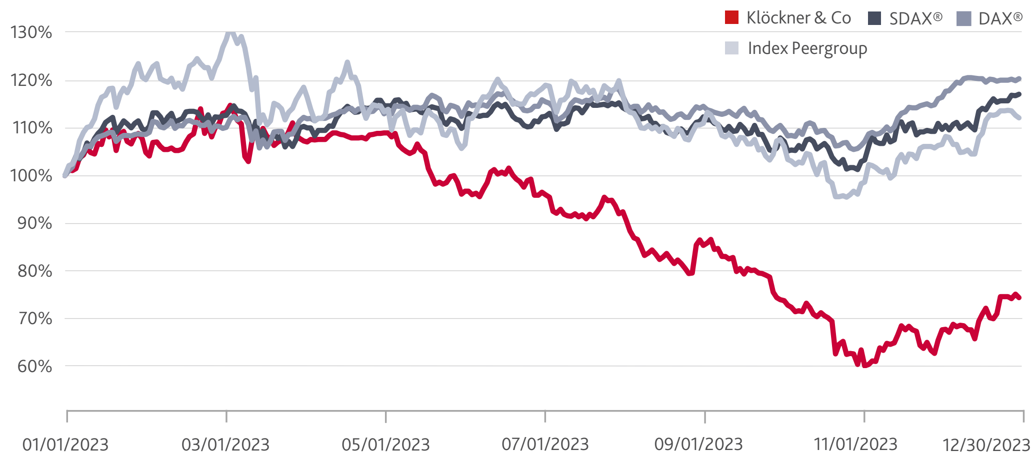
International stock markets continued to be influenced in 2023 by the inflationary trend and monetary policy measures implemented by central banks. Klöckner & Co's share price initially followed a positive trend in the first half of 2023 and reached its high point of €10.60 on March 3, 2023. The share price fell significantly over the remaining course of the year. Klöckner & Co shares reached a low of €5.55 on November 1, 2023 before recovering some of the losses by the end of the year. The share price closed the year at €6.87 on December 29, 2023.

KEY DATA – KLÖCKNER & CO SHARE

		2023	2022	2021	2020	2019
Share Capital	€	249,375,000	249,375,000	249,375,000	249,375,000	249,375,000
Number of shares	in shares	99,750,000	99,750,000	99,750,000	99,750,000	99,750,000
Closing price (Xetra®, Close)	€	6.87	9.24	10.72	8.01	6.28
Market capitalization	€ million	685	921	1,069	798	626
High (Xetra®, Close)	€	10.60	13.30	13.26	8.60	7.29
Low (Xetra®, Close)	€	5.55	6.93	7.51	2.74	4.35
Earnings per share (basic)	€	– 1.91	2.54	6.21	– 1.16	– 0.56
Average daily trading volume	in shares	186,307	444,975	447,647	462,280	751,631
Dividend per share[1)]	€	0.20	0.40	1.00	-	-
Dividend yield based on closing stock price	%	2.9	4.3	9.3	-	-
Total dividend paid[1)]	€ million	19.95	39.90	99.80	-	-

1) In each case for the fiscal year. 2023: Proposal to the Annual General Meeting on May 23, 2024.

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

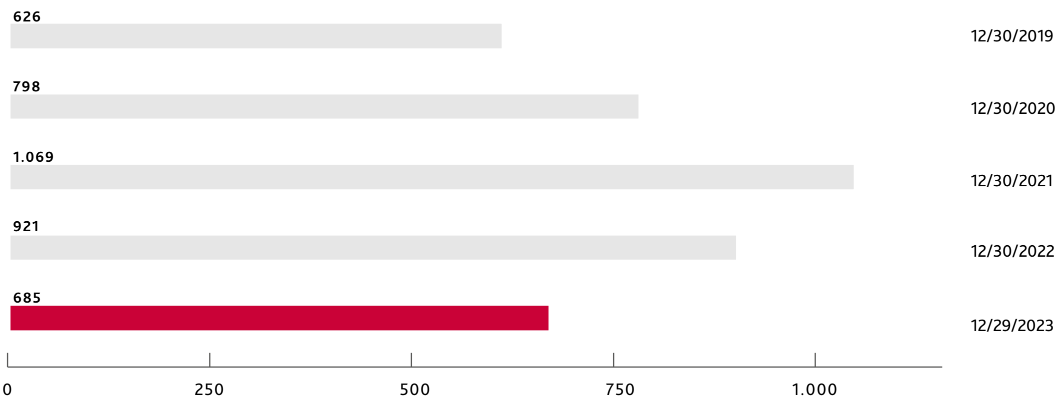


Over fiscal year 2023, the Klöckner & Co share price lost around 26% on the prior-year closing price. The Klöckner & Co share is benchmarked against a peer group index, which rose by approximately 12% in the reporting period. This index tracks the share price performance of companies that are comparable to Klöckner & Co and is based on thyssenkrupp, Salzgitter, Arcelor Mittal, Voestalpine, Swiss Steel, Reliance, Olympic Steel and Ryerson. The DAX® and SDAX® indices gained 17% and 20% respectively year on year. In Deutsche Börse AG's December 2023 joint rankings of DAX®, MDAX® and SDAX® stocks covering a total of 160 companies, Klöckner & Co shares ranked 146th by free float market capitalization and 114th by trading volume.

MARKET CAPITALIZATION

The Company's market capitalization was approximately €685 million at the end of the reporting period, compared to €921 million as of December 30, 2022.

MARKET CAPITALIZATION
(in €m)



€141 million convertible bond issue with 2.00% coupon repaid in full on September 8, 2023

PERFORMANCE OF THE KLÖCKNER & CO CONVERTIBLE BOND

In September 2016, Klöckner & Co SE launched a convertible bond issue with a maturity of seven years and a denomination of €100,000 per bond. Klöckner & Co repaid the convertible bonds in full at maturity on September 8, 2023. As intended, the bonds were taken up exclusively by institutional investors. The bonds were traded on the Open Market at the Frankfurt Stock Exchange (Open Market, ISIN DE000A185XT1) and carried a coupon of 2.00% p.a. The conversion price was initially set at €14.82 and most recently modified to around €12.18 in connection with the dividend payment for 2022. Klöckner & Co used the proceeds from the issue for general business purposes.

KLÖCKNER & CO CONVERTIBLE BOND: KEY DATA

	Convertible Bond 2016
Convertible Bond	2016
German securities code	A185XT
ISIN	DE000A185XT1
Issue volume	€147.8 million
Remaining volume	€0.0 million
Issue date	September 8, 2016
Maturity date	September 8, 2023
Coupon p. a.	2.00%
First Conversion price	€14.82

CONVERTIBLE BOND 2016

2023 ANNUAL GENERAL MEETING

The 17th Annual General Meeting of Klöckner & Co SE was held in person in Düsseldorf on May 17, 2023. In total, more than 55% of the voting capital voted on resolutions. Shareholders approved all of the resolutions proposed by the Supervisory and Management Boards, in each case by a large majority.

Annual General Meeting attendance more than 55%

Klöckner & Co once again made an online tool available to shareholders in the run-up to the Annual General Meeting. Shareholders were able to register for the Annual General Meeting on our website at https://www.kloeckner.com. Using the online service, it was easy to order an admission ticket, submit authorizations and instructions for proxy holders and order postal voting documents. The tool also allows shareholders to request the invitation to the Annual General Meeting electronically through the e-mail service (electronic delivery). For registered users, this will take the place of delivery by postal mail in future years.

All shareholders were able to follow a livestream of the entire meeting via the online service on the Klöckner & Co SE website, https://www.kloeckner.com. In addition, the Annual General Meeting, up to the general debate, was livestreamed on the website for the public. The speeches by Supervisory Board Chairman Prof. Dr. Dieter H. Vogel and CEO Guido Kerkhoff remain available there for viewing.

GROUP OF ANALYSTS

As in previous years, analysts continued to show strong interest in Klöckner & Co SE in 2023. Seven analysts covered Klöckner & Co's stock during the reporting period, and numerous research reports were published on our shares. At the end of the year, three securities houses gave our shares a "buy" recommendation and three gave a "hold" recommendation. None recommended selling. One securities house ceased to cover Klöckner & Co shares during the year. We provide an overview of current analyst recommendations relating to our stock on our website under Investors/Shares/Analysts.

7

Analysts covered Klöckner & Co shares in fiscal year 2023

The following banks and securities houses had coverage of Klöckner & Co shares in 2023:

Deutsche Bank	Metzler Equity Research
DZ Bank	M.M. Warburg
Kepler Cheuvreux	Oddo BHF
LBBW	

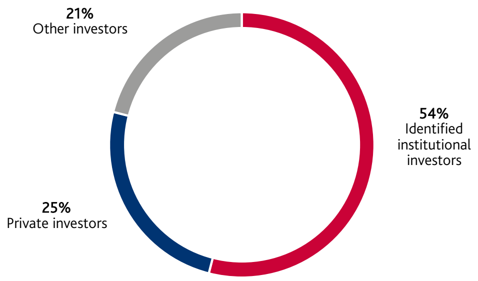
25%

of the share capital is held by private investors

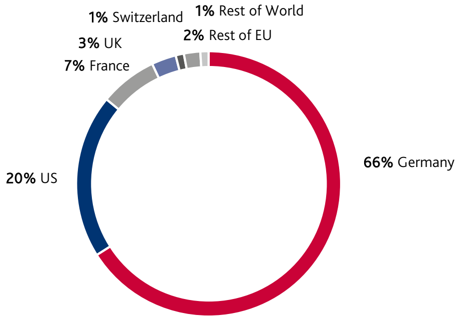
OWNERSHIP STRUCTURE

The investor relations team once again commissioned regular analyses in 2023 in order to ascertain the ownership structure and the international distribution of investors. The analyses made it possible to conduct targeted investor relations activities for specific groups and enabled effective roadshow and conference planning. Some 95% of investors were identified in January 2024. Institutional investors accounted for approximately 54% of share capital held. About 25% of the share capital was held by retail investors.

SHAREHOLDER STRUCTURE OF KLÖCKNER & CO SE



GEOGRAPHIC BREAKDOWN OF IDENTIFIED INSTITUTIONAL INVESTORS OF KLÖCKNER & CO SE



According to voting rights notifications, SWOCTEM GmbH (Prof. Dr. E.h. Friedhelm Loh) was our largest shareholder at the end of the year with 29.97%. After completion of the voluntary public tender offer and according to the voting rights notification dated February 5, 2024, the share of voting rights held by SWOCTEM GmbH (Prof. Dr. E.h. Friedhelm Loh) amounted to 41.53% as of February 1, 2024. Additional shareholders according to the voting rights notifications were The Goldman Sachs Group, Inc., Amiral Gestion, Claas Edmund Daun, and Dimensional Holdings Inc. (voting rights from shares and instruments).

OPEN AND CONTINUOUS COMMUNICATION

For Klöckner & Co, open, ongoing dialog with all capital market participants and transparent financial communication are equally important. Our reporting and investor relations activities as well as our capital market performance were recognized in Germany's prestigious "Investors' Darling" capital market competition, which is staged by HHL Leipzig in cooperation with Bankhaus Berenberg and manager magazin. Klöckner & Co once again held first place among SDAX® companies in 2023, thus earning the title as the company with the best financial communication in the SDAX® stock exchange index.

In-depth communication with institutional and private investors

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

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

Interested capital market investors can also follow Klöckner & Co on X (formerly known as Twitter) and LinkedIn for current news on our Company, our shares and our capital market story.

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

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

Contact us
Investor Relations
Phone: +49 (0) 203 307 2291
Fax: +49 (0) 203 307 5025
Email: ir@kloeckner.com

Group Management report

Klöckner & Co SE Combined Management Report
for Fiscal Year 2023

1. Fundamental information about the Group 32
1.1 Group structure 32
1.2 Business activities/business model 33
1.3 Corporate strategy 34
1.4 Control system 40
2. Economic report 42
2.1 Macroeconomic conditions 42
2.2 Sector environment 44
2.3 Trend in key customer industries 45
2.4 Comparison of the Group’s actual business performance with the forecast from the prior year 46
2.5 Results of operations, financial position and net assets Workplace injury frequency 49
2.6 Overall assessment of the business situation 61
3. Individual financial statements of Klöckner & Co SE 62
3.1 Notes to the annual financial statements of Klöckner & Co SE 62
4. Other disclosures 65
4.1 Dependency report 65
4.2 Takeover disclosures 65
4.3 Dividend planning 67
5. Macroeconomic outlook including key opportunities and risks 68
5.1 Expected global economic growth 68
5.2 Expected trend in our core customer sectors 70
5.3 Risks and opportunities 71
6. Group forecast 92
7. Corporate Governance Statement 93

1. Fundamental information about the Group

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

1.1 Group structure

The Group is divided into three operating segments: Kloeckner Metals Americas (formerly Kloeckner Metals US), Kloeckner Metals EU and Kloeckner Metals Non-EU. Headquarters functions not allocated to a segment are reported separately, together with consolidation adjustments, under "Holding and other group companies." Following the allocation of our Mexican subsidiary, National Material of Mexico ("NMM"), which was acquired in fiscal year 2023, to the Kloeckner Metals US segment, the segment was renamed Kloeckner Metals Americas. From the first quarter of 2024, the Group is divided into two operating segments: Kloeckner Metals Americas and Kloeckner Metals Europe. As before, headquarters functions not allocated to a segment are reported separately, together with consolidation adjustments, under "Holding and other group companies."

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

By contractual agreement dated December 22, 2023, Klöckner & Co SE received an irrevocable offer from Hierros Añon S.A., Spain, which includes the sale of the interests in France, the United Kingdom, the Netherlands and Belgium. The Group accepted the offer on February 15, 2024. As of December 31, 2023, the Supervisory Board had given the necessary approvals for the offer to be accepted, as a result of which the criteria are met under IFRS 5 for presenting the disposal group as discontinued operations as of the reporting date. Under IFRS 5, for discontinued operations, all income and expenses are presented separately in the income statement and all cash flows are presented separately in the statement of cash flows in the reporting period until disposal. The prior-period presentation has been restated accordingly. Following classification as a discontinued operation, non-current assets are no longer depreciated or amortized.

1.2 Business activities/business model

Klöckner & Co is one of the [largest producer-independent] distributors of steel and metal products and one of the world's leading steel service center companies. We act as a connecting link between steel producers and consumers. As we are not affiliated with any particular steel producer, our customers benefit from our wide range of national and international sourcing options spanning some 40 main suppliers worldwide. Our key competitive advantages include economies of scale in global procurement, our broad product portfolio, customer access via an extensive sales and distribution network, in addition to a very wide range of processing services. Klöckner & Co plans to further expand its processing portfolio in order to benefit from the highly profitable processing business and from being significantly less dependent on steel price trends. With a focus on Europe and North America, our global network provides customers with local access to some 150 distribution and service locations. The high level of availability of our roughly 190,000 products largely eliminates the need for our customers to hold inventory. Our customer base comprises more than 85,000 mostly small to medium-sized steel and metal consumers, primarily from the construction industry, machinery and mechanical engineering, the transportation industry and other metalworking companies.

Around 150 distribution and service locations, primarily in Europe and North America

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

Our approximately 6,400 employees apply their skills and enthusiasm every day to meeting our customers' needs and wishes. Around 54% of our workforce is employed in Europe and 46% in the Americas.

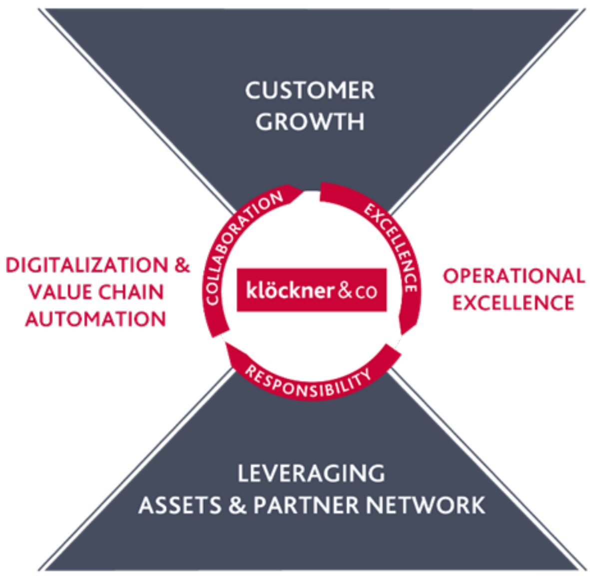
Both in Europe and North America, the market for warehouse-based distribution and steel service centers is highly fragmented and is served by an assortment of different wholesale, regional and local dealers. We have an estimated market share of approximately 9% in Europe and around 7% in the USA, putting us among the [top three distributors and top two steel service centers] in both regions.

1.3 Corporate strategy

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

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

We aim to establish Klöckner & Co as the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas, to bring the digital and the physical sides of our business closer together and to continuously improve our internal and external networks. The acquisition of the US metal components manufacturer Industrial Manufacturing Services and the sale of parts of our European distribution business further strengthen our focus on higher value-added business and reduce our exposure to volatile commodity markets. 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 successful acquisition of National Material of Mexico has allowed 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 will buy more from us, and more customers will buy from us.

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

Digitalization and Value Chain Automation
Building on our pioneering role in the steel industry, we are further exploiting the significant potential of digitalization and extending it to the level of automation. We develop innovative solutions and continue to digitalize our internal core processes. With seamless, end-to-end process integration featuring a very high degree of digitalization and automation, we can take process speed and efficiency to new 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 interventions per digital order was reduced by more than 15% in the reporting period 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 of Collaboration, Excellence and Responsibility are the cornerstones of our corporate culture and the foundation of our success. We live these values every day; they shape the way we think and the way we work together as a team and with our customers.

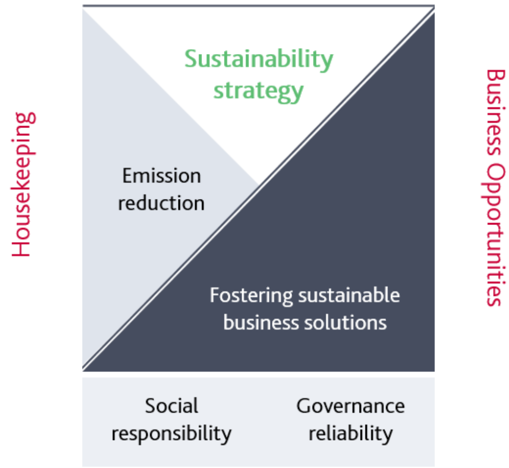
We are committed to responsibility for the environment, safety and our community. This commitment must be reflected in all our actions and decisions. By enforcing the highest safety standards, we ensure a safe working environment that protects our employees. In terms of integrity, we are a transparent,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

We view our dedicated sustainability strategy from an overarching environmental, social and governance (ESG) perspective and purposefully integrate that perspective. Social responsibility and reliable corporate governance are integral elements here alongside environmental aspects.

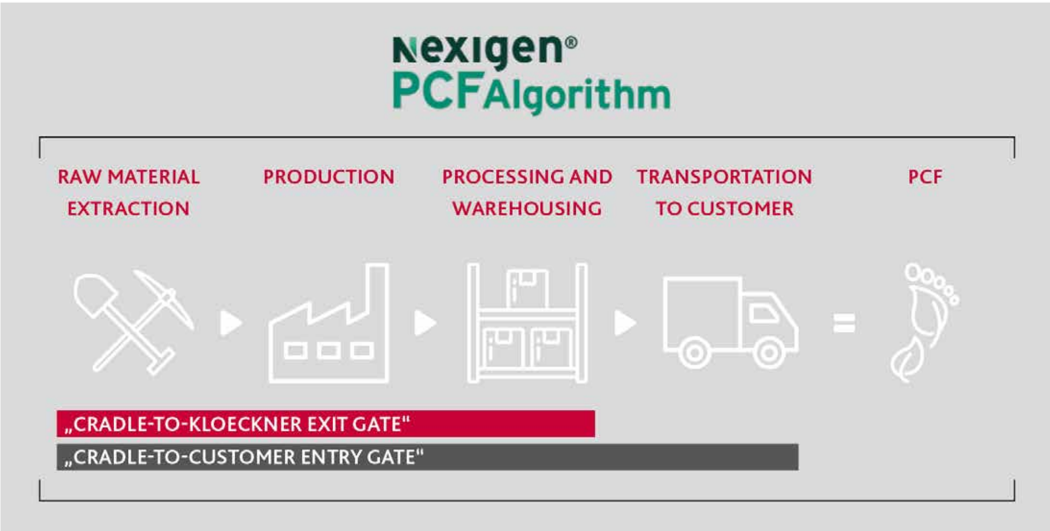


We believe that innovation, technology and new business models, in particular, will enable the steel and metal industry's successful transformation to sustainability. As part of our Group strategy, we are consequently working as a pioneer of a sustainable steel industry to establish innovative business 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 right now today.

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 source CO_2-reduced steel and metal products, while our smart software solutions give them visibility into the carbon footprint of the products they buy. To provide our customers with optimum support in establishing sustainable value chains, we have introduced rating scales for our CO_2-reduced steel, stainless steel and aluminum products. These scales are rooted in international, science-based standards and categorize the CO_2-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing, or cradle to Klöckner exit gate. They serve customers as a guide and a comparison tool for determining the carbon footprint of end products. Through partnerships, we already offer our customers CO_2-reduced steel and metal products today.

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

In addition, we provide customers with an individual product carbon footprint (PCF) for almost every item in our product portfolio. This allows customers to reliably, transparently and easily verify 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, customers have information about the carbon footprint of their materials, thus enabling them to make more sustainable product decisions.



With the introduction of Nexigen® Data Services for the active management of product carbon emissions, we have made a further major step towards decarbonizing the steel and metal industry. 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.

Nexigen®
Data
Services

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 that Klöckner & Co is helping to drive as an externally acclaimed 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 value 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.

Our net zero carbon targets have been recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process. Klöckner & Co has thus committed to reducing Scope 1 and 2 emissions and directly controllable Scope 3 emissions to net zero by 2040 and emissions in the entire value chain 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.]

1.4 Control system

Financial performance indicators

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

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

Shipments are a key performance indicator used in management of the distribution business. This indicator is used to monitor growth in the core business as well as to determine capacity utilization, which is important for planning personnel and machine resources. Under our strategy, we continue to build our business model to be the leading one-stop shop. In line with this, our sales are expected to reach a higher level in the medium term, with reduced volatility. We therefore constantly monitor our sales and margin growth. The most significant KPI for results of operations is operating income (EBITDA), or, if there are material special effects, EBITDA before material special effects. In order to increase its information value as an indicator of the sustainable operating earning power of the business, EBITDA is adjusted for certain material special effects. Special effects are effects that are not attributable to the operating business and/or relate to other periods. They include income and expenses from the sale of real estate and investments, income and expenses for restructuring, and other income and expenses that by nature are not attributable to the current operating business. The indicator makes it possible to present earnings from the operating business and allows better comparison with the corresponding earnings of other companies. The reconciliation of EBITDA before material special effects to EBITDA including material special effects is presented in section 2.5.

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

Other key figures

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

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

Non-financial performance indicators

Non-financial performance indicators

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

On the way to a sustainable steel industry, Klöckner & Co assumes social responsibility while at the same time exploiting the strategic opportunities offered by decarbonization. Our net zero carbon targets have been recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process. The Group consequently aligns its business activities with science-based targets in order to contribute to limiting global warming to 1.5°C through appropriate measures. Contributing to the achievement of this global target, Klöckner & Co aims for a 50% reduction in its directly controllable emissions (Scope 1 and 2) by 2030 compared to the 2019 baseline.

Digitalization and automation will continue to be a basis for the growth and long-term profitability of the Company as we strive to increase the transparency and efficiency of our supply chains. In 2023, we defined three corporate goals for digitalization. By means of our Kloeckner Assistant and the use of online shops and contract platforms, we aim to continuously increase the share of digital orders in total orders and the share of digital quotations in total quotations for customers. As a further measure of success in the digital transformation of our business, we have selected the efficiency of the digital ordering processes, defined as the number of manual corrections to orders received via digital channels as a percentage of the total number of digital orders.

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

2. Economic report

2.1 Macroeconomic conditions

Economic environment

Macroeconomic situation

Global GDP growth in 2023: 3.1%

The global economy grew by approximately 3.1% in the reporting period according to estimates by the International Monetary Fund (IMF). Overall, the macroeconomic environment was mainly influenced in 2023 by high inflation and the associated countermeasures taken by central banks. Global inflation rates fell continuously over the reporting period. Furthermore, real estate markets slowed significantly worldwide. At the beginning of 2023, China's abandonment of its zero-COVID strategy gave a boost to the global economy, although the Chinese recovery lost momentum over the course of the reporting period.

According to the IMF, the US economy recorded 2.5% year-on-year growth in 2023. Continued strong business investment and robust private consumer spending were the main drivers of the US economy. The US labor market remained very tight in the reporting period. More restrictive monetary policy imposed by the Federal Reserve in conjunction with slower wage growth slowed economic growth over the course of the year. Interest rate hikes early in the reporting period also caused waves in the US banking sector.

According to IMF estimates, gross domestic product (GDP) in the eurozone remained near-constant in 2023 (an increase of 0.5%). In Germany especially, where recessionary trends emerged during the reporting period, economic growth was held back by weakness in interest-sensitive sectors and subdued external demand. Structurally higher energy prices – particularly in comparison to the USA – also continued to curb the development of the economy.

The IMF estimates that the Chinese economy grew by 5.2% during the reporting period. At the beginning of the year, China's economy benefited from strong growth momentum following the abandonment of the zero COVID strategy, although this lost speed as the year progressed. The weakening real estate sector in particular was an obstacle to even stronger growth in the reporting period. The Chinese government responded to the problems in the real estate sector with government support measures and – also in light of low inflation – lower interest rates.

Development of GDP (in percent)	2023 vs. 2022
USA	2.5
Mexico	3.4
Brazil	3.1
Europe*)	0.5
Germany	– 0.3
United Kingdom	0.5
France	0.8
Belgium	1.5
Netherlands	0.2
Switzerland	0.8
China	5.2

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

Industry-specific situation

According to the World Steel Association, global crude steel production remained almost constant in 2023 compared to the prior year (with a decrease of 0.1%), totaling around 1,850 million tons. Output in the USA was likewise constant (increasing 0.2%), whereas production in the European Union fell significantly with a decrease of 7.4%. In China, crude steel production in 2023 was constant year over year (increase of 0.1%).

Global crude steel production almost constant in 2023 (decrease of 0.1%)

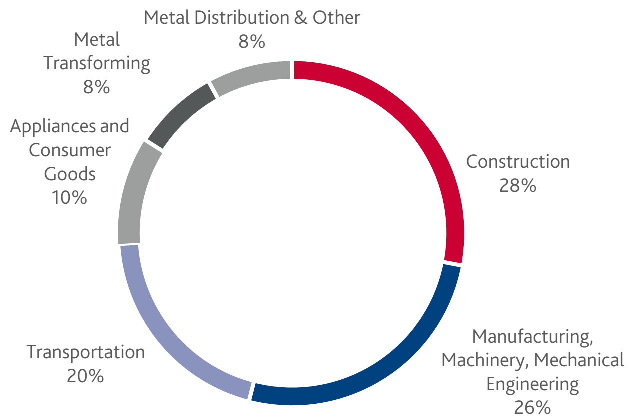
Steel production *(in million tons)*	2023	2022	Variance
France	10.0	12.1	– 17.4 %
Germany	35,4	36.9	– 3.9 %
United Kingdom	5,6	6.0	– 6.5 %
EU-27, total	126,3	136.4	– 7.4 %
Rest of Europe	**41,7**	**43.7**	**– 4.6 %**
C.I.S. & Ukraine	**88,1**	**84.3**	**4.5 %**
United States	80.7	80.5	0.2 %
Rest of North America	28.9	31.0	– 6.8 %
North America total	109,6	111.5	– 1.7 %
South America	41,5	44.0	– 5.7 %
Africa	**22.0**	**20.8**	**5.7 %**
Middle East	**53.2**	**52.5**	**1.3 %**
China	1,019.1	1,018.0	0.1 %
Rest of Asia	341.9	333.5	2.5 %
Asia total	1,361.0	1,351.5	0.7 %
Oceania	**6.2**	**6.0**	**– 2.9 %**
Global	**1,849.7**	**1,851.6**	**– 0.1 %**

Source: World Steel Association (as of January 2024); partly preliminary estimates.

2.2 Sector environment

CUSTOMER SECTORS OF KLÖCKNER & CO SE (BY SALES)

Klöckner & Co's highest-revenue customer sector in fiscal year 2023 was the construction industry, accounting for 28% of sales, followed by manufacturing and machinery and mechanical engineering with 26%. The third-largest customer sector was the automotive industry as part of the transportation industry, which accounted in total for 20% of sales.



*) Group continuing operations.

2.3 Trend in key customer industries

Construction industry
Oxford Economics estimates that the US construction industry grew by around 2% in 2023, mainly driven by significantly stronger non-residential construction compared to the prior year, as this segment benefited in 2023 from the US administration's infrastructure programs. Residential construction, on the other hand, was hit hard in the reporting period by rising mortgage interest rates and showed a marked negative trend. In the eurozone, Oxford Economics estimates that the construction industry grew by around 1% in 2023 and was supported by strong non-residential construction, which continued to benefit from government investment. However, the second half of the reporting period saw a marked slowdown.

Machinery and mechanical engineering
According to estimates by Oxford Economics, machinery and mechanical engineering in the United States declined by approximately 1% in the reporting period compared to the prior year. The sector was particularly affected by tighter monetary policy, which increased the cost of project financing. Oxford Economics estimates that the machinery and mechanical engineering sector in the eurozone remained stable compared to the prior year (with an increase of 0.4%) and benefited from existing order backlogs. In the eurozone, too, higher borrowing costs had a negative impact on companies' willingness to invest, and new orders declined.

Automotive industry
The global automotive market was able to reduce order backlogs and significantly increase production in 2023 thanks to the further easing of global supply chains. New orders declined significantly over the reporting period, however, as consumers increasingly put off car purchases due to tighter monetary policy. According to the German Association of the Automotive Industry (VDA), automobile sales in the USA increased significantly in 2023 by around 12%. The Mexican automotive market, where we have significantly expanded our presence with the successful acquisition of National Material of Mexico, grew substantially by around 25%. Automobile sales in Europe increased significantly in 2023 by around 14% year on year, but were still well below the level seen in 2019.

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

The forecast for the 2023 reporting period given in the 2022 Annual Report was based on the structure of the business at that time. Accordingly, the forecast for 2023 also included the discontinued operations. In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, the United Kingdom, the Netherlands and Belgium. The Group accepted the offer on February 15, 2024. As of December 31, 2023, the Supervisory Board had given the necessary approvals for the offer to be accepted, as a result of which the criteria under IFRS 5 for presenting the disposal group as discontinued operations are satisfied. As required by IFRS 5, the profits or losses of discontinued operations are reported separately from continuing operations both for the reporting period and for the comparative period.

For the purposes of reconciliation with the forecast business performance in 2023 and better comparability of the figures concerned, the tables that follow show the most significant and most important key performance indicators for the Group as a whole and for the Group's continuing operations.

	Group, total (€ million)				Group, continuing operations (€ million)			
	2023	2022	Variance		2023	2022	Variance	
Shipments (Tto)	4,685	4,679	6	0.1%	4,248	4,193	55	1.3%
Sales	7,742	9,379	– 1,637	– 17.5%	6,957	8,337	– 1,380	– 16.6%
EBITDA before material special effects*)	187	417	– 230	– 55.2%	190	355	– 165	– 46.5%
EBITDA	167	481	– 314	– 65.3%	190	407	– 217	– 53.2%
Cash flow from operating activities	322	405	– 83	– 20.5%	287	360	– 73	– 20.3%

*) 2023: Non-recurring effects from restructuring expenses for staff reductions of €5 million and income of €5 million from the sale of a business unit in the Kloeckner Metals EU segment / 2022: restructuring income of €53 million, mainly from the sale of real estate (€50 million) in the Kloeckner Metals Non-EU segment.

	Shipments (Tto)							
	Group, total				Group, continuing operations			
	2023	2022	Variance		2023	2022	Variance	
Kloeckner Metals Americas	2,522	2,239	283	12.6%	2,522	2,239	283	12.6%
Kloeckner Metals EU	1,523	1,752	– 229	– 13.1%	1,230	1,432	– 202	– 14.1%
Kloeckner Metals Non-EU	640	688	– 48	– 7.0%	496	522	– 26	– 5.0%
Group	**4,685**	**4,679**	**6**	**0.1%**	**4,248**	**4,193**	**55**	**1.3%**

	Sales (€ million)							
	Group, total				Group, continuing operations			
	2023	2022	Variance		2023	2022	Variance	
Kloeckner Metals Americas	3,831	4,427	– 596	– 13.5%	3,831	4,427	– 596	– 13.5%
Kloeckner Metals EU	2,538	3,332	– 794	– 23.8%	1,985	2,604	– 619	– 23.8%
Kloeckner Metals Non-EU	1,373	1,619	– 246	– 15.2%	1,141	1,305	– 164	– 12.6%
Group	**7,742**	**9,379**	**– 1,637**	**– 17.5%**	**6,957**	**8,337**	**– 1,380**	**– 16.6%**

EBITDA before material special effects (€ million)	Group, total				Group, continuing operations			
	2023	2022	Variance		2023	2022	Variance	
Kloeckner Metals Americas	186	194	– 8	– 4.1%	186	194	– 8	– 4.1%
Kloeckner Metals EU	– 43	136	– 179	n.a.	– 29	107	– 136	n.a.
Kloeckner Metals Non-EU	46	83	– 37	– 44.6%	50	68	– 18	– 26.5%
Holding and other group companies	– 2	4	– 6	n.a.	– 2	4	– 6	n.a.
Consolidation	-	-	-	-	– 15	– 19	4	21.1%
Group	**187**	**417**	**– 230**	**– 55.2%**	**190**	**355**	**– 165**	**– 46.5%**

Cash flow from operating activities (€ million)	Group, total				Group, continuing operations			
	2023	2022	Variance		2023	2022	Variance	
Kloeckner Metals Americas	251	316	– 65	– 20.6%	251	316	– 65	– 20.6%
Kloeckner Metals EU	– 38	33	– 71	n.a.	– 45	30	– 75	n.a.
Kloeckner Metals Non-EU	91	58	33	56.9%	87	39	48	n.a.
Holding and other group companies	17	– 1	18	n.a.	17	– 1	18	n.a.
Consolidation	-	-	-	-	– 23	– 23	-	0.0%
Group	**322**	**405**	**– 83**	**– 20.5%**	**287**	**360**	**– 73**	**– 20.3%**

The forecast for 2023 was based on the assumption of a stronger demand trend in the European and American markets relevant to us and a general normalization of the steel market, which had been hit in 2022 by the impacts of the Russian war of aggression against Ukraine. Macroeconomic conditions remained challenging overall, particularly in Europe, and deteriorated over the course of the year. After rising at the beginning of the year, steel and metal prices corrected significantly during the year. Towards the end of the year, however, prices stabilized again and those in the USA increased significantly.

Due to the overall deterioration of the macroeconomic environment during the year, the markets relevant to us also saw subdued demand for steel. Contrary to the forecast of a considerable increase at Group level, shipments were consequently constant in the reporting period relative to the prior year. In contrast with our forecast for a slight increase in shipments in the Kloeckner Metals EU segment and a significant increase in the Kloeckner Metals Non-EU segment, both of these segments showed a significant decrease, mainly due to the deteriorating economic environment over the course of the year.

As forecast, Group sales showed a considerable, price-driven decrease and came to €7.7 billion (2022: €9.4 billion). This trend was reflected in all segments. In the prior year, in line with the assumption of a considerable increase in shipments, we expected a slight increase in sales for the Kloeckner Metals Non-EU segment.

With regard to EBITDA before material special effects, we forecast a considerable decrease at Group level for the reporting year after having generated exceptionally high operating income of €417 million in fiscal year 2022, largely with the help of positive price effects in the first half of that year. Despite the deterioration in the macroeconomic environment during the year and despite the steel price correction, EBITDA before material special effects was €187 million in 2023, which marked a considerable decrease compared to the prior year.

We also expected cash flow from operating activities to be considerably lower in fiscal year 2023 after the exceptionally high level of €405 million in the prior year. However, our consistent net working capital management enabled us to generate a significantly positive cash flow from operating activities of €322 million; year on year, this represents a considerable decrease. Contrary to the prior-year forecast, cash flow from operating activities in the Kloeckner Metals Non-EU segment increased further compared to the previous year as a result of the same consistent net working capital management.

	Turnover (Tto)		Sales (€m)	
	Development 2023	Previous year's forecast for 2023	Development 2023	Previous year's forecast for 2023
Kloeckner Metals Americas	Considerable increase	Considerable increase	Considerable decrease	Considerable decrease
Kloeckner Metals EU	Considerable decrease	Slight increase	Considerable decrease	Slight decrease
Kloeckner Metals Non-EU	Considerable decrease	Considerable increase	Considerable decrease	Slight increase
Group	**Constant**	**Considerable increase**	**Considerable decrease**	**Considerable decrease**

	EBITDA before material special effects (€ million)		Cash flow from operating activities (€ million)	
	Development 2023	Previous year's forecast for 2023	Development 2023	Previous year's forecast for 2023
Kloeckner Metals Americas	Slight decrease	Considerable decrease	Considerable decrease	Considerable decrease
Kloeckner Metals EU	Considerable decrease	Considerable decrease	Considerable decrease	Considerable increase
Kloeckner Metals Non-EU	Considerable decrease	Considerable decrease	Considerable increase	Considerable decrease
Group	**Considerable decrease**	**Considerable decrease**	**Considerable decrease**	**Considerable decrease**

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

2.5 Results of operations, financial position and net assets

Impacts of the Russian war of aggression against Ukraine and of the Middle East conflict
The Group's business performance in fiscal year 2023 was significantly influenced by the ongoing macroeconomic impacts of the Russian war of aggression against Ukraine and of the Middle East conflict. In Europe, energy prices that continue to be structurally higher than in the USA had an additional negative impact on the general economic environment and on energy-intensive industries in particular. The development of the economy was further influenced by interest rate hikes and restrictive monetary policy applied by central banks in response to high rates of inflation. Following price corrections in the second half of 2022, steel prices in Europe and the USA were significantly down at the beginning of fiscal year 2023 compared to a year earlier and, especially in the European market, fell to an annual low over the further course of the year. However, steel prices stabilized again towards the end of the year.

MOST SIGNIFICANT KEY PERFORMANCE INDICATORS ACCORDING TO GAS 20

The most significant key performance indicators for our results of operations, financial position and net assets for fiscal year 2023 – as presented under "Control system" on page 40 – are set out in the following. Please note that the consolidated financial statements are prepared in euros, and subject to the application of IFRS 5 (see section 1.1). The prior-year figures have therefore been restated in accordance with IFRS 5. There may be discrepancies relative to the unrounded figures.

	2023	2022	Variance	
Shipments (Tto)	4,248	4,193	55	1.3%
Sales	6,957	8,337	– 1,380	– 16.6%
EBITDA before material special effects*)	190	355	– 165	– 46.3%
EBITDA	190	407	– 217	– 53.2%
Cash flow from operating activities	287	360	– 73	– 20.3%

*) 2023: special effects of €5 million from restructuring expenses for workforce reduction and income of €5 million from the sale of a line of business in the Kloeckner Metals EU segment / 2022: restructuring income of €53 million, primarily from the sale of real properties (€50 million) in the Kloeckner Metals Non-EU segment.

OTHER KEY PERFORMANCE INDICATORS

(€ million)	2023	2022	Variance	
Gross profit	1,157	1,328	– 170	– 12.8%
Gross profit margin	16.6%	15.9%		0.8%p
OPEX*)	– 967	– 921	– 46	– 4.9%
EBIT	66	299	– 233	– 78.0%
EBT	16	270	– 254	– 94.1%
Net income from continuing operations	*0*	*213*	*– 213*	*– 100.0%*
Net income from discontinued operations	*– 190*	*46*	*– 236*	*n.a.*
Net income	– 190	259	– 449	n.a.
Return on Capital Employed (ROCE)**)	2.6%	12.9%		– 10.3%p
Net financial debt***)	775	584	191	32.8%
Gearing (Net financial debt / shareholders' equity****))	46%	30%		16%p
Leverage (Net financial debt / EBITDA before material special effects)	4.1x	1.6x		2.4

*) OPEX: Own work capitalized plus other operating income less personnel expenses less other operating expenses.
**) ROCE: EBIT/capital employed. Capital employed: 12-month average sum of non-current and current assets less cash and cash equivalents, equity investments and non-current securities.
***) Net financial debt for 2022 also includes disontinued operations in the amount of €121 million.
****) Consolidated equity less non-controlling interests and less goodwill from business combinations subsequent to May 23, 2019.

Shipments and sales

Shipments increased slightly year on year in fiscal year 2023 to €4.2 billion. In the first half of the year, the continued challenging macroeconomic environment led to a general reduction in demand for steel products. Total shipments over the full year were 1% higher than in the prior year.

Due to price factors, sales fell from €8.3 billion to €7.0 billion, marking a substantial decrease of 17% on the prior year. After falling further at the beginning of the year, steel prices stabilized again over the further course of the year. Overall, average price levels during the year were well below the prior year in all operating segments. The currency-adjusted decline in Group sales was 15.8%.

SALES BY SEGMENTS

			Variance			
(€ million)	2023	2022	Total	Currency effects	Net of currency effects	
Kloeckner Metals Americas	3,831	4,427	– 596	– 101	– 495	– 11.2%
Kloeckner Metals EU	1,985	2,604	– 619	– 1	– 618	– 23.7%
Kloeckner Metals Non-EU	1,141	1,305	– 164	37	– 201	– 15.3%
Group sales	**6,957**	**8,337**	**– 1,380**	**– 65**	**– 1,315**	**– 15.8%**

PRICE-DRIVEN SALES DECLINE WITH CONSTANT SHIPMENTS

The significant decline in average prices in Europe compared to the prior-year period led to a significant 23.7% decline in sales (currency-adjusted) in the Kloeckner Metals EU segment, despite the price stabilization at the end of 2023. Similarly, despite higher shipments in the Kloeckner Metals Americas segment, the year-on-year fall in prices led to a significant reduction in sales over the year as a whole to €3.8 billion in the Kloeckner Metals Americas segment (currency-adjusted decline of 11.2% or €0.5 billion) and to €1.1 billion in the Kloeckner Metals Non-EU segment (currency-adjusted decline of 15.5% or €0.2 billion).

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

At €1,157 million, gross profit was below the prior-year level (2022: €1,328 million). This is mainly due to the lower overall price level compared to the prior year. Earnings in the prior year benefited from a more favorable market environment. Despite the challenging market environment, the gross profit margin increased by almost one percentage point in 2023 to 16.6% (2022: 15.9%).

OPEX

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

			Variance			
(€ million)	2023	2022	Total	Currency effects	Net of currency effects	
Other operating income	33	64	– 31	– 1	– 30	– 46.9%
Personnel expenses	– 535	– 519	– 16	2	– 18	– 3.4%
Other operating expenses	– 466	– 465	– 1	3	– 4	– 0.9%
OPEX	**– 967**	**– 921**	**– 46**	**6**	**– 52**	**– 5.6%**

Comparability of OPEX with the prior year is limited due to special effects. Other operating income, at €33 million, was €31 million lower than in the prior year. This is mainly due to non-recurring income from the sale of properties in fiscal year 2022, which was €45 million higher than in 2023. In fiscal year 2023, there was exceptional, non-recurring income of €5 million from the sale of a line of business in Germany.

Personnel expense amounted to €535 million in the reporting period, compared to €519 million in the prior year. The increase is mainly due to higher wage and salary expenses, which were only partially offset by savings in earnings-based salary components. On a currency-adjusted basis, personnel expenses came to €537 million (3.4%).

Other operating expenses increased slightly from €465 million to €466 million. On a currency-adjusted basis, other operating expenses amounted to €469 million (0.9%). Other operating expenses were therefore on a similar level to the prior year.

In total, at €190 million, EBITDA was considerably below the prior-year figure of €407 million.

GROSS PROFIT AND ADJUSTED EBITDA BY SEGMENT

	2023		2022	
(€ million)	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Kloeckner Metals Americas	665	17.4%	662	15.0%
Kloeckner Metals EU	208	10.5%	357	13.7%
Kloeckner Metals Non-EU	284	24.9%	308	23.6%
Klöckner & Co Group	**1,157**	**16.6%**	**1,328**	**15.9%**

(€ million)	2023 EBITDA	2023 EBITDA margin	2022 EBITDA	2022 EBITDA margin
Kloeckner Metals Americas	186	4.9%	194	4.4%
Kloeckner Metals EU	– 29	– 1.5 %	107	4.1%
Kloeckner Metals Non-EU	50	4.4%	68	5.2%
Holding and other Group companies	– 17	-	– 15	-
EBITDA before material special effects	**190**	**2.7%**	**355**	**4.3%**
Net adjustments	-	-	52	-
Klöckner & Co Group	**190**	**2.7%**	**407**	**4.9%**

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

(€ million)	2023	2022
EBITDA including material special effects	**190**	**407**
Material property disposal gains	5	50
Restructuring expenses / gains		
– Personnel measures	– 5	3
– Other restructuring expenses	-	– 1
EBITDA before material special effects	**190**	**355**

Gross profit in the Kloeckner Metals Americas segment, at €665 million, was on a par with the prior-year figure of €662 million. This is due to the significantly better economic environment in comparison with the European market. In fiscal year 2023, this segment generated EBITDA of €186 million, compared to €194 million in the prior-year period. Earnings in the prior-year comparative period benefited in particular from a more favorable market environment. The EBITDA margin increased by 0.5 percentage points to 4.9% (2022: 4.4%). This is mainly due to our consistent net working capital management. On a currency-adjusted basis, gross profit was €683 million and EBITDA was €191 million. Operating income was also supported from the third quarter of 2023 by the Mexican subsidiary, National Material of Mexico (“NMM”), which was acquired in the second half of 2023. Following completion of the acquisition and integration into the Klöckner & Co Group on August 1, 2023, Kloeckner Metals Mexico (KMM) generated EBITDA of €6 million before material special effects. After generating EBITDA of €7 million in the third quarter of 2023, KMM’s earnings weakened slightly in the final quarter of 2023 due to a temporary slowdown in the contract business.

Gross profit in the Kloeckner Metals EU segment fell from €357 million in the prior year to €208 million. While our gross profit margin in the prior-year period was disproportionately high due to an exceptionally dynamic price trend, the gross profit margin in the reporting period was comparatively low due to lower shipments and sharp price corrections with higher average inventory prices in the reporting year combined with inventory write-downs. Savings in earnings-based salary components and lower costs of transportation and packaging and of operating supplies and tools led to a decrease in OPEX by a total of €110 million to €246 million. As a result of the difficult market environment in Europe with customers continuing to postpone purchases, together with the ongoing negative price trend in this segment, EBITDA before material special effects was a negative €29 million, compared to a positive €107 million in the prior year. The EBITDA margin was a negative 1.5%, versus a positive 4.1% in the prior year.

At €284 million, gross profit in the Kloeckner Metals Non-EU segment was down on the prior-year figure of €308 million. Despite the macroeconomic challenges, the gross profit margin of 24.9% was above the prior-year figure (2022: 23.6%). OPEX expenses in this segment were level with the prior year, while other operating income was significantly lower, mainly due to non-recurring special effects in the previous year; as a result, EBITDA before special effects in this segment, at €50 million, was likewise down on the prior-year figure of €62 million. The EBITDA margin was consequently 4.4%, versus 4.7% in the prior year.

EBITDA before material special effects at the holding company and the other Group companies and before consolidations amounted to a negative €17 million (2022: negative €15 million).

RECONCILIATION TO NET INCOME

(€ million)	2023	2022	Variance	
EBITDA	**190**	**407**	**– 217**	**– 53.2%**
Depreciation, amortization and impairments	– 125	– 108	– 16	– 15.0%
EBIT	**66**	**299**	**– 233**	**– 77.9%**
Income from investments	– 4	6	– 10	n.a.
Financial result	– 46	– 34	– 12	– 35.6%
EBT	**16**	**270**	**– 254**	**– 94.1%**
Income taxes	– 16	– 57	41	71.4%
Net income continuing operations	0	213	– 213	– 100.0 %
Net income discontinued operatoins	– 190	46	– 236	n.a.
Net income	**– 190**	**259**	**– 449**	**n.a.**

Depreciation and amortization, at €125 million, was higher than the prior-year figure of €108 million, mainly due to increased past capital expenditure, primarily as a result of acquisitions in the Kloeckner Metals Americas segment.

Higher depreciation and amortization due to past capital expenditure

EBIT stood at €66 million, compared to €299 million in the prior year. At a negative €46 million, the financial result was significantly down on the prior-year figure (2022: negative €34 million). This is primarily due to the higher average debt level over the course of the year and the rise in interest rates.

EBT was €16 million, compared to €270 million in the prior-year period. The income tax expense for 2023 came to €16 million (2022: €57 million). The combined tax rate increased from 31.8% to 32.1%, whereas the effective tax rate amounted to 101.7% (2022: 21.1%). The difference between the combined tax rate and the effective tax rate is due to tax rate differences in various countries and to tax losses on which no deferred taxes can be recognized.

The net loss from continuing operations in 2023 was €0.3 million (2022: net income from continuing operations of €213 million). The net loss from discontinued operations amounted to €190 million (2022: net income from discontinued operations of €46 million); this includes €48 million in current losses and €142 million in write-downs of non-current assets. In total, the net loss in the fiscal year was €190 million, compared to net income of €259 million in the prior year.

Net loss of €190 million

The basic loss per share from continuing operations amounted to €0.01 (2022: basic earnings per share of €2.08); the basic loss per share from discontinued operations was €1.90 (2022: basic earnings per share of €0.46).

Financial position, financing and liquidity

Financing and financial management

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

By diversifying our financing instruments, we were highly successful at meeting the challenges in the financing environment caused by rising inflation and interest rates in all markets relevant to Klöckner & Co, the general economic environment and global conflicts and crises. We have ample financial flexibility, which we maintain due to our business model. With a portfolio totaling some €1.4 billion (excluding leasing), we are very solidly positioned, including with regard to contract terms and financial covenants.

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

Syndicated loan

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

Syndicated loan with term to January 2026

In a contract amendment in December 2021, the facility amount of the syndicated loan was reduced from €300 million to €250 million and the loan renewed on improved terms until January 2025. In April 2023, Klöckner & Co renewed the syndicated loan, with no change in the facility amount, by another year to January 2026. By doing so, Klöckner & Co improved the maturity profile of Group finances.

After the end of fiscal year 2023, in February 2024, Klöckner & Co increased the facility amount of the syndicated loan from €250 million to €400 million. This serves to strengthen our financial flexibility. All other contract provisions, including the conditions and term, remain unchanged.

The facility is provided by a syndicate of eight banks. Under the financial covenants, as before, gearing – defined as net financial debt divided by the book value of equity less non-controlling interests and less goodwill resulting from acquisitions after May 23, 2019 – may not exceed 165%. Hence, the adjusted book value of equity may not fall below €600 million (minimum equity). Breach of the financial covenants would require repayment of all outstanding amounts. Subsequent drawings would then be possible if the covenants were once again complied with. The financial covenants were complied with in the reporting year.

Asset-backed securitization programs

Since July 2005, the Klöckner & Co Group has operated a European ABS program. The size of the program was increased in April 2022 from €220 million to €300 million. In December 2022, Klöckner & Co secured an extension of the program on unchanged terms, with the volume remaining at €300 million. The extension became effective in January 2023 and is for three years until January 2026. The agreed financial covenants are also based on the statement of financial position and are equivalent to those for the syndicated loan. Utilization of the program totaled €98 million as of the reporting date. The financial covenants were complied with in the reporting year.

ABS program with a volume of €300 million in Europe through to 2026

Convertible bond

In September 2016, Klöckner & Co placed a €148 million convertible bond issue with institutional investors, which still amounted to €141 million in September 2023 and was repaid in full from existing sources of financing as planned.

Convertible bond with an outstanding amount of €141 million repaid

ASSET-BASED LENDING AND BILATERAL CREDIT FACILITIES

The borrowing base facility (ABL facility) at the USA country organization was originally agreed in November 2020 and was increased in March 2022 from USD 330 million (approximately €299 million) to USD 450 million (approximately €407 million). In July 2022, the facility was renewed ahead of schedule on improved terms and with a five-year duration to July 2027. In connection with the acquisition of National Material of Mexico, the facility was increased in December 2022 from USD 450 million (approximately €407 million) to USD 650 million (approximately €588 million) with the same terms and maturity while expanding the banking syndicate from three to four banks.

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

The bilateral credit facilities totaling approximately €249 million were drawn in the amount of €135 million (excluding lease liabilities) at the end of 2023.

The largest portion of our bilateral credit lines is accounted for by the Swiss country organization at CHF 160 million (approx. €173 million), with drawings of €59 million as of December 31, 2023. These revolving credit lines with three banks were most recently renewed in July 2021 and increased by CHF 30 million (approximately €32 million) on top of the previous CHF 130 million (approximately €140 million). There are also other bilateral borrowings at the country organizations, used among other things to finance net working capital.

LIQUIDITY MANAGEMENT AND INTER-COMPANY SETTLEMENTS

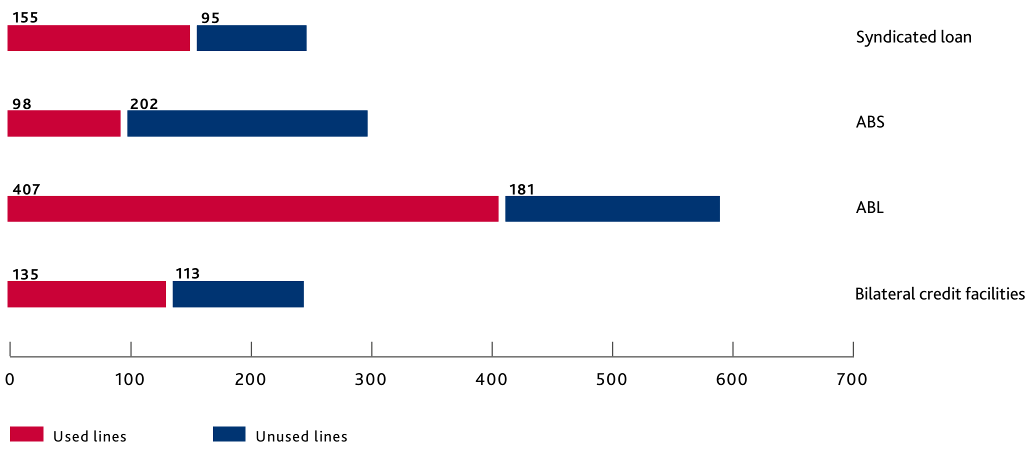
The Group uses cross-border cash pooling systems to handle inter-company settlements and manage liquidity. Our country organizations in Switzerland, the United Kingdom and the USA are not part of the cash pooling system as they are partly financed by intra-Group loans or by credit facilities of their own and have their own cash pooling systems in their respective country. Financing of our Group companies, including working capital for the operating business at the individual country organizations, was secure at all times throughout 2023.

FINANCIAL HEADROOM AND NET FINANCIAL DEBT

Klöckner & Co maintains credit facilities, excluding lease liabilities, totaling approximately €1.4 billion. As shown in the following table, drawings on these facilities totaled only around €0.8 billion as of December 31, 2023.

Financial headroom remains ample at €1.4 billion

FINANCIAL VOLUME AS OF DECEMBER 31, 2023
(€ million)



Financial liabilities include lease liabilities in the amount of €133 million (2022: €165 million).

KEY FINANCIAL DEBT INDICATORS

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

NET FINANCIAL DEBT

			Variance			
(€ million)	**December 31, 2023**	December 31, 2022	Total	Currency effects	Net of currency effects	
Net financial debt*)	775	584	191	3	188	32.3%
Gearing (Net financial debt / shareholders' equity**))	46%	30%	16%p			
Leverage (Net financial debt / EBITDA before material special effects)	4.1x	1.6x	2.5			

*) Net financial debt of continuing operations, i.e. including reclassifications under IFRS 5
**) Consolidated equity less non-controlling interests and less goodwill from business combinations subsequent to May 23, 2019.

Gearing was 46% as of the fiscal year-end, well within the 165% limit under the syndicated loan and the European ABS program. Leverage increased from 1.6x to 4.1x due to the lower EBITDA and the acquisition of National Material of Mexico. The earnings contributions from KMM have only been included since the completion of the acquisition on August 1, 2023.

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

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

CASH FLOW ANALYSIS

The consolidated statement of cash flows shows the sources and uses of cash flows during the fiscal year. The full consolidated statement of cash flows, including the breakdown into continuing and discontinued operations, is presented on page 206 as part of the consolidated financial statements. Cash and cash equivalents reported in the consolidated statement of cash flows correspond to cash and cash equivalents shown in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	**2023**	2022	Variance	
Cash flow from operating activities of continuing operations	287	360	– 73	– 20.3%
Cash flow from investing activities of continuing operations	– 432	–34	– 398	n.a.
Free Cash flow of continuing operations	**–145**	**326**	**– 471**	**n.a.**
Cash flow from financing activities of continuing operations	125	– 235	360	n.a.

Significantly positive cash flow from operating activities in fiscal year 2023

Through consistent net working capital management, we generated significantly positive cash flow from operating activities of €287 million in the course of fiscal year 2023 (2022: €360 million).

The net cash outflow from investing activities amounted to €432 million in 2023 (2022: €34 million). Proceeds of €1 million were generated from the disposal of property, plant and equipment in the reporting year (2022: €60 million). Payments for intangible assets, property, plant and equipment totaled €88 million (2022: €67 million) and payments for acquisitions of consolidated subsidiaries and financial assets came to €352 million (2022: €28 million), of which €309 million was attributable to the acquisition of National Material of Mexico.

Capital expenditure by segment was as follows:

(€ million)	**2023**	2022
Kloeckner Metals Americas	386	30
Kloeckner Metals EU	12	37
Kloeckner Metals Non-EU	27	– 39
Holding and other Group companies	7	6
Klöckner & Co-Group	**432**	**34**

Free cash flow was a negative €145 million in fiscal year 2023, compared to a significantly positive free cash flow of €326 million in the prior year.

Increase in net financial debt in the amount of €201 million in 2023

The positive cash flow from financing activities in the amount of €125 million (2022: negative cash flow from financing activities of €235 million) includes a cash outflow from dividend payments of €40 million (2022: €100 million) to shareholders of Klöckner & Co SE and of €6 million (2022: €10 million) to non-controlling interests. Following repayments of lease liabilities in the amount of €30 million (2022: €29 million), there was also a net increase in financial liabilities in the amount of €201 million (2022: net repayment of €91 million). Furthermore, cash flow from financing activities also includes €1 million (2022: €6 million) in payments relating to extensions and settlements of currency hedges as part of the Group headquarters financing arrangements.

NET ASSETS AND BALANCE SHEET STRUCTURE

Consolidated balance sheet			Variance			
(€ million)	**December 31, 2023**	December 31, 2022	Total	Currency effects	Net of currency effects	
Non-current assets	1,132	1,033	98	12	86	8.3%
Current assets						
Inventories	1,400	1,633	– 234	– 7	– 227	– 13.9%
Trade receivables*)	773	940	– 168	– 7	– 161	– 17.1%
Other current assets	87	69	18	– 1	19	27.3%
Liquid funds	155	179	– 24	– 10	– 15	– 8.1%
Assets held for sale	321	4	317	-	317	n. a.
Total assets	**3,867**	**3,859**	**8**	**– 12**	**20**	**0.5%**
Equity	1,755	1,968	– 214	3	– 216	– 11.0%
Non-current liabilities						
Financial liabilities	742	401	341	– 8	349	87.1%
Provisions for pensions	25	38	– 13	– 1	– 12	– 32.7%
Other non–current liabilities	81	63	18	2	15	24.2%
Current liabilities						
Financial liabilities	186	359	– 173	1	– 174	– 48.5%
Trade payables**)	684	785	– 101	– 10	– 91	– 11.6%
Other current liabilities	151	246	– 95	-	– 95	– 38.7%
Liabilities directly associated with assets classified as held for sale	245	-	245	-	245	n.a.
Total equity and liabilities	**3,867**	**3,859**	**8**	**– 12**	**20**	**0.5%**

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

Total assets €3.9 billion; on a currency-adjusted basis down 0.5% on prior year

Total assets amounted to €3.9 billion as of December 31, 2023, virtually unchanged from the end of the prior year (2022: €3.9 billion). It should be taken into account in the analysis that the change in balance sheet items includes currency translation effects relating to our international subsidiaries – for the most part our US activities. Adjusted for currency translation, total assets were down 0.5% on the prior year.

As required by IFRS 5 (see section 1.1), the assets and liabilities of the steel distribution business held for sale in France, the United Kingdom, the Netherlands and Belgium were reclassified in December 2023 to "Assets held for sale" and "Liabilities directly associated with assets classified as held for sale" in the statement of financial position. This limits the comparability of the amounts concerned in the statement of financial position as of December 31, 2023.

Non-current assets, at €1,132 million, were above the level of the prior year (€1,033 million). While property, plant and equipment decreased by €137 million taking into account the impairments and reclassification to assets held for sale, additions from acquisitions in the amount of €59 million and from capital expenditure led to an overall decrease of €39 million. Additions as a result of capital expenditure on property, plant and equipment (€104 million) and additions from new and renewed leases (€59 million) were offset by depreciation and amortization in the amount of €113 million and disposals in the amount of €19 million.

Intangible assets increased from €85 million to €207 million, primarily due to additions in customer relationships (€93 million) and goodwill (€48 million) relating to the acquisition of our subsidiary in Mexico and in North America.

As a result of the constrained market environment, the carrying amounts of several cash-generating units were not fully matched by their value in use at the reporting date as defined in IAS 36. This led to a goodwill impairment of €5 million in the German Becker Stahl-Service GmbH CGU. In Brazil and in steel distribution in Germany, too, the business environment continues to be challenging and the carrying amounts there are not matched by their values in use as defined in IAS 36 (in the prior year, this was the case in Germany, France, Belgium and the Netherlands). For the CGUs in France, the United Kingdom, the Netherlands and Belgium classified as discontinued operations, an impairment loss of €142 million was recognized on non-current and assets on the basis of the expected selling price. Detailed information on this is provided in Note 16 (Intangible assets and property, plant and equipment) and Note 21 (Assets held for sale).

Net working capital changed as follows:

NET WORKING CAPITAL

(€ million)	**December 31, 2023**	December 31, 2022	Variance			
			Total	Currency effects	Net of currency effects	
Inventories	1,400	1,633	– 233	– 7	– 226	– 13.9%
Trade receivables*)	773	940	– 167	– 6	– 161	– 17.2%
Trade payables**)	– 684	– 785	101	10	91	11.6%
Net working capital	**1,489**	**1,789**	**– 300**	**– 3**	**– 297**	**– 16.6%**

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

Net working capital was €1,489 million as of December 31, 2023, compared to €1,789 million a year earlier. On a currency-adjusted basis, there was a decrease by €297 million or 16.6%. €147 million of this is due to the reclassification as discontinued operations. In addition, a further reduction in working capital was achieved as a result of active working capital management.

Cash and cash equivalents, at €155 million, were significantly down on their prior-year level of €179 million.

Equity decreased from €1,968 million to €1,755 million. The change is mainly due to the negative net income (€190 million) and the translation of foreign subsidiaries' financial statements (€3 million), the dividend payment of €45 million and €16 million in actuarial gains less the related deferred taxes recognized in other comprehensive income.

Solid equity ratio of 45.4%

The equity ratio at the end of the reporting period, at 45.4% (2022: 51.0%), was consequently below the prior year's level.

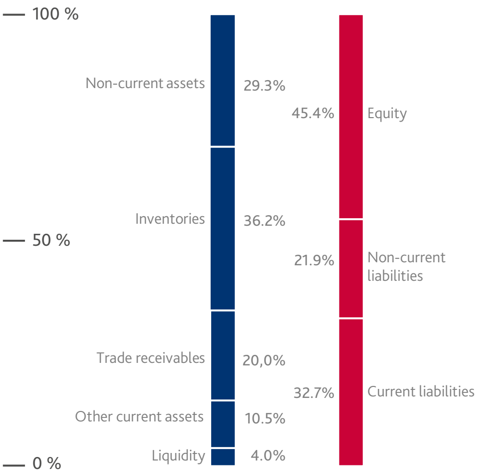
The excess of equity and non-current liabilities over non-current assets amounted to €1,471 million, compared to €1,437 million in 2022.

Financial liabilities above prior year

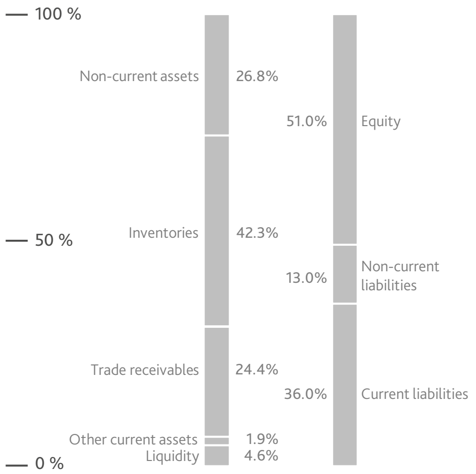
Financial liabilities, at €928 million, were higher than the prior-year figure of €759 million. They include €135 million in bilateral facilities, €98 million in drawings under the ABS program, €407 million in drawings under the ABL program and €155 million in drawings on the syndicated credit facility. The remaining amount of €133 million relates to lease liabilities.

Due to the reclassification to assets held for sale in the amount of €17 million, pension provisions fell from €38 million in the prior year to €25 million.

BALANCE SHEET TOTAL 2023: 3,867
(€ million)



BALANCE SHEET TOTAL 2022: 3,859
(€ million)



2.6 Overall assessment of the business situation

Positive operating income despite macroeconomic challenges

The Klöckner & Co Group's operating income (EBITDA) was significantly positive in the 2023 reporting year despite the macroeconomic challenges. In combination with the ongoing impacts of the Russian war of aggression against Ukraine and the conflict in the Middle East, the low demand on the steel market led to a significant price reduction, which reversed again towards the end of the year. The resulting inventory write-downs led overall to a decrease in gross profit for the full year 2023 compared to the prior year, although we were able to slightly improve the gross profit margin. Due to the challenges described, a net loss from continuing operations of €270 thousand was generated in the fiscal year.

Significant positive cash flow due to consistent net working capital management

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

Solid finances and financial position

Our finances remain very stable, including in times of a challenging macroeconomic environment. Financing for the Group continues to be based on a widely diversified portfolio of funding instruments. We were able to maintain and even expand our large financial headroom in the fiscal year by extending financing arrangements ahead of term. The equity ratio remains very solid at approximately 45% at the end of the reporting period.

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

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

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

BALANCE SHEET OF KLÖCKNER & CO SE (CONDENSED)

(€ million)	December 31, 2023	December 31, 2022	Variance	
Intangible assets and property, plant & equipment	1	1	-	– 22.2%
Non-current investments	874	1,074	– 200	– 18.6%
Fixed assets	**874**	**1,075**	**– 200**	**– 18.6%**
Receivables from affiliated companies	439	389	50	12.8%
Other receivables	5	3	2	89.4%
Cash and cash equivalents	-	20	– 20	– 99.1%
Current assets	**444**	**412**	**32**	**7.8%**
Pension plan surplus	8	-	8	n.a.
Prepaid expenses	1	2	– 1	– 42.2%
Total assets	**1,328**	**1,489**	**– 161**	**– 10.8%**
Equity	**1,080**	**1,254**	**– 174**	**– 13.9%**
Provisions for pensions and similar obligations	-	1	– 1	n.a.
Other provisions	25	25	0	0.4 %
Bonds	-	141	– 141	n.a.
Liabilities to affiliated companies	40	39	1	2.9%
Liabilities to banks	181	25	156	618.7%
Other current liabilities	2	4	– 2	– 57.6%
Total equity and liabilities	**1,328**	**1,489**	**– 161**	**– 10.8%**

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

Financial position reflects holding company status

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

The decrease in financial assets as of December 31, 2023 is due in the amount of €162 million to the impairment recognized on the carrying amounts of the investments in the management companies held for sale in France, the United Kingdom, the Netherlands and Belgium, which were measured as of the reporting date at the expected purchase price of €1 each on the basis of the buyer's offer. In addition, impairments were recognized in the reporting year in the amount of €33 million for Kloeckner Metals Germany, Duisburg, Germany, €4 million for XOM Materials GmbH, Berlin, Germany, (2022: €4 million) and €5 million for Kloeckner Metals Brasil Ltda, São Paulo, Brazil, (2022: €2 million).

Receivables from affiliated companies relate to European cash pooling, financial services, clearing and short-term loans. As of the reporting date, receivables from the units held for sale amounted to €87 million, on which impairments of €29 million have been recognized as the receivables will not be taken over in full by the buyer.

The convertible bond was repaid in full in the amount of €141 million on maturity in September 2023 as planned, with the necessary funding met by drawing on existing credit facilities (€156 million increase in liabilities to banks in the fiscal year).

Klöckner & Co SE's equity ratio was 81% as of December 31, 2023 (2022: 84%).

Solid equity ratio maintained at 81%

INCOME STATEMENT OF KLÖCKNER & CO SE (CONDENSED)

(€ million)	2023	2022	Variance	
Sales	42	52	– 11	– 20.1%
Other income	3	4	–	– 4.5%
Cost of purchased services	– 6	– 9	4	39.9%
Personnel expenses	– 21	– 30	9	29.9%
Depreciation and amortization	-	– 1	-	– 10.9%
Other operating expenses	– 51	– 22	– 29	n.a.
Impairments of investments	– 204	– 15	– 189	n.a.
Income from investments	83	108	– 25	– 23.2%
Interest income, net	20	– 4	24	– 599.7%
Result from ordinary activities	**– 134**	**83**	**– 217**	**n.a.**
Taxes	-	– 10	10	– 101.2%
Net income/loss	**– 134**	**73**	**– 207**	**n.a.**
Retained profit prior year	73	188	– 115	n.a.
Dividends	– 40	– 100	60	n.a.
Withdrawals from other revenue reserves	154	-	154	n.a.
Appropriation to other revenue reserves	– 33	– 88	55	n.a.
Unappropriated profits	**20**	**73**	**– 53**	**– 73.1%**

The decrease in sales for 2023 relates to leased right-of-use assets.

The reduction in personnel expenses by €9 million to €21 million (2022: €30 million) is due to the lower expense for defined-benefit pension plans as a result of the year-on-year increase in interest rates.

Other operating expenses in the reporting year include €29 million in specific valuation allowances on receivables from the investments held for sale.

In the reporting year, an impairment totaling €162 million was recognized on the carrying amounts of the investments held for sale in the steel distribution business in France, the United Kingdom, the Netherlands and Belgium, i.e., in Kloeckner Metals France Holding S.A.S., Aubervilliers, France, Kloeckner Metals UK Holdings Limited, Leeds, United Kingdom, ODS B.V, Rotterdam, the Netherlands, and Kloeckner Metals Belgium N.V., Harelbeke, Belgium. Furthermore, impairments were recognized in the amount of €33 million for Kloeckner Metals Germany, Duisburg, Germany, €4 million for XOM Materials GmbH, Berlin, Germany, (2022: €4 million) and €5 million for Kloeckner Metals Brasil Ltda, São Paulo, Brazil, (2022: €2 million).

Income from investments once again positive despite difficult macroeconomic conditions

As a holding company, the earnings performance of Klöckner & Co SE is materially determined by the performance and dividend policies of its holdings. The income from investments at Klöckner & Co SE in the amount of €83 million (2022: €108 million) consists of profit distributions and profit transfers from subsidiaries. The dividend income related in a total amount of €143 million to Klöckner USA Holding Inc., Delaware, United States of America, and Debrunner Koenig AG, St. Gallen, Switzerland. In the fiscal year, losses of €60 million were assumed for Becker Stahl-Service GmbH, Duisburg, Germany, Klöckner & Co Center of Excellence GmbH, Duisburg, Germany, and kloeckner.v GmbH, Berlin, Germany.

Overall, there was a net loss of €134 million in 2023 (2022: net income of €73 million).

Dividend proposal: €0.20 per share

The Management Board and Supervisory Board will propose to the Annual General Meeting that a dividend of €0.20 per share (totaling €19,950 thousand) be appropriated from the unappropriated profits.

In light of the potential for distribution of reinvested profits at subsidiaries and the profit transfer agreements we have in place, we expect to return to positive net income in the lower triple-digit million euro range in 2024.

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

4. Other disclosures

4.1 Dependency report

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

In fiscal year 2023, Klöckner & Co SE was a dependent company of SWOCTEM GmbH, Haiger, within the meaning of Section 312 of the German Stock Corporation Act. Pursuant to Section 312 (1) of the German Stock Corporation Act, the Management Board of Klöckner & Co SE has therefore prepared a report of the Management Board on relations with affiliated companies, which contains the following concluding statement: "We declare that with regard to the transactions and measures listed in the report on relations with affiliated companies for the period January 1, 2023 to December 31, 2023, based on the circumstances known to us when the transactions were carried out or the measures were taken or omitted, the Company received appropriate compensation in each transaction and was not disadvantaged by measures taken or omitted."

4.2 Takeover disclosures

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

COMPOSITION OF SUBSCRIBED CAPITAL

As of December 31, 2023, Klöckner & Co SE's subscribed capital totaled €249,375,000, divided into 99,750,000 no-par-value registered shares. All shares carry the same rights and obligations. Each share has one vote.

RESTRICTIONS ON VOTING RIGHTS AND THE TRANSFER OF SHARES

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

INTERESTS IN SHARE CAPITAL EXCEEDING 10% OF VOTING RIGHTS

As of December 31, 2023, the following direct or indirect interests in the share capital of Klöckner & Co SE exceeding 10% of the voting rights were reported to the Company in accordance with the German Securities Trading Act (WpHG): SWOCTEM GmbH (Prof. Dr. E.h. Friedhelm Loh), Haiger, 29.97% as of May 4, 2023.

SHARES WITH SPECIAL CONTROL RIGHTS

No shares with special control rights exist.

EXERCISE OF VOTING RIGHTS BY EMPLOYEES OWNING SHARES IN THE COMPANY

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

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

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

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

POWERS OF THE MANAGEMENT BOARD TO ISSUE AND REPURCHASE SHARES

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

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

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

Authorization has further been granted for a conditional capital increase of up to €24,932,500 by the issue of up to 9,973,000 no-par-value registered shares (Conditional Capital 2013). This authorization can effectively no longer be used as conversion rights from bonds issued in accordance with the authorization of the Annual General Meeting of May 24, 2013 no longer exist or can no longer be exercised following the full repayment of the 2016 convertible bond in the reporting year (see above). For further details, see Section 4 (6) of the Articles of Association.

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

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

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

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

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

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

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

4.3 Dividend planning

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

In light of the strong cash flow from operating activities in fiscal year 2023 and the net income generated in recent years, only part of which has been distributed, the Management Board and Supervisory Board propose that an amount of €19,950 thousand should be distributed to shareholders as dividend from Klöckner & Co SE's unappropriated profits for fiscal year 2023. At 99,750,000 eligible no-par-value shares, the dividend proposal corresponds to a dividend of €0.20 per share.

5. Macroeconomic outlook including key opportunities and risks

5.1 Expected global economic growth

Expected global economic growth in 2024: 3.1%

The International Monetary Fund (IMF) forecasts that the global economy will grow by 3.1% in 2024. Although global inflation rates declined over the reporting period, central banks still face the challenge of bringing about price stability without triggering a recession or further stress in the financial sector. Furthermore, no growth stimulus is expected from private consumption in 2024, as the additional savings accumulated during the pandemic have now largely been exhausted. Higher costs of living and more restrictive lending are also likely to have a negative impact on consumer spending. Climate and geopolitical shocks represent a risk to economic development and could exert price pressure – particularly on food and energy prices – and once again fuel general inflation. An additional downside risk to overall economic development is a worsening of the problems in the Chinese real estate sector.

For the USA, the IMF expects economic output in to grow by 2.1% in 2024. US government programs such as the Inflation Reduction Act (IRA) are expected to provide positive impetus in 2024 for the American economy. In view of the budget deficit, however, it is forecast that the US government will gradually move to stricter fiscal policy over the course of 2024. A decline in private consumption as the US labor market weakens is also expected to dampen the economy.

According to IMF forecasts, the eurozone economy will remain near-constant in 2024 (with an increase of 0.9%). Overall, the European Central Bank's earlier interest rate hikes are likely to have an increasing impact on the real economy. Driven by rising real incomes, rising private consumption should have a supporting effect on the economy. In view of the significantly higher energy prices compared to the US, the production constraints that hit energy-intensive sectors over the winter of 2023 are expected to remain in place in 2024, preventing stronger growth in the European economy.

The IMF expects the Chinese economy to grow by 4.6% in 2024. The Chinese government is expected to respond to the ongoing problems in the Chinese real estate sector with easing measures and continued expansionary fiscal and monetary policy. Sectors outside of real estate, together with service-related sectors, are likely to continue their recovery following the abandonment of the zero-COVID strategy.

Development of GDP (in percent)	2024 vs. 2023
USA	2.1
Mexico	2.7
Brazil	1.7
Europe*)	0.9
Germany	0.5
United Kingdom	0.6
France	1.0
Belgium	0.8
Netherlands	0.6
Switzerland	1.2
China	4.6

*) Eurozone.
Source: IMF, Bloomberg.

Expected steel sector trend

According to the World Steel Association, global steel demand is forecast to increase by 1.9% in 2024 to around 1,849 million tons. The World Steel Association expects growth of 1.5% in the North American free trade area (USMCA) and 2.2% in South and Central America. In the European Union, including the UK, steel demand is expected to grow significantly by 5.8% in 2024. Demand for steel in China is forecast to be flat in 2024 compared to the prior year.

5.2 Expected trend in our core customer sectors

Construction industry

Oxford Economics estimates that the US construction industry will grow by around 3% in 2024. US government infrastructure programs should continue to support the American construction industry, offsetting the negative impact of high mortgage rates. According to estimates by Oxford Economics, the construction industry in the eurozone will grow slightly by around 1% in 2024 as it continues to benefit from the Next Generation EU Fund, whereas the ECB's tighter monetary policy will continue to weigh on the industry.

Machinery and mechanical engineering

Oxford Economics forecasts that the US machinery and mechanical engineering industry will show constant development in 2024. Order intake is expected to bottom out during the year, followed by a recovery driven by growth in end-use industries. For machinery and mechanical engineering in the eurozone in 2024, Oxford Economics expects a slight decline of 1%. As in the prior year, existing order backlogs are expected to partly offset the negative effect of weakening demand. However, this support is likely to taper off over the course of the year due to the decline in incoming orders.

Automotive industry

According to estimates by the German Association of the Automotive Industry (VDA), the American automotive industry will grow by around 2% in 2024. The Inflation Reduction Act (IRA) is expected to accelerate the trend towards electric vehicles. Oxford Economics estimates growth of about 1% for the Mexican automotive market, where we have significantly strengthened our presence in the reporting period. The VDA estimates growth of 4% for the European automotive industry in 2024, while growth of 1% is forecast for China.

5.3 Risks and opportunities

Global growth further slowed in 2023 compared to the prior year. The global economy is expected to grow further by about 3% in 2024. There are several reasons for this. While inflation has peaked, there is a risk that it will remain at relatively high levels for an extended period. Meanwhile, high interest rates are causing significant financing problems for growing numbers of companies. It is increasingly evident that central banks are succeeding with their restrictive policies, however, and there are growing expectations that they might significantly cut base rates in 2024 and thus provide stimulus for growth. In combination with inflation-driven cost rises, the problems are leading to a noticeable increase in insolvency filings. At the same time, with regard to the sectors that are particularly important to us, demand is declining in construction and mechanical engineering, although the automotive industry has almost worked off the backlog of orders caused by supply bottlenecks so that delivery times there are returning to normal, whereas automotive demand in Europe is weakening, particularly for electric vehicles as subsidies come to an end. The increase in geopolitical risks, in particular with the escalating Middle East conflicts in the Gaza Strip and beyond, is unsettling markets and causing the business climate to deteriorate. A mild recession cannot be ruled out in either the US or Europe in the first half of the year, while China is currently unable to compensate for the lack of demand.

Overall, particularly in the USA, there are high hopes that the economy will pick up again from the middle of the coming year. This is not least due to the relatively low energy costs. In addition, the high level of planned infrastructure investment and the Inflation Reduction Act fuel hopes of a significant upturn. A key question will be whether inflation can be brought back on a lasting basis to a level that is acceptable to the central banks.

Another crucial point is the further course of the Russian war of aggression against Ukraine. The war is currently expected to continue for a relatively long time. Nevertheless, there is still the possibility of a negotiated solution. In particular, a change in the political constellation in important partner countries to Ukraine as a result of upcoming elections could bring movement into the deadlocked situation. An escalation is also still possible. In the Middle East, the main question is whether the war between Israel and Hamas will continue in the region and possibly beyond, or whether peace can be brought to the region in the medium term.

Risk policy

Optimizing the Group's risk position

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

Risk and opportunity management is an integral part of our management process. Our Risk Management System (RMS) is supplemented by our Group-wide Internal Control System (ICS) and our Compliance Management System (CMS; see 7 Corporate Governance Statement – COMPLIANCE on page 108). The RMS, ICS and CMS, supplemented by data protection and information security, form the core of Governance, Risk & Compliance (GRC). Regular, intensive exchange takes place there to create synergies wherever possible by close coordination and collaboration.

Risk management system

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

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

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

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

Risk management organization and responsibilities

SUPERVISORY BOARD

Monitoring of effectiveness of Risk Management System
Assessment of risk reporting

AUDIT COMMITTEE

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

MANAGEMENT BOARD

Responsible for appropriate group risk management

RISK COMMITTEE

Supervision and consulting

CORPORATE RISK MANAGEMENT

Risk evaluation and control, reporting to Management Board and Supervisory Board

RISK MANAGEMENT FUNCTIONS

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

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

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

Risk management process

The risk management process mainly involves the following six components:

1. Risk identification – A risk field matrix showing the key risk fields along predefined risk categories is used to identify material risks in a structured manner as well as to enable risk to be recorded systematically and uniformly at both country and corporate department level. All risks are normally analyzed with regard to their impact over a one-year period and over the usually three-year planning period. We also analyze all material risks and potential going concern risks with regard to their long-term impact. The result of this process is a risk inventory, which is updated at regular intervals.

2. The relevance of each risk is initially assessed using a five-level scale. A risk's relevance represents its overall significance and thus combines various aspects such as expected value, realistic maximum loss and risk duration. Relevance is used to classify identified risks and show their potential impact on earnings before interest, taxes, depreciation and amortization (EBITDA) – this being one of our key performance indicators – at the time of risk analysis and before risk mitigation measures (i.e. on a gross basis). We also include risks such as interest rate risk, currency risk, tax risk and acquisition risk resulting in impairment losses on acquired goodwill, that do not impact EBITDA but on the basis of prudent business judgment could have a significant effect on liquidity, equity or the Group's net income.

RELEVANCE SCALE

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

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

3. We assess both gross risks (before measures) and net risks (after measures) for potential impact, based on the levels in the relevance scales, and for probability of occurrence. On the basis of the resulting expected value for relevant net risks, it is possible, firstly, to prioritize risks and, secondly, to match up risk exposure – taking into account interactions and correlations – against the Group's risk-bearing capacity.

4. Risk management and control of "significant," "serious" or "critical" risks is the responsibility of the risk owners. Documentation is monitored both by risk managers and by the Corporate Risk Management Department at Group level.

5. The Group's risk-bearing capacity is determined twice a year and additionally as required in close consultation with Corporate Treasury and Corporate Controlling. The purpose of this process is to determine the amount of liquidity available to the Group and the availability of equity capital to cover the risk positions incurred.

6. Twice annually, in parallel with compilation of the risk report, these processes are monitored internally by the Group-wide Risk Committee. The committee comprises representatives from the corporate departments of Klöckner & Co SE as well as the operating units and is headed by the CFO. In addition, the Supervisory Board as governing body monitors the RMS and examines risk reporting.

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

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

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

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

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

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

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

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

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

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

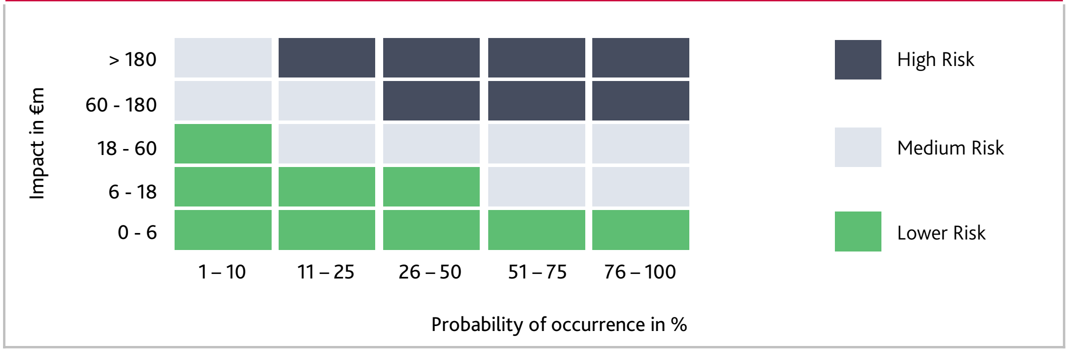
The effectiveness of financial reporting control and management systems is constrained by management judgments, the possibility of errors in implementing controls and deliberate avoidance through criminal circumvention. Through the processes and controls we have put in place, we obtain reasonable assurance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

Presentation of individual risks

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

Risk matrix

Risk matrix



Risk classification by risk category

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

Market risks

The development of the economy remains a significant risk. Uncertainty continues to characterize the business climate. The main drivers are the possibility of ongoing high inflation and permanently higher interest rates. This could lead to a decline in consumption and investment and consequently to a recession. It is now likely that the US and European economies will slip into a mild recession or be flat in the first half of 2024. On the one hand, the labor markets are showing signs of cooling. On the other, consumer confidence is weak and higher interest rates could continue to drag on the economy. As a result, after a weak 2023, the recovery in Europe could be delayed until mid-2024, when it may benefit from an upturn in the US and a cycle of monetary easing by central banks in both the US and Europe.

Overall, the US economy has shown greater resilience to macroeconomic shocks than the European economy. It is set to benefit in the medium term both from significantly lower energy prices in the US than in Europe and from the administration's major subsidy programs, such as the Infrastructure Bill and the Inflation Reduction Act. No impetus for the global economy is currently emanating from China because of the weak growth there. However, the government has set higher growth targets and aims to back them up with fiscal policy. This could also help the global economy more quickly regain higher growth.

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

This is all accompanied by significant demand and price risk. The current relatively weak demand and the high level of uncertainty in the market, above all in Europe, combined with the weak price trend have so far led customers to take a wait-and-see approach, buying only to meet their immediate needs and also postponing purchases. However, after bottoming out in the fourth quarter, prices rose significantly again towards the end of the year, particularly in the US, and there was also a slight recovery in demand. The most recent trend in Europe was also positive, although significantly weaker. Prices could thus fall significantly again, especially in the US, if the market were to be hit by an unexpected exogenous shock. In a low-growth or possibly even recessionary scenario, negative windfall effects could result. The very volatile prices in the last few years highlight the price risks and the importance of our disciplined inventory management in an uncertain market environment.

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

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

There is also a threat of price declines due to the ongoing general high level of surplus capacity in steel production worldwide. With continued capacity expansion primarily in the US in 2023, the structural imbalance there between production capacity and actual demand could persist. Consequently, prices and margins could come under pressure time and again. The acquisition of United States Steel Corporation by Nippon Steel, the world's fourth-largest steel producer – announced in December and subject to regulatory approval – further exacerbates the imbalance and keeps up the high competitive pressure. There is still pressure for further consolidation even in the USA, however, due to the huge investment needed for the transformation to green steel.

However, there is also considerable overcapacity in steel distribution, which represents an intermediate risk for us as it significantly increases competitive pressure. The steel distribution and steel service center markets are highly fragmented, with many small and medium-sized players and few market exits. If market demand declines permanently, the already sizable overcapacity could increase significantly, leading to even more intense price competition and pressure on prices and margins. This would have a negative impact on earnings performance in each case.

We are countering the risk of growing overcapacity and the resulting intensification of competitive pressure by further diversifying our customer industries, reducing dependence on commodity products by increasing the share of higher-value products and services, and increasing the share of contract business. In addition, we plan to progressively raise the share of sales of CO_2-reduced products via our Nexigen® umbrella brand as a differentiator and are carrying out extensive efficiency and optimization measures to achieve significant, lasting reductions in operating costs. In particular, the planned sale of the loss-making traditional distribution business in France, the United Kingdom, the Netherlands and Belgium in 2024 should further improve our profitability.

Strategic risks

A significant risk is that the established strategic direction may not be sufficient to develop a sustainably profitable business model. On the basis of the "Klöckner & Co 2025: Leveraging Strengths" strategy, we must develop a new strategy in order to adapt the business model in response to changing conditions. Klöckner has successfully streamlined its balance sheet, is a pioneer of a sustainable steel industry and has significantly improved business in the US subgroup, but is still laboring under the low-margin traditional distribution business in Europe. This business continues to be based on a highly cyclical business model and the market environment remains intensively competitive. Numerous small and medium-sized competitors cause intense competition and low margins. The weak economic environment and high levels of geopolitical uncertainty further increase the volatility. This creates a challenge for successful implementation of our existing strategy.

We are countering this risk by implementing an efficiency program for the European distribution business with reductions in the workforce and site closures. At the same time, we intend to sell this business in France, the United Kingdom, the Netherlands and Belgium by the end of the first half of 2024.

A further strategic risk comprises non-attainment of the strategic goals and performance indicators such as sales, gross margin or gross profit. The market trends and outlook for the North America and European markets are not uniform. In the USA, we have succeeded in reducing volatility, achieving a balanced mix of spot and contract business and establishing effective working capital management over the entire cycle. The Mexican business has also developed positively from the outset. Our established Swiss business has continued to deliver a solid performance. After a temporary boom in the steel business the European distribution business has performed poorly. This is driven by a currently very difficult market with a negative outlook. The service center business in Europe is also confronted with very weak demand from industry. The outlook for the USA is positive in the medium to long term. A delayed recovery is expected in the eurozone from mid-2024.

Here, too, the measures referred to above should significantly reduce net risk. If the market trend proves worse than expected, however, other options are available for effective counteraction in the short term. It also remains conceivable that opportunities can be exploited through targeted acquisitions of small and medium-sized companies in the market, as we have recently done above all in the USA.

We consider another financial crisis to be an intermediate strategic risk. Rising national indebtedness with government and corporate debt at record levels increases the vulnerability to sudden changes in market conditions and could trigger a financial crisis. Debt levels have increased further overall and borrowing costs are also rising, growth is slowing and in many countries there is an increasing mismatch between the growing demands placed on the state and the available budgetary resources. This makes such countries more susceptible to crises. A possible further tightening of monetary policy, geopolitical risks, stress scenarios in the banking sector and in the bond market and also a worsening real estate crisis could all lead to a financial crisis.

We address the risk of potential upheaval on the financial and capital markets, and the consequences of any such upheaval for our Company, by maintaining solid balance sheet ratios and a diversified financing portfolio. This is demonstrated by our equity base, which continues to be very solid, and our net financial debt to equity ratio. Our available net working capital facilities ensure that we are able to finance our operating activities and cover our liquidity requirements. We also had adequate holdings of cash and cash equivalents as of the year-end 2023. These are invested on a short-term basis with the Group's core banks, which have at minimum an investment grade rating. With regard to performance indicators, please see under "Cash flows, financing and liquidity" in the "Economic report" section of the Annual Report.

A further intermediate strategic risk is the high volatility of energy prices, which continue to be the main current driver of inflation, together with the related general cost inflation in areas such as logistics and wage costs. Inflation remains above target in both the US and Europe, and the risk of higher inflation rates persists due to oil price volatility and potentially increased commodity prices. The Fed and the ECB could continue to tighten monetary policy contrary to expectations, which would hit global financial markets and might potentially further dampen global growth. High volatility in energy prices can have a direct and indirect impact on the Klöckner & Co Group. The growing relevance of environmental and sustainability aspects, such as carbon pricing, could also put additional upward pressure on energy prices in the long term. In addition, higher road tolls and other levies together with higher labor costs could also significantly increase logistics costs for steel distribution and make it necessary to decentralize stockyards.

We are addressing this by continuing to roll out our sustainability strategy. This includes initiatives such as the tracking and monitoring of carbon emissions and actions to optimize the vehicle fleet and energy consumption in general. Furthermore, we are entering into alliances with external full-service logistics providers and are optimizing our own logistics. Klöckner & Co has also committed to ambitious climate targets and aims to reduce emissions in the entire value chain to net zero by 2050. Directly controllable emissions (Scope 1, Scope 2 and directly controllable Scope 3 emissions) are to be reduced to net zero by as early as 2040.

The geopolitical situation is capable of having a negative impact on the success of Klöckner & Co through its effects on the business environment in Europe and the USA. On the one hand, the Russian war of aggression against Ukraine continues, with a risk of escalation and no solution yet in sight. On the other, the strategic rivalry between the US and China with regard to geopolitical supremacy and technology leadership could intensify, with the risk of escalation through ongoing reciprocal actions. There is also the risk of escalation in the Middle East conflict following the attack by Hamas militants on Israel, with the potential for a prolonged conflict in the region. We regard this as an intermediate risk as the impacts on Klöckner & Co are very limited for the time being.

To mitigate these risks, we pursue regional and international diversification while monitoring political events and analyzing their potential impact on Klöckner & Co in order to take preventive action as far as possible.

Financial risks

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

The current unfavorable capital market environment constitutes an intermediate risk. In addition, the market for bonds in the sub-investment grade segment continues to be volatile and investors continue to require high yields, especially in the case of first-time issuers and companies whose business models show greater than average cyclical sensitivity. Any new issue on the capital market would require a market-conforming and hence probably high coupon to generate the necessary investor demand and ensure successful placement. We monitor these developments in the capital markets very closely and include them as part of the basis of our financing decisions.

A further intermediate risk is the fact that our leverage – the measure of our current net debt in relation to EBITDA over the last 12 months – is temporarily well above the historical average. Including the new acquisition in Mexico in August, Klöckner & Co SE's current leverage as of December 31 is 4.1. However, leverage is closely linked to working capital financing requirements and thus steel prices, and should fall in the medium term. We counter the high leverage proactively with efficient working capital management, close monitoring of the key financial data and transparent communication with our financing partners. In addition, the successful divestment of the loss-making traditional distribution business of the companies in France, the United Kingdom, the Netherlands and Belgium in the first half of 2024 should both reduce debt and improve EBITDA.

Legal, tax and compliance risks

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

In the area of compliance, we continue to view the risk of antitrust violations as the most material risk. There is a potential risk that agreements could be struck with competitors on, for instance, price fixing, market allocation or agreeing on production, procurement or supply quantities. However, due to extensive measures and a good Group-wide compliance culture, we currently consider the probability to be low, even though the potential impact could be relatively large. Alongside classroom training, one example of the measures taken to counter this risk is an e-learning tool that is mandatory throughout the Group. Among other things, this provides information on the main points of our Code of Conduct, which is published throughout the Group and on the Internet, and on compliance-relevant Group policies, notably also on antitrust law.

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

IT risks

Our business processes depend heavily on the IT systems installed. In addition to our administrative systems, these primarily include systems in procurement, sales and logistics. The IT systems are exposed to cyber risks. We are seeing a general increase in outside attacks on IT systems. This risk is currently further increased by cyberattacks on Western countries due to growing geopolitical tensions, with public and private enterprises, research institutions and universities among the targets. With the increasing digitalization and automation of our entire value chain from suppliers to customers, including our internal processes, the risk is also increasing.

By cyber risk, we mean risks of adverse modification to, loss or misuse of or interruption to the availability of data or IT systems, and data breaches. We regard the threat of viruses, targeted hacking, carelessness, deliberate data falsification or modification and IT system failure as an intermediate risk. To counter this risk of damage from cyber risks, we provide appropriate resources and expertise in our globally structured Klöckner & Co IT, with a dedicated unit focused on cyber security. In addition, a Group Data Protection Officer and an Information Security Officer, with the support of local officers, ensure the suitability and effectiveness of the relevant processes and systems throughout the Group. We also deploy various technical and organizational preventive measures, training and awareness campaigns – for instance, against system failure and employee carelessness, in addition to specific protection from cyber attacks.

Personnel risks

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

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

ESG risks

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

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

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

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

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

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

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

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

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

As part of our strategy, we screen our core markets for opportunistic acquisition opportunities that complement our business model and add value by accelerating growth, expanding our portfolio and increasing market share. In 2023, these notably included the acquisitions of National Material of Mexico ("NMM") and Industrial Manufacturing Services ("IMS"). NMM is a leading independent steel service company and supplier of steel, electrical steel, aluminum and stainless steel for the automotive sector and other industrial end markets in North America. The Monterrey-based company has ten sites throughout Mexico. NMM's processing service portfolio includes slitting, cut-to-length, straightening, multi-punching, configured punching and core processing. The acquisition of NMM enabled Klöckner to strengthen its presence and position where the most important automotive and industrial customers are located. In addition, the acquisition represents an attractive opportunity to enter the exclusive electrical steel market, which has considerable growth potential. Electrical steel is a magnetic material used in automotive electric motors and transformers, which means it is likely to benefit from further investment in renewable energy sources and the rising demand for electric mobility in North America. The aim of this acquisition is sustainable growth and the strengthening of our leading position in steel and metal distribution and the steel service center business in North America. IMS manufactures metal components for OEMs in the North American heavy machinery industry. Its service portfolio includes fabrication, welding, assembly and just-in-time warehousing of light to medium-size subassemblies. The company operates one facility in Lancaster, South Carolina, USA. This enables Klöckner & Co to further expand its processing portfolio in order to benefit from the highly profitable fabrication business and from being significantly less dependent on steel price trends. The transaction marks a further milestone in implementation of our corporate strategy, "Klöckner & Co 2025: Leveraging Strengths".

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

On the other hand, we also make use of opportunities to optimize our portfolio. One key opportunity in this connection is Klöckner & Co's intention to sell four European country organizations in the first half of 2024 whose business model is based on the volatile traditional distribution business. This relates to the companies in France, the United Kingdom, the Netherlands and Belgium. Our aim here is to enhance our focus on higher value added business such as multi-stage processing and fabrication while reducing our exposure to commodity business. The regional focus will shift as a result to North America, which is by far the biggest market, and the attractive "DACH" region (Germany, Austria and Switzerland) in Europe. This strategic move would not only improve Klöckner & Co's business performance, but also present opportunities for future growth.

As a further element of the “Klöckner & Co 2025: Leveraging Strengths” strategy, Klöckner & Co is committed to reducing greenhouse gas emissions and establishing sustainable business models in order to become a pioneer of a sustainable steel industry. In this way, we assume social responsibility while simultaneously exploiting the strategic opportunities presented by decarbonization. We are thus making sustainable solutions an integral part of our business model and building a sustainable range of products and services. The target set in our sustainability strategy is to reduce directly controllable emissions to net zero by 2040. By directly controllable emissions, we mean Scope 1, Scope 2 and directly controllable Scope 3 emissions. We are likewise committed to almost completely eliminating Scope 3 emissions that are only indirectly controllable by 2050. In line with the Science Based Targets initiative (SBTi), Klöckner & Co has thus committed to reducing emissions in the entire value chain to net zero by 2050. Scope 1 and 2 comprise emissions generated in our own business, such as from shipping products to customers using company trucks or from consumption of externally sourced electricity. To reduce these emissions, we are transitioning central energy procurement to renewable energy and switching our vehicle fleet to other means of propulsion such as battery power and hydrogen. Measures to reduce Scope 3 emissions – which represent greenhouse gas emissions in the upstream and downstream value chain – include dispensing with domestic flights for business travel and increasing the opportunities for working from home. In addition, Klöckner & Co will relocate its headquarters from Duisburg to Düsseldorf Airport City from summer 2025 at the latest. Alongside the location, accessibility, quality and cost-effectiveness of the premises, the carbon footprint of the new office building was a major factor in the decision. The Airport Garden building at Düsseldorf Airport has been awarded Gold certification from LEED (Leadership in Energy and Environmental Design), the internationally recognized green building certification system. With this move, we will reduce the carbon footprint of our Group headquarters by more than half compared to the current location.

In addition to these activities, however, we see the sustainability transformation of the steel industry above all as an opportunity to further grow our business and improve our margins. Under our Nexigen® umbrella brand, we provide transparent, CO_2-reduced solutions in the categories of materials, processing and logistics, circularity solutions and comprehensive Sustainability Advisory Services for sustainable products and services. In this way, we help our customers build sustainable value chains. We provide transparency for our customers with a rating scale for steel, stainless steel and aluminum products. Categorization on a six-point scale enables customers, on the basis of threshold values, to check and compare carbon emission levels for individual products. The scale is rooted in international, science-based standards and categorizes low-carbon steel according to the certified emissions generated along the entire value chain, from resource extraction to processing. On the basis of this, Klöckner & Co was awarded the prestigious German Sustainability Award 2023. We have already begun helping our customers make progress with decarbonization by successfully delivering further quantities of CO_2-reduced steel products to major industrial customers this year. In the reporting period, we entered into additional partnerships for sourcing quantities of CO_2-reduced steel. A further service for our customers is the option of providing an individual product carbon footprint (PCF) for almost every product in the portfolio. This takes into account all emissions generated by a product, from resource extraction to production and delivery at the customer’s factory, or “cradle to customer entry gate”. The PCF is calculated by the Nexigen® PCF Algorithm, which was developed in-house and is certified to internationally recognized standards. With the introduction of Nexigen® Data Services for the active management of product carbon emissions, we have made a further major step towards decarbonizing the steel and metal industry. 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.

Steel and metal distribution continues to be characterized by large numbers of intermediaries and a lack of transparency, which makes the industry inefficient. Increasing digitalization and automation is therefore a key enabler in enhancing the transparency and efficiency of our supply chains. We are confident that, with our strategy, we can help break down such structures by providing our customers with easy access to complementary products and services in a one-stop shop. The focus here is on the digitalization of the end-to-end process from ordering to delivery to customers. Step-by-step automation of subprocesses is not only a key competitive advantage, it also moves Klöckner & Co further towards maximum core process automation, thus ensuring the scalability of the business model. This facilitates our integration of acquired companies and thus also provides a good foundation for long-term profitability. We have been consistently advancing our digital transformation for some years. A key factor in this accelerated progress is our Kloeckner Assistant, with which we are increasingly automating sales processes. As a result, the average number of manual interventions per order was reduced by more than 15% in the reporting period compared to the prior-year period.

We continue to do our part in eliminating information asymmetries in steel and related industries as far as possible by digitally connecting with other market players in order to increase efficiency for all. The goal here is for Klöckner & Co to provide the entire range of products and services via all sales channels. In addition, we plan to achieve further organic growth in higher value-added business with the goal of reducing earnings volatility and raising profitability. This is expected to additionally boost our efforts to digitalize and automate our business model in order to be more forward-looking, create added value and be less prone to risk. Examples include investing in 3D lasers so that we can continue to provide higher value-added products and services and expand our customer base.

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

Operational opportunities

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

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

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

Kloeckner Assistant, a digital product of kloeckner.i GmbH, is an AI-driven application that can handle all major customer requests. In addition, we are improving day-to-day price calculation by optimizing the software we use to provide price recommendations for sales staff throughout the Group. Our pricing system enables us to provide automatically generated, rational pricing recommendations that reflect individual customer behavior. These improvements in the pricing process allow us to provide data-driven price recommendations for individual products and customer groups. The resulting expansion of digital sales enables us to become even faster and more efficient by further reducing manual order processing effort and generating more data for better, data-driven decision-making. This further increases the scalability of our digital business.

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

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

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

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

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

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

Overall statement on the opportunity situation of the Group

The most significant opportunity for Klöckner & Co is our development into the leading digital one-stop shop for steel, other materials, equipment and processing services in the DACH region and North America, as described above. We see a further major opportunity in additionally becoming the industry pioneer in sustainability and in this way gaining a significant competitive advantage, as this means we can provide customers with the best possible support in their growing need for sustainable solutions to fit their business model. As a result of this and our accelerated transformation, supported by selective acquisitions, we believe that Klöckner & Co is ideally positioned to take advantage of opportunities as they arise. The portfolio optimization in Europe in particular should let us switch the focus more rapidly to less volatile and higher-margin customer relationships by emphasizing higher added value products and, above all, services that result in longer-lasting and more intensive customer loyalty and significantly boost the proportion of contract business.

6. Group forecast

From January 1, 2024, the Group is divided into two operating segments: Kloeckner Metals Americas and Kloeckner Metals Europe. As before, headquarters functions not allocated to a segment are reported separately, together with consolidation adjustments, under “Holding and other group companies.”

Fiscal year 2023 was largely characterized by the ongoing challenging macroeconomic conditions, especially in Europe. Given the declining overall inflationary trend, we expect that economic conditions in the sales markets relevant to us in North America and Europe will gradually return to normal. Against this background, we forecast accelerating demand and considerably increasing shipments compared to fiscal year 2023. We consequently also expect considerably increasing sales compared to the prior year.

Despite the above-mentioned ongoing challenging macroeconomic conditions and steel price corrections in the second half of the year, operating income (EBITDA) of €190 million before material special effects was generated in the 2023 reporting year. Based on the assumption of normalizing economic conditions and the company’s improved operational lineup, we expect a considerable year-on-year increase in EBITDA before material special effects in 2024.

Following the strong and significantly positive cash flow from operating activities of €287 million thanks to consistent net working capital management in the 2023 reporting year, we expect another clearly positive cash flow from operating activities for the current fiscal year 2024, although it is forecast in total to be considerably below the level of the previous year.

	Shipments (Tto)		Sales (€ million)	
Forecast by segment	2023	Forecast 2024	2023	Forecast 2024
Kloeckner Metals Americas	2,522	Considerable increase	3,831	Considerable increase
Kloeckner Metals Europe	1,726	Considerable increase	3,126	Considerable increase
Holding and other group companies	-		-	
Group	**4,248**	**Considerable increase**	**6,957**	**Considerable increase**

	EBITDA before material special effects (€ million)		Cash flow from operating activities (€ million)	
	2023	Forecast 2024	2023	Forecast 2024
Kloeckner Metals Americas	186	Considerable increase	251	Considerable decrease
Kloeckner Metals Europe	21	Considerable increase	42	Considerable increase
Holding and other group companies	– 2		17	
Consolidation	– 15		– 23	
Group	**190**	**Considerable increase**	**287**	**Considerable decrease**

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

Duisburg, March 5, 2024

The Management Board

7. Corporate Governance Statement

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

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

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

Declaration of Conformity 2023 and Application of the German Corporate Governance Code

The Management Board and Supervisory Board of Klöckner & Co SE are required under Section 161 of the German Stock Corporation Act (AktG) to submit an annual declaration stating that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Federal Gazette have been and continue to be complied with, or listing those recommendations that have not been or will not be complied with and, if applicable, the reasons why. In the year under review, the Management Board and Supervisory Board of Klöckner & Co SE once again paid close attention to meeting the recommendations and suggestions of the Code. The last annual Declaration was submitted in December 2023. It is reprinted below and is also available on the Klöckner & Co SE website. All Declarations of Conformity previously submitted are also available on the website.

2023 Joint Declaration of Conformity by the Management Board and the Supervisory Board of Klöckner & Co SE pursuant to Section 161 of the German Stock Corporation Act on the German Corporate Governance Code

Except for the deviation listed below, Klöckner & Co SE had complied with all recommendations of the German Corporate Governance Code in the version of April 28, 2022 (published on June 27, 2022 in the Federal Gazette) since the last Declaration of Conformity dated December 13, 2022 and will comply with those in future:

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

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

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

Duisburg/Germany, December 8, 2023

The Supervisory Board Management Board

APPLICATION OF THE GERMAN CORPORATE GOVERNANCE CODE

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

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

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

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

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

MANAGEMENT BOARD

The Management Board must act in accordance with the interests of the Company and work toward increasing enterprise value on a lasting basis. The Management Board of Klöckner & Co SE bears full responsibility for management of the Group and the Group holding company, taking into account the needs of all stakeholders. In this capacity, the Management Board sets the targets and the strategies for the segments, the holding company and other Group companies and defines the guidelines and principles for the resulting corporate policy. Corporate strategy is developed by the Management Board in consultation with the Supervisory Board. The Management Board discharges its management responsibility as a collegiate body with joint responsibility for management of the Company. Notwithstanding the overall responsibility borne by all Management Board members, the individual members each manage their allotted responsibilities on their own within the framework of the Management Board resolutions. The members of the Management Board keep each other informed with regard to important measures and developments in their responsibilities. The Chairman coordinates the work of the Management Board and, in particular, organizes and chairs the Management Board meetings. Responsibilities of the Management Board include preparing the Company's interim reports and interim management statements, its annual financial statements and consolidated financial statements as well as the combined management report of Klöckner & Co SE and the Klöckner & Co Group. Moreover, the Management Board must ensure that all legal provisions, official regulations and corporate guidelines are adhered to and take steps to ensure that these are also adhered to by the Group companies (compliance). It also ensures an adequate risk management system and risk control; it has additionally set up an internal control system (ICS). The risk management system and the ICS also cover sustainability-related targets.

In the past fiscal year, the Management Board of Klöckner & Co SE comprised initially four and more recently three members, who are appointed and dismissed by the Supervisory Board in accordance with the European Company Regulation, the German Stock Corporation Act and the Articles of Association: Chairman of the Management Board and CEO Guido Kerkhoff (also responsible for the European operating business), Chief Financial Officer (CFO) Dr. Oliver Falk, and John Ganem (responsible for the American business operations). Bernhard Weiß, who until September 30, 2023 was responsible for the EU-Europe Business, left the Management Board by mutual agreement at the end September 30, 2023.

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

In addition to 21 Management Board meetings in the reporting year, numerous coordination meetings between the members of the Management Board and meetings and telephone conferences with the management of the larger country organizations in the segments; nine resolutions were also adopted by written procedure outside of Management Board meetings.

SUPERVISORY BOARD

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

The Supervisory Board of Klöckner & Co SE comprises six members, all of whom represent shareholders and are generally elected by the Annual General Meeting. The Chairman of the Supervisory Board is Prof. Dr. Dieter H. Vogel; his deputy is Dr. Ralph Heck. As with all members of the Supervisory Board, both have extensive experience in managing and/or supervising international corporations and possess the high level of professional expertise required to carry out their duties. Reasonable costs for external training of Supervisory Board members are borne by the Company. The following Supervisory Board members were considered independent within the meaning of Recommendation C.6 of the Code in the reporting year: Dr. Ralph Heck, Prof. Dr. Tobias Kollmann, Uwe Röhrhoff and Ute Wolf. As the sole shareholder of SWOCTEM GmbH, which is a major shareholder in the Company, Prof. Dr. E.h. Friedhelm Loh is not to be considered independent of a controlling shareholder. Solely as a precaution, due to his membership of the Supervisory Board for more than 17 years, Prof. Dr. Dieter H. Vogel is deemed not to be independent of the Company and of the Management Board, although the Supervisory Board does not see any risk of conflicts of interest. In fact, it is in the interest of the Company for Prof. Dr. Dieter H. Vogel to serve on the Company's Supervisory Board even if the 12-year term stated in the Code (see Recommendation C.7 of the Code) is exceeded (see the further information in the Declaration of Conformity). No members of the Supervisory Board are former members of the Company's Management Board.

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

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

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

SUPERVISORY BOARD SELF-ASSESSMENT

Once a year, the Supervisory Board evaluates and reviews the efficiency of its activities in the form of a self-assessment, with a detailed evaluation every two years. The most recent detailed evaluation was carried out in fiscal year 2022. Consequently, a summary evaluation was carried out in the reporting year. This took the form of an open discussion of the efficiency of the Supervisory Board's organization and working methods, which was prepared by the Presidium. The Supervisory Board does not consider any changes to be necessary in the preparation, procedure or agendas of its meetings, or in the manner in which tasks are delegated between the plenary Supervisory Board and its committees. The Supervisory Board considers the division of its work to be well balanced between strategic issues, advisory activities and supervisory duties. The Supervisory Board prepares detailed annual reports for the Annual General Meeting on its work and the main focus of its activities for each reporting year (see also p. 12 et seq.).

SUPERVISORY BOARD COMMITTEES

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

PRESIDIUM

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

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

AUDIT COMMITTEE

The primary task of the Audit Committee is to scrutinize financial reporting, review the accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system, the audits of the financial statements (notably with regard to the pre-selection, engagement and verification of the independence of the auditor, the services additionally rendered by the auditor, issuance of the audit engagement to the auditor, the quality of the audit, the establishment of focal points for the auditor's activities, and fee arrangements), and compliance, as well as to prepare the Supervisory Board review of the Group non-financial report and any dependency report. The Supervisory Board has also entrusted the Audit Committee with discussing the half-year financial Group report and the quarterly statements with the Management Board ahead of publication and preparing the Supervisory Board resolution on approval of the annual and consolidated financial statements. The Audit Committee discusses with the auditor the assessment of audit risk, the audit strategy and planning and the audit results. The Chairwoman of the Audit Committee regularly exchanges information with the auditor regarding the progress of the audit and reports on this to the Audit Committee. The Audit Committee consults regularly with the auditor, without the Management Board's involvement.

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

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

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

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

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

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

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

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

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

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

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

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

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

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

In the opinion of the Supervisory Board, the criteria and objectives set out above as well as the profile of skills and expertise for the entire Supervisory Board are met with the current composition of the Supervisory Board. The members of the Supervisory Board possess the requisite knowledge, skills and professional experience; the Supervisory Board as a whole has the necessary sectoral knowledge. On the basis of a self-evaluation carried out in fiscal year 2022, which consisted of a self-assessment by the individual members of the Supervisory Board and a subsequent evaluation by the Chairman of the Supervisory Board as well as individual discussions between the Chairman of the Supervisory Board and the various members of the Supervisory Board, the implementation status is presented in the form of a matrix, as shown below (see the fifth sentence of Recommendation C.1 of the Code); this qualification matrix was finalized by the Supervisory Board at its meeting in December 2022 and formally adopted at its meeting on March 3, 2023, and confirmed for the reporting year at the meeting on March 5, 2024 in the resolution on this Corporate Governance Statement:

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

Almost all members of the Supervisory Board are or have been in management positions at large or mid-sized international companies, and hold or have held a variety of responsibilities including trading/distribution, auditing of financial statements, accountancy and accounting, controlling, risk management, internal audit and compliance. The Supervisory Board also possesses the expertise recommended by the Code on sustainability issues relevant to the Company. Furthermore, Prof. Dr. Tobias Kollmann is also regarded as an identified digitalization expert. The diversity criterion of internationality has also been met (see page 106). Ute Wolf, as an independent member of the Company's Supervisory Board, meets the requirements of a "financial expert" with expertise in the fields of accounting and auditing (see above).

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

Finally, the Supervisory Board also has an appropriate number of independent members. In the Supervisory Board's assessment, Dr. Ralph Heck, Prof. Dr. Tobias Kollmann, Uwe Röhrhoff and Ute Wolf are currently independent within the meaning of Recommendation C.6 of the Code (see page 97). This corresponds to the number determined by the Supervisory Board (see above under the heading "Profile of skills and expertise/Objectives for the composition of the Supervisory Board/Requirements profile for Supervisory Board members": at least four members are to be independent of the company and its Management Board and at least one member is to be independent of any controlling shareholder). Due to the fact that SWOCTEM GmbH is to be qualified as a controlling shareholder, Prof. Dr. E.h. Friedhelm Loh is not to be considered independent of a controlling shareholder. Solely as a precaution (see above), Prof. Dr. Dieter H. Vogel is considered not to be independent of the Company and of the Management Board within the meaning of Recommendation C.7 of the Code. The Code requirement in this regard that over half of all Supervisory Board members be independent of the Company and of the Management Board is therefore likewise satisfied.

ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS

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

In fiscal year 2022, the Supervisory Board set new targets for the quota of women on the Supervisory Board and the Management Board, to be met until June 30, 2027: 33.33% (i.e., with six members, two members) for the Supervisory Board and 25% (i.e., with currently three members, one member) for the Management Board. The new targets are both to be met until June 30, 2027. The current quota of women is 16.67% on the Supervisory Board and 0% on the Management Board. The Supervisory Board will give priority to the aforementioned target quotas in the next Supervisory Board elections, with the next regular elections due to take place no later than 2026, as well as in the event of any changes or new appointments to the Management Board.

In fiscal year 2022, the Management Board set new targets for the quota of women in the first two management levels below the Management Board: 33.3% for level 1 and 20% for level 2. Both targets are to be met until June 30, 2027. Level 1 generally comprises head of corporate department functions, while level 2 consists of department head functions. As of December 31, 2023, the quota of women was 9% at level 1 and 14% at level 2. The target quotas were therefore not yet met in the 2023 reporting year. However, they were only set in fiscal year 2022 with an implementation period of five years. Despite the fact that the steel industry as a whole is often not very attractive for female candidates, a woman was recruited externally for one of the three appointments at level 2 in 2023. The three vacant positions at level 1 were filled internally, albeit with male talents.

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

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

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

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

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

Gender:
The target for the percentage of women on the Management Board has been introduced in accordance with the Act on Equal Participation of Women and Men in Leadership Positions. The current target is 25% (i.e. with the current three members, one member) (see also the section "ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS" on page 102).

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

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

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

IMPLEMENTATION OF THE DIVERSITY POLICY FOR COMPOSITION OF THE MANAGEMENT BOARD

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

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

OUTCOMES FOR THE MANAGEMENT BOARD IN FISCAL YEAR 2023

In the opinion of the Supervisory Board, the current members of the Management Board ensure an appropriate degree of diversity on the Management Board, in particular through their careers as well as their respective educational and professional backgrounds. With regard to internationality, the Management Board has already had a US citizen among its ranks since 2019 in the person of John Ganem being responsible for the Americas segment, while Guido Kerkhoff has extensive international experience from past positions. In terms of length of service, Management Board members Dr. Oliver Falk and John Ganem have been in office since 2019 and Guido Kerkhoff since 2020. Guido Kerkhoff has relevant sectoral knowledge by virtue of his previous service at thyssenkrupp and was able to thoroughly familiarize himself with the Klöckner & Co Group during the initial transition phase alongside Gisbert Rühl. Dr. Oliver Falk and John Ganem have been with Klöckner and with Group companies, respectively, for decades. They both consequently have profound knowledge both of the industry and of the activities of the Klöckner & Co Group. With regard to age structure, Guido Kerkhoff's assumption of office as CEO and the departure of Gisbert Rühl in fiscal year 2021 reduced the average age on the Management Board. The renewal of Dr. Oliver Falk's appointment by three years until 2025 when he reaches the age of 63 was decided having due regard to the reappointment requirement referred to above. With regard to the quota of women on the Management Board, the current target of 25% is not yet met. This new (and higher) target percentage was nevertheless only set in fiscal year 2022 (with an implementation period of five years, i.e. by June 30, 2027) and there have since been no new appointments to the Management Board. However, the Supervisory Board will take the new target quota into account in connection with future changes in the composition of or appointments to the Management Board.

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

LONG-TERM SUCCESSION PLANNING

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

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

In accordance with the Supervisory Board's Rules of Procedure, its members must, as a general rule, possess the knowledge, skills and professional experience required for the proper execution of their duties. Taking into consideration the interests of the Company, the aspect of diversity also has to be taken into account, with the aim of attaining a Supervisory Board that is as diverse as possible in terms of age and gender as well as educational and professional background. The requirements profile for nomination of a Supervisory Board member is largely driven by which of the above objectives and criteria are to be prioritized in light of the Supervisory Board's composition at the time (see also the section, "PROFILE OF SKILLS AND EXPERTISE/OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD/REQUIREMENTS PROFILE FOR SUPERVISORY BOARD MEMBERS", on page 100). Furthermore, specific characteristics of the Company and its ownership structure must be taken into account where possible.

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

With regard to the participation of women in leadership positions, the Supervisory Board set a new target of 33.33% (i.e. with six members, two members) in fiscal year 2022 (see also above in the section "ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS" on page 102).

IMPLEMENTATION OF THE DIVERSITY POLICY FOR THE SUPERVISORY BOARD

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

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

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

OUTCOMES FOR THE SUPERVISORY BOARD IN FISCAL YEAR 2023

There is currently one female member of the Supervisory Board in the person of Ute Wolf, thus equating to a female quota of 16.6% and meeting the self-selected target for the percentage of women members set in fiscal year 2017 for achievement by June 30, 2022. The new target of 33.33% for the percentage of women on the Supervisory Board is not yet met. However, it was only set in fiscal year 2022 with an implementation period of five years, i.e. by June 30, 2027. The Supervisory Board will take the new target percentage into account in future appointments to the Supervisory Board and also aims to increase diversity on the Supervisory Board in the long term.

With respect to the age structure of the Supervisory Board, Prof. Dr. Dieter H. Vogel exceeds the regular age limit of 75 and has also been a member of the Supervisory Board for over 15 years. However, allowance must be made for the fact that these limits are merely intended as a guide and that there were extensive changes in the composition of the Supervisory Board between 2015 and 2018 and also of the Management Board between 2017 and 2022. In this light, the continuity represented by Prof. Dr. Dieter H. Vogel is to be welcomed. His professional and personal qualifications are beyond any doubt. The same applies to Prof. Dr. E.h. Friedhelm Loh, who has also exceeded the above-mentioned regular age limit. His status as controlling shareholder also has to be taken into account in this connection.

From the point of view of the Supervisory Board, its composition meets the selected diversity targets (subject to the target newly set in fiscal year 2022 for the percentage of women on the Supervisory Board, which, however, does not have to be met until June 30, 2027). In particular, its members present a welcome mix both of industries and of occupational and educational backgrounds, as can be seen from their CVs, which are published on the Company website and updated annually. The diversity criterion of internationality has also been met:
Dr. Ralph Heck is a Belgian national whose permanent residence is in Switzerland, while Uwe Röhrhoff has served and continues to serve in various parts of the world in both professional roles and in offices held. The Supervisory Board has a balanced age structure (ages 53 to 82) and length of service (from approximately three to 17 years, although Uwe Röhrhoff was already a member of the Supervisory Board of Klöckner & Co SE from 2017 to 2018). The Supervisory Board will take the new target quota for the number of female members into account in future decisions on changes to the Supervisory Board and also aims to increase diversity on the Supervisory Board in the long term.

ANNUAL GENERAL MEETING

The shareholders of Klöckner & Co SE exercise their rights, including their voting rights, at the Annual General Meeting. The most recent Annual General Meeting took place in Düsseldorf on May 17, 2023. After the annual general meetings in the years 2020 to 2022 were held as virtual annual general meetings without the physical presence of shareholders due to the COVID-19 pandemic and the associated restrictions, the 2023 Annual General Meeting was once again held in person.

The next Annual General Meeting is scheduled for May 23, 2024. The company currently plans to hold the 2024 Annual General Meeting in person. The Management Board and Supervisory Board have resolved that the shareholders are to receive all support and information in accordance with the law, the Articles of Association and the recommendations and suggestions contained in the Code. Klöckner & Co SE publishes the invitation of the Annual General Meeting together with all requisite reports and documents in German and English on its website. The entire Annual General Meeting will also be broadcast live for our shareholders. The opening of the Annual General Meeting by the Chairman of the Meeting, the Chairman of the Management Board's speech and the report by the Supervisory Board will also be broadcast live online and will subsequently be made available on the company website in recorded form. Possible additional "hybrid" elements are currently still being examined and the relevant developments in the capital market are being closely monitored.

MANAGERS' TRANSACTIONS (PREVIOUSLY: DIRECTORS' DEALINGS)

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

FINANCIAL REPORTING AND AUDIT OF THE FINANCIAL STATEMENTS

Financial reporting by the Klöckner & Co Group is performed in accordance with International Financial Reporting Standards (IFRS). The financial statements of Klöckner & Co SE are prepared in accordance with the German Commercial Code (HGB). For reasons of simplicity and clarity, the management report takes the form of a combined management report covering the annual and consolidated financial statements. By law, the auditor of the annual and consolidated financial statements is elected by the Annual General Meeting. We also ensure adherence to auditor independence stipulations. The auditor and Group auditor appointed by the Annual General Meeting 2023 for fiscal year 2023 is PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. German public auditors (Wirtschaftsprüfer) Antje Schlotter (since 2023, one signature) and Verena Polzer (since 2023, one signature) are the key audit partners. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, has been the auditor of Klöckner & Co SE since fiscal year 2023. The previous auditor was KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (or, until 2009, KPMG Hartkopf + Rentrop Treuhand KG, Wirtschaftsprüfungsgesellschaft, Cologne). The change of auditor for the reporting year was preceded by an invitation to tender for the audit and a selection procedure in accordance with Article 16 (3) of the EU Audit Regulation. Further information on the proposal made to the Annual General Meeting on the election of the auditors of the annual financial statements and consolidated financial statements for fiscal year 2024 will be published together with the invitation of the 2024 Annual General Meeting on our website at www.kloeckner.com.

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

TRANSPARENCY

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

COMPLIANCE

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

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

COMPLIANCE ORGANIZATION

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

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

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

BASIC ELEMENTS OF THE CMS

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

- Prevention
- Detection
- Reporting and reaction

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

PREVENTION

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

"TONE FROM THE TOP" AND "ZERO TOLERANCE POLICY"

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

COMPLIANCE RISK ASSESSMENT

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

COMPLIANCE COMMUNICATION AND COMPLIANCE PLATFORM

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

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

CODE OF CONDUCT, GUIDELINES AND PROCEDURES

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

COMPLIANCE TRAINING

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

BUSINESS PARTNER SCREENING AND MONEY LAUNDERING PREVENTION

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

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

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

MANAGEMENT INTEGRITY SCREENING

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

SUPPLY CHAIN COMPLIANCE

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

CAPITAL MARKET COMPLIANCE

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

DETECTION

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

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

REPORTING AND REACTION

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

The CEO, functionally responsible for the division Compliance, is continually informed of compliance-related matters through Compliance Risk Assessment reporting and the Compliance Audits as well as during monthly compliance meetings.

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

DATA PROTECTION

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

Our data protection management system is therefore subject to a continuous revision and improvement process, which also continued during the reporting year. In Europe-wide audits of our data protection management system, we reviewed the implementation of and compliance with data protection regulations on a risk-oriented basis and also carried out awareness-raising measures with classroom trainings. Additionally, we implemented new data protection management systems in Switzerland and the US to comply with the stricter requirements under local data protection laws. Various customer projects focused on data protection-friendly technology design, for example in the area of sustainability with the Nexigen® Data Services customer platform for the management of carbon emissions. We also reviewed new regulatory requirements in the areas of data governance and artificial intelligence, which complement data protection requirements, and identified and implemented risk-appropriate measures as a result. Finally, we further tightened our privacy policies, notably with regard to transparency. These can be viewed at any time on a dedicated data transparency page on our website (https://www.kloeckner.com/en/group/data-transparency.html).

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


nexigen®
Kloeckner's CO_2-reduced products
and services for greener value chains
kloeckner metals
kloeckner metals

Sustainability reporting

of Klöckner & Co SE

Sustainability reporting 2023 of Klöckner & Co SE — **117**
- Employees action area — **135**
- Responsible Conduct action area — **141**
- Environment action area — **147**
- Digitalization action area — **152**
- Customers action area — **154**
- Independent Auditor's Limited Assurance Report — **162**

Facts 2023

Introduction of

Nexigen® PCF Algorithm

and

Nexigen® Data Services

Calculation and management of product emissions (Product Carbon Footprint)

Lost Time Injury Frequency

5.7

(target value for 2023 of 5.9)

Group-wide electricity consumption from renewable sources

96%

WINNER German Sustainability Award 2023

Winner German Sustainability Award

in the category „Transformation Field Climate“

Reduced Scope 1 & 2 emissions by 52% compared to SBTi baseline year 2019

CO_2 emissions

42 Tto
Scope 1 emissions

2 Tto
Scope 2 emissions („market-based“)

7,165 Tto
Scope 3 emissions

>1,500
children and young people supported through social projects

>19,300
digital learning units completed at the Kloeckner Academy

Klöckner & Co SE sustainability reporting 2023

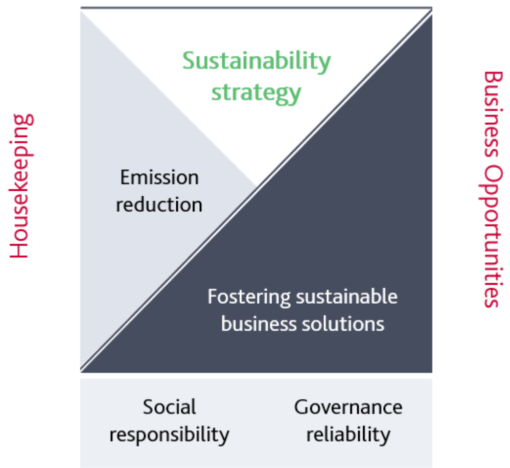
Klöckner & Co is one of the largest producer-independent distributors of steel and metal products worldwide. As we are not tied to any particular steel producer, customers benefit from our centrally coordinated procurement and wide range of national and international sourcing options from around 40 key suppliers across the globe. These include the world's largest steel producers. Responsible conduct plays a central role in relation to our business model and our self-perception as a tradition-rich company. For us, responsibility means aligning all our business activities with good ethics, social responsibility, environmental stewardship and commercial success. This ethos is enshrined on our Group-wide Klöckner & Co values. These ensure that we share a common understanding for our conduct on a day-to-day basis. Sustainability along the steel value chain is an issue of special importance and is a core element of our "Klöckner & Co 2025: Leveraging Strengths" strategy. As a distributor and important link in the value chain, we see it as our duty to continuously improve processes in order to minimize the negative and maximize the positive impacts of our business activities. A key driver in communicating our sustainable transformation both internally and externally is our purpose statement: "We partner with customers and suppliers to deliver innovative metal solutions for a sustainable tomorrow." This guides us in our day-to-day work. It provides direction for our employees and showcases to our customers and business partners what they can count on. In condensed form, it is expressed in our slogan, "Your partner for a sustainable tomorrow."

Our approximately 6,400 employees apply their skills and enthusiasm to meeting our customers' needs. We provide customers with an end-to-end solution from procurement through logistics to processing, including individual delivery and 24-hour service – processes we are increasingly digitalizing and automating. For example, we use a variety of digital tools and applications to enable us to provide our customers and business partners with an even broader spectrum of steel and metal products as well as services. Through our distribution and logistics network with some 150 distribution and service locations in Europe and North America, we serve over 85,000 customers. Concentrated mainly in the construction industry, machinery and mechanical engineering, the transportation industry and other metal transforming companies, our customer base consists primarily of small to medium-sized steel and metal consumers (for more in-depth information about Klöckner & Co's business model, see page 33 of the management report).

Sustainability strategy

We embrace our responsibility for the environment, safety and our community. This commitment must be reflected in all our actions and decisions. Safety standards ensure a working environment that protects our employees. For an authentic presentation of our position as a company, we report transparently on integrity matters in each action area. We demonstrate accountability and commitment to our decisions and actions, and are dedicated to a culture of dealing openly with failures.

We view our dedicated sustainability strategy from an overarching environmental, social and governance (ESG) perspective and purposefully integrate that view. Social responsibility and reliable corporate governance are integral elements here alongside environmental aspects.



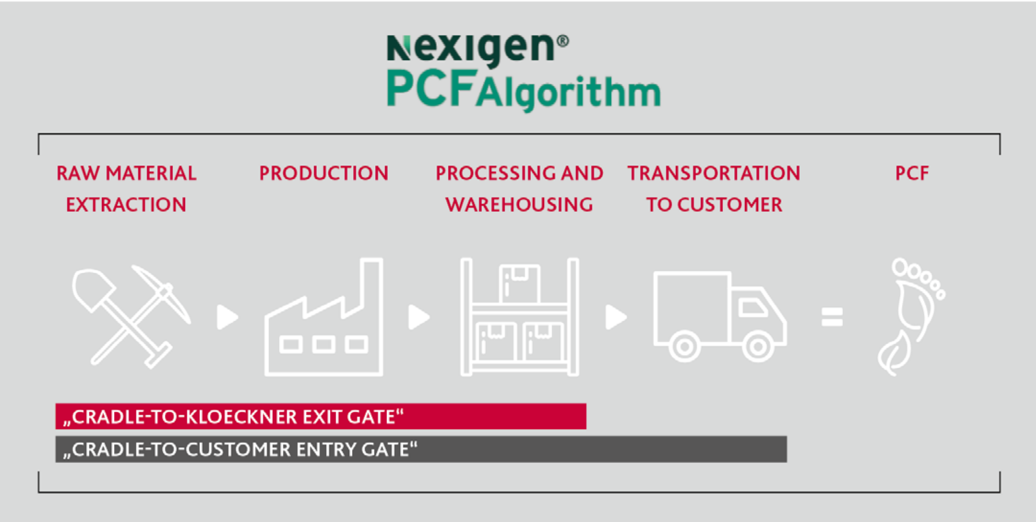
We believe that innovation, technology and new business models will especially enable the steel and metal industry's successful transformation to sustainability. As part of our Group strategy, we are consequently working as a pioneer of a sustainable steel industry to establish innovative business models 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 source CO_2-reduced steel and metal products, while our smart software solutions give them visibility into the carbon footprint of the products they buy. To provide our customers with optimum support in establishing sustainable value chains, we have introduced rating scales for our CO_2-reduced steel, stainless steel and aluminum products. These scales are rooted in international, science-based standards and categorize the CO_2-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing, or cradle to Klöckner exit gate. They serve customers as a guide and a comparison tool for determining the carbon footprint of end products. Through partnerships, we already offer our customers CO_2-reduced steel and metal products today.

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

In addition, we provide customers with an individual Product Carbon Footprint (PCF) for almost every item in our product portfolio. This allows customers to reliably, transparently and easily verify 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, customers have information about the carbon footprint of their materials, thus enabling them to make more sustainable product decisions.



With the introduction of Nexigen® Data Services for the active management of product carbon emissions, we have made a further major step towards decarbonizing the steel and metal industry. 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.

Nexigen®
Data
Services

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 that Klöckner & Co is contributing to drive as an externally acclaimed pioneer of a sustainable steel industry.

WINNER

German Sustainability Award 2023

In addition to the strategic opportunities we see in the sustainable transformation of the steel industry, we are meeting our responsibility to reduce our own emissions and those of our upstream and downstream value chains. Therefore, 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.

Our net zero carbon targets have been recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process. Klöckner & Co has thus committed to reducing Scope 1 and 2 emissions and directly influenceable Scope 3 emissions to net zero by 2040 and emissions in the entire value chain by 2050. Our path to net zero is based on the following science-based medium- and long-term carbon reduction targets:

SCOPE 1	100% 2019	50% 2030	NET ZERO 2040
SCOPE 2	100% 2019	50% 2030	NET ZERO 2040
SCOPE 3 Under direct influence[1]	100% 2019	50% 2030	NET ZERO 2040
SCOPE 3 Not under direct influence[2]	100% 2019	70% 2030	NET ZERO 2050

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

**) Scope 3 emissions not under direct influence: Purchased goods and services (3.1); capital goods (3.2); upstream transportation and distribution (3.4).

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

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

We are committed to reliable governance, for example by creating transparency and demonstrating commitment. Responsibility and sustainable value creation are at the forefront of our business management and control. This enables us to build trust among business partners, employees, investors at home and abroad, and the general public.

Sustainability management

Sustainability Committee determines main pillars of sustainability strategy

As a tradition-rich company, Klöckner & Co considers it its duty to ensure its own future viability by means of long-term, strategic goals. In this process, responsibility for internal and external stakeholders plays an important role that follows from the size and international presence of our business activities. To shape these relationships in the long term and in a responsible manner for the benefit of all, we combine all relevant activities in a Group-wide sustainability management system. The CEO is functionally responsible for the area of sustainability. Responsibility for sustainability management, coordinating all sustainability activities and compiling the Group non-financial report lies with the Corporate Strategic Sustainability Department. The teams established under the internal Sustainability and Human Rights Committee consist of managers from the corporate departments Strategic Sustainability, Investor Relations, Legal & Compliance, Group HR/Communication, Risk Management, Logistics, Procurement and the Group's key sustainability stakeholders. These interdisciplinary and cross-functional teams determine the main pillars of the sustainability strategy and, regarding the implementation of sustainability initiatives, coordinate their activities closely with the respective segments and their departments within the Klöckner & Co SE Group.

Commitment to sustainability and fairness

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

Group non-financial report

This sustainability reporting for 2023 includes the Group non-financial report of Klöckner & Co SE in accordance with Section 315b of the German Commercial Code (HGB), the EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and of the Council and the delegated acts adopted in this respect, as well as the interpretation presented in the section titled "EU Taxonomy" of the Separate Group non-financial report. In the Group non-financial report, we present the non-financial issues of major relevance to our business activities together with the impact of those activities on aspects comprising environmental matters, employee matters, respect for human rights as well as anti-corruption and bribery. This includes the chapters on the areas of action regarding Employees, Responsible Conduct and Environment. In addition, we provide transparent reporting on our broader engagement with regard to sustainability in the chapters on the areas of action Digitalization and Customer Satisfaction. We report on social matters in the social commitment section of the Responsible Conduct chapter. The reporting period for the Group non-financial report is the fiscal year 2023. Unless otherwise specified, the information covers all fully consolidated companies of the Klöckner & Co SE Group. No framework was used in the preparation of the Group non-financial report, as we do not require a framework in order to present the relevant information in a structured and rigorous manner. We base our climate reporting on the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). From the coming 2024 reporting year, we will carry out our non-financial reporting in accordance with the Corporate Social Responsibility Directive (CSRD) on the basis of the European Sustainability Reporting Standards (ESRS).

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was engaged to provide a limited assurance review of our sustainability report, which contains the Group non-financial report, for the period January 1, 2023 to December 31, 2023. With the exception of the cross-references to the Group management report and the consolidated financial statements of Klöckner & Co SE, all cross-references are for informational purposes only. They are not part of the Group non-financial report and are therefore not subject to the limited assurance engagement.

Materiality analysis

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

In preparation for the implementation of the CSRD framework and based on the revisions to the draft guidelines, which are subject to change, we carried out an initial systematic double materiality analysis in the reporting year, taking into account the requirements in ESRS 1 and the Klöckner & Co-specific value chain, and reviewed it internally with the Sustainability Committee.

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

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

The materiality analysis carried out according to the CSR Directive Implementation Act yielded the following six material reporting topics at Klöckner & Co: Occupational health and safety, employee development, antitrust risks, the environmental impact of logistics, digital transformation and customer satisfaction. These topics represent the three obligatory aspects of employee matters (employee development; occupational health and safety), anti-corruption and bribery (antitrust risks) and environment (environmental impact of logistics) according to the HGB. Two material topics – customer satisfaction and digital transformation – go beyond the obligatory aspects and are specific to the Group.

In line with its increased strategic importance for the Group, we additionally address the topic of sustainable business models as well as providing an insight into environmental topics of relevance to our Company in the section on conservation of natural resources. Our sustainability management is aligned with the five action areas of Employees, Responsible Conduct, Environment, Digitalization and Customers. They also form the chapters of this report.

EU Taxonomy

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

The EU Taxonomy requires companies to review and evaluate whether and to what extent their activities fall under the definition of "environmentally sustainable activities." Six environmental objectives have been defined by the EU for this purpose: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems. For the 2023 reporting year, the percentage of taxonomy-eligible and taxonomy-aligned economic activities has to be reported for the two climate objectives as well as, for the first time, the percentage of taxonomy-eligible economic activities for the four new environmental objectives under the Environmental Delegated Act.

Under Article 3 of the Taxonomy Regulation, economic activities are taxonomy-aligned if they meet the following three criteria. An economic activity is considered to be environmentally sustainable if it makes a substantial contribution to at least one of the environmental objectives and do no significant harm with regard to any of the other environmental objectives. Furthermore, an environmentally sustainable economic activity must also meet social criteria referred to as minimum safeguards. These relate to recognized frameworks such as the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

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

Dynamic regulatory environment and limited interpretability

As of yet, there have not been any technical assessment criteria defined for Klöckner & Co SE's sales revenue-generating economic activities. Because of this, an adequate presentation is not possible due to the lack of regulatory coverage of our activities under the EU Taxonomy. This limits the representativeness and interpretability of the figures with regard to taxonomy eligibility and taxonomy alignment of Klöckner & Co's sales. Given the dynamic regulatory development, we expect that activities will be defined for our sales-generating economic activities in the future and that these will allow us to report more comprehensively. We are already aware of the key strategic importance that sustainability has for our business (see page 117 regarding our sustainability strategy). We report on our climate targets and sustainable business solutions in the Environment chapter, starting on page 147.

IDENTIFICATION OF TAXONOMY-ELIGIBLE ACTIVITIES

After identifying the potential main activities based on the product groups and services of Klöckner & Co, we conclude that the following economic activities are initially taxonomy-eligible with regard to the EU environmental objective 1 under the Climate Delegated Act. Klöckner & Co does not generate any sales from taxonomy-eligible activities relevant to the EU environmental objective 2. In addition, we have not identified any separate CAPEX or OPEX that contributes to climate change adaptation.

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

- Activity CCM 8.2 "Data-driven solutions for GHG emissions reductions": According to Annex I of the Climate Delegated Act, this economic activity includes the development or use of ICT solutions that are aimed at collecting, transmitting and storing data, and at its modelling and use where those activities are predominantly aimed at the provision of data and analytics enabling GHG emission reductions. Klöckner & Co's Nexigen® Data Services solution enables customers to actively manage and reduce their carbon emissions. It provides a clear and transparent overview by collating the carbon footprint of all products procured through Klöckner & Co in a single place. Customers also receive concrete suggestions for more environment-friendly alternatives and are shown ways in which they can reduce carbon emissions compared to previous orders.

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

- Activity CCM 6.5 "Transport by motorbikes, passenger cars and commercial vehicles".
- Section CCM 7 "Construction and real estate activities," in particular the activities "Installation, maintenance and repair of energy efficiency equipment" (CCM 7.3), "Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)" (CCM 7.4), "Installation, maintenance and repair of renewable energy technologies" (CCM 7.6) and "Acquisition and ownership of buildings" (CCM 7.7).

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

DERIVATION OF KEY FIGURES

As the EU has not yet specified any activities for the material economic activities of Klöckner & Co SE, the possible scope of taxonomy reporting for our Company is very limited. This results in the small percentages stated in the following with regard to taxonomy eligibility and taxonomy alignment. The share of all taxonomy-eligible economic activities (CCM activities 6.6 and 8.2) in total sales in the fiscal year 2023 amounted to less than 0.1% of the total sales reported in the Annual Report (see Note [7] to the consolidated financial statements). Capital expenditure ("eligible CAPEX") related to assets or processes associated with taxonomy-eligible economic activities was differentiated by asset class. In fiscal year 2023, 11% of Klöckner & Co's capital expenditure was taxonomy-eligible. Total capital expenditure is the sum of the additions disclosed in Note (16) Intangible assets and property, plant and equipment to the consolidated financial statements from (a) additions to intangible assets excluding goodwill, (b) property, plant and equipment, and (c) leases.

In fiscal year 2023, taxonomy-eligible operating expenses amounted to less than 4% of the total EU taxonomy-relevant expenses. Total operating expenses as defined by the EU Taxonomy include maintenance and repair costs, building renovation measures, as well as short-term leasing expenses.

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

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

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

*) As none of the activities are carried out that relate to natural gas or nuclear power (activities 4.26-4.31), no use is made of the special templates introduced in the Complementary Delegated Act as regards economic activities in certain energy sectors.

Risk assessment

No reportable risks

A risk assessment has been conducted for all material issues under the CSR Directive Implementation Act. This investigated whether our business activities or our direct supply chain give rise to material non-financial risks for reportable aspects under Section 315c read in conjunction with Section 289c (3) HGB. The investigation took into account the probability of occurrence and the scale of negative impacts on each aspect. No reportable non-financial risks were identified. Further information on non-financial opportunities and risks that we have identified is provided in the section on risks and opportunities in the management report (page 71).

TCFD Index

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

Core elements	Climate-related disclosures
Governance	
Disclose the organization's governance around climate-related risks and opportunities	As part of its overall responsibility for the Group-wide risk management system, the Management Board bears responsibility for climate-related risks and ensures that the sustainability strategy is implemented. The CEO is functionally responsible for the area of sustainability. The Corporate Strategic Sustainability Department is responsible for sustainability management. In addition, there is an interdisciplinary Sustainability Committee. **Additional information:** ▪ Annual Report 2023 (Risks and opportunities) ▪ Sustainability Reporting 2023 (Sustainability management)

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	Klöckner & Co views the issue of sustainability in the steel industry as a strategic opportunity and has enshrined its sustainable transformation in the Group strategy, "Klöckner & Co 2025: Leveraging Strengths." Klöckner & Co aims to become the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas as well as a pioneer for sustainability in the steel industry. On the way to a sustainable steel industry, we will exploit the strategic opportunities presented by decarbonization. Klöckner & Co works continuously to expand its portfolio of sustainable products and services to further establish its role as a pioneer of a sustainable steel industry. Based on our risk assessment, we do not currently see any significant climate-related risks for Klöckner & Co. In particular, our broad supplier base and decentralized location structure allow us to reduce the impact of physical climate risks. The high volatility of energy prices is regarded as a significant strategic risk. The growing relevance of environmental and sustainability issues, such as carbon pricing, could put additional upward pressure on energy prices in the long term. In response to this challenge, the Group is further rolling out its sustainability concept. This includes initiatives such as tracking and monitoring carbon emissions and actions to optimize the vehicle fleet and energy consumption in general. To reduce environmental risks, we have set ourselves ambitious climate targets. In addition, our transformation relies on advancements and innovations in the upstream supply chain, which accounts for the majority of carbon emissions from the products we sell. We are addressing this risk by already moving today to forge strategic partnerships for the procurement of CO_2-reduced products. **Additional information:** ▪ Sustainability Reporting 2023 (Sustainability strategy) Annual Report 2023 (Risks and opportunities) ▪ Link: https://www.kloeckner.com/en/sustainability/sustainability-strategy.html

Risk management	
Disclose how the organization identifies, assesses and manages climate-related risks	Klöckner & Co integrated the assessment and management of climate-related risks into Group risk management for the first time in 2022. Four risk categories are distinguished in risk identification: Transformation risks, physical risks, regulatory risks and reputation risks. Group risk management is steered by a central risk management function. The Corporate Risk Management Department reviews the risks systematically identified and assessed by risk owners according to risk category and validates their plausibility from the perspective of the Company as a whole. The primary objectives of the risk management system are to identify and assess material risks and, above all, the early detection and active reduction of potential going concern risks. Any significant risks identified are monitored on an ongoing basis in order to prevent, reduce, transfer or limit their potential negative impact or tolerate them, as the case may be. A risk assessment is conducted annually for all material non-financial risks. **Additional information:** ▪ Annual Report 2023 (Risks and opportunities) ▪ Sustainability Reporting 2023 (Risk assessment)

Metrics and targets	
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Current climate metrics consist primarily of the measurement of the carbon footprint from Scope 1, 2 and 3 emissions, as well as the measurement of progress towards our ambitious climate targets. Klöckner & Co is committed to halving its directly controllable Scope 1 and Scope 2 emissions by 2030. With regard to Scope 3 emissions in our direct control, we are likewise going to achieve a 50% reduction by 2030. We look at the entire supply chain – including Scope 3 emissions not in our direct control. We will achieve a 30% reduction of these carbon emissions by as early as 2030 (page 120). In addition, we have set ourselves further ambitious targets as part of the "kloeckner takes action 2040" initiative. Klöckner & Co plans to reduce all directly controllable carbon emissions (Scope 1, Scope 2 and directly controllable Scope 3 emissions) to net zero by 2040. Emissions that we can only control indirectly – primarily from externally sourced steel products – are to be cut to net zero by 2050. These targets have been validated by the Science Based Targets initiative. As reducing carbon emissions is central to the mitigation of climate-related risks, we consider Scope 1, 2 and 3 emissions to be key metrics. To better ensure the achievability of our overarching net zero targets and to underscore their importance, the achievement of emission reduction targets has been integrated into the bonus structure. The targets apply uniformly to the Management Board, the entire first management level below the Group Management Board and executives at levels two and three. **Additional information:** ▪ Sustainability Reporting 2023 (Sustainability management) ▪ URL: https://www.kloeckner.com/en/sustainability/kloeckner-takes-action-2040.html

Sustainable Development Goals

We support the United Nations 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals derived from it. In the context of our business activities, some of the goals and indicators have particular relevance for our economic activities. For these goals, we see special responsibility and opportunities for influence, which vary depending on the goal. We take into account the impact that Klöckner & Co has on the achievement of the goals. We support the goals by continuously improving our business processes and services while reducing the negative and maximizing the positive impacts of our business activities. Our action areas for sustainability are reflective of the high relevance that the pursuit of these specific goals has for us.

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

A safe and healthy working environment

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

As a Group operating globally, we pay special attention to respect for human rights as well as social and ecological aspects in our worldwide supply chains. In order to demand the same from our suppliers, we further supplemented our Supplier Code of Conduct in the past year.

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

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

Klöckner & Co is committed to providing an appreciative and prejudice-free working environment. We leverage different ways of thinking, experiences, perspectives and lifestyles for innovative strength and the Company's long-term success. We want to drive sustainable economic growth through diversity and the efficient use of resources. In terms of equal opportunity, the inclusion of women in specialist and management positions is an important concern for us as well. We have set ourselves the Group-wide goal of increasing the percentage of women in management positions and are committed as a company to the acceptance of diverse lifestyles both in the workplace and in the community.

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

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

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

All of Klöckner & Co's net zero carbon targets have been recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process.

The sustainable strategic orientation of our business makes us pioneers in our industry and means we can actively drive the sustainable transformation of the economy and society. We are committed to reducing the environmental impact of our own business activities and increasingly establishing elements of the circular economy.

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

EMPLOYEES

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

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

This is also reflected in our Klöckner & Co values, which apply equally to all employees. These are the cornerstones of our corporate culture and the foundation of our success. The culture of Klöckner & Co centers on the values of Collaboration, Excellence and Responsibility, which guide us in our conduct at all levels. By "Collaboration" we mean our collective work as a team, which extends far beyond individual departments and country organizations and is characterized by mutual trust and open communication. Under our value of "Excellence", we strive for the best solutions for our customers and aim to create added value. "Responsibility" accompanies us in everything we do, from the safety of our employees to our commitment along the entire value chain to people and the planet. We live these values every day; they shape the way we think and the way we work together in our team and with our customers. At the same time, they provide our employees with guidance for their day-to-day actions.

In the fall of 2023, we once again conducted a Group-wide employee survey. All Group companies participated with the exception of XOM and the French country organization. The participation rate decreased slightly compared to the prior year, from 69% to 67%. The questions that received the most positive responses were whether employees feel they are treated with respect by their immediate supervisor (89%), whether their immediate supervisor safeguards the team's occupational safety at work (86%) and whether everyone knows how they can contribute to the Company's goals (86%). Almost three out of four of our employees (74%) would recommend Klöckner & Co as an employer. Despite the overall positive findings, employees still saw room for improvement in the use of the employee development measures on offer. Since the survey was conducted with site-level granularity, we can take targeted measures in response. The survey findings are being used to implement systematic change management and provide the basis for initiating new HR management measures and developing our culture.

In response to the challenging macroeconomic environment, Klöckner & Co decided in the course of the reporting year to make its European business more resilient. As part of a European efficiency program, it was therefore also decided to reduce the workforce in the European distribution business by approximately 10%.

Employee development

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

Some 47,100 in-house training courses completed

Group-wide, over 47,100 in-house training units were completed in a broad spectrum of areas in the reporting year. The majority of these were in IT security, compliance and future skills development as part of the Kloeckner Academy. In addition, two new courses focusing on sustainability were launched at the Kloeckner Academy in the reporting year, providing an introduction to the basic subject matter and demonstrating how various occupational groups can develop their knowledge in the area of sustainability. Sales training on our Nexigen® solutions and carbon-reduced steel and metal products was also provided for over 1,000 employees in our country organizations. Employees receive feedback on their conduct and performance in up to four reviews each year. Individual wishes and employee development measures are incorporated in target agreements. We attach particular importance to our internal continuing education programs:

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

Klöckner & Co offers career starters and students opportunities throughout the Group to apply and deepen the knowledge acquired in their studies in practice in the form of internships and student trainee placements. Our German activities follow the quality standards of the Handelsblatt Fair Company Initiative – Germany's largest employer initiative – to which Klöckner & Co reaffirms its commitment each year. We also offer a large number of apprenticeships and equivalent programs to provide young people with a career entry point while ensuring that Klöckner & Co is able to secure access to well-qualified young talent. In Germany, apprentices accounted for 3.4% of our entire workforce in the reporting year.

Occupational health and safety

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

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

LTIF reduced to 5.7 in 2023

The Group-wide goal of our occupational safety initiatives and activities is a consistent reduction in occupational accidents as measured by the lost time injury frequency (LTIF). This is defined as the number of accidents/number of hours worked x 1,000,000. We take accidents into account from the first working day lost. Changes in the LTIF are a firm feature of regular Management and Supervisory Board meetings, in which monthly reporting is carried out. The LTIF was reduced from 5.8 in the prior year to 5.7*) in the 2023 reporting year. This means that the Group met its LTIF target for 2023 of less than or equal to 5.9. Against the backdrop of systematically updated targets for the reduction of Group-wide average accident frequency, the target for the coming 2024 reporting year is an LTIF of less than or equal to 5.0.**) Unfortunately, we recorded one fatal accident in the reporting period. We report this with exeptional regret.

*) Including accidents reported up to February 15, 2024.

**) The LTIF applies solely to Klöckner & Co employees. Commuting accidents are not included.

	Group, total			Group, continuing operations*)		
(€ million)	**2023**	2022	Variance	**2023**	2022	Variance
LTIF	5.7	5.8	– 0.1	6.0	6.3	– 0.3

*) In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, Belgium, the Netherlands and the United Kingdom. The Group accepted the offer on February 15, 2024 (see the Annual Report 2023, p. 32).

Within the Group, regular exchange on occupational safety is ensured by a global working group consisting of the relevant managers from our country organizations. It meets at least three times a year and is responsible for monitoring overall activities and coordinating our occupational safety strategy. The working group reports directly to the chief operating officers. It was able to resume its annual in-person meeting in the 2023 reporting year. This took place at the Kloeckner Metals UK site in Thurrock, United Kingdom, and included two days of joint training units on the topics of occupational safety and effective safety culture, as well as specialist exchange between the safety officers of the country organizations.

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

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

Local occupational health and safety officers are present at branch level to raise awareness of employees. This is done, for example, by using training courses and training videos as well as visual management tools such as posters. To mark the International Labor Organization's (ILO) annual World Day for Safety and Health at Work, the Company launched a central “Watch Your Next Step” poster campaign encouraging employees to stay safety-conscious. In addition, the country organizations each coordinate individual measures and campaigns focusing on areas for improvement that they have identified. In the United Kingdom, a major initiative was launched at the Leeds site this year to raise safety awareness among the entire workforce. With the support of an external consultancy, all employees up to top management level were trained throughout the year on how to create and communicate an effective occupational safety culture. The US country organization has a safety program called Top Dog, in which employees receive monthly, quarterly and annual awards for their safety efforts. Employees nominate colleagues for the award at national level as occupational safety pioneers. Since the program was launched in 2022, the number of lost-time accidents has already been reduced by 29%. Our operational processes are also optimized with individual improvements on an ongoing basis. Examples include a series of training videos and a Safety 1st e-learning course that is a firm feature of the onboarding process for new employees.

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

Hybrid working

Hybrid working has become the new standard in many areas at Klöckner & Co. This development prompted us to issue a new Group-wide guideline on hybrid working in 2023. It serves as our future standard for sustainable modern working practices. All employees who wish to make use of mobile working are free to do so where business needs allow it. As a general rule, the recommendation is a maximum of three days per week working from home and at least two working days in the office, including two fixed team presence days per month. The new guideline also has an additional advantage in terms of climate change mitigation. Reducing our employees' commutes makes it possible to reduce carbon emissions.

Fair working conditions

For Klöckner & Co, fair working conditions are the basis for the motivation, and hence productivity, of our employees. We are therefore committed to ensuring a working environment characterized by mutual respect and free from discrimination of any kind. In this way, we aim to create an environment that fosters diversity, motivation and creativity. With our Code of Conduct, we have undertaken the goal to ensure, among other things, that our colleagues, applicants and business partners are met with respect and judged according to their qualifications, skills and performance. We respect diversity of cultural, ethnic and religious backgrounds and are committed to the principle of equality. Detailed rules of conduct for our employees are set out in our Code of Conduct on our website. Resolving critical situations and supporting employees to ensure a constructive and respectful work environment is the responsibility of all functional managers – where necessary in consultation with the Human Rights Office and local and corporate human resources functions. To do justice to its importance, the topic of respectful interaction is a component of the Group-wide compliance training for all employees.

In general, we strive to increase diversity in our workforce as well as to foster creativity and an innovative spirit in the Company with employees of differing cultural backgrounds, lifestyles and values. For us as an international Group, serving our customers day in, day out in numerous countries around the world calls for strong teams with high levels of diversity.

An important goal for Klöckner & Co is the recruitment of women for specialist and management positions. The percentage of women employed at management levels one to three below Management Board level has already been raised from 8% in 2011 to 19% Group-wide in the reporting period. The aim is to further increase their share to 21% by the end of 2024.

The success of our approach to promoting women in managerial positions is demonstrated by the top-ten rankings in the 2015 to 2022 iterations of the "Frauen-Karriere-Index" (Women Career Index), a regular survey conducted by Barbara Lutz Index Management GmbH. In this year's survey, based on objective corporate data for the promotion of women in management positions, Klöckner & Co was singled out as a top ten company for the eighth time to receive the FKi Diversity For Success Award.

To advance diversity management more actively and in all dimensions, Klöckner & Co signed the Charta der Vielfalt, or Diversity Charter, in April 2021. The association that goes by the same name is the largest employer initiative in Germany for the promotion of diversity in companies and institutions. Irrespective of any given site's location in Germany, the voluntary entered commitments are valid throughout the Group. These include fostering a respectful organizational culture, recognizing diversity inside and outside the organization, and implementing the charter in internal and external dialog. Setting an example for diversity and tolerance, Klöckner & Co sponsored Christopher Street Day in Duisburg in the reporting year and founded Kloeckner Pride, an internal network for LGBTQ+ people and their supporters that draws its membership from throughout the Group.

RESPONSIBLE CONDUCT

*The **Responsible Conduct action area** encompasses topics material to the Group non-financial report, namely corporate governance, human rights in the supply chain and antitrust risks, as well as Klöckner & Co's social commitment, which is also reported on within this section.*

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

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

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

- Responsibility and credibility
- Sustainability and safety
- People empowerment

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

Compliance

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

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

Compliance Organization

Compliance management system based on OECD principles

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

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

Prevention

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

Zero tolerance policy

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

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

Compliance risk assessment

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

Code of Conduct, directives and procedural instructions

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

Compliance training

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

As part of the onboarding program, classroom training and e-learning programs familiarize new employees with the content of the Code of Conduct and raise awareness about, for instance, compliance-related issues such as anti-discrimination measures, antitrust law, corruption risks and money laundering risks. We first separate employees into different target groups which then receive training tailored to their specific areas of work. In the reporting period, compliance training was assigned to 6,355[*)] employees, 4,261[*)] of whom were enrolled in the Code of Conduct refresher training, which also included renewing their declaration of commitment to the Code of Conduct and, for Level 1 and 2 management, and additionally confirming that the self-disclosure provided as part of integrity screening continued to apply. Upon starting work for the Group, new employees in certain target groups, especially those who come into contact with officials, customers, suppliers and service providers, must complete basic compliance training in addition to Code of Conduct training. In the reporting period, 679 employees were registered for basic compliance training. In addition, we provided basic compliance refresher training to 310[*)] employees during the reporting period. The focus of this training was on refreshing antitrust rules.

*) Data for the period October 1, 2022 to September 30, 2023.

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

Detection and reporting
Potential compliance violations can be reported anonymously to the CCO. Employees and also third parties can report potential violations of our Code of Conduct on the Company website or by using the in-house compliance platform operated by an external service provider. A free-of-charge telephone hotline is also available 24/7 worldwide. The effectiveness of our CMS is reflected in the figures: We had no serious breach of our guidelines to report this year, and none of our 10[*)] reviews of individual business sites by Internal Audit identified any antitrust risks or corruption or bribery infringements.

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

*) Data for the period October 1, 2022 to September 30, 2023.

Human rights in the supply chain
For us at Klöckner & Co, respect for human rights is a fundamental component of responsible conduct. Meeting our human rights due diligence obligation is one of Klöckner & Co's core values and is firmly anchored in our strategy and our policies. Based on our business model as a link between steel/metal production and consumption, we not only acknowledge our responsibility for human rights in our own business area, but also strive to ensure that those rights are complied with in our global value chain. We expect that our direct business partners likewise commit to respect for human rights, apply corresponding due diligence processes and pass this expectation on to their own suppliers.

As laid down in our Code of Conduct and further elaborated in our Group human rights policy statement, Klöckner & Co does not tolerate any violation of the principles there stated. Alongside observance of laws and human rights, these principles include, in particular, the prohibition of child labor and any form of forced labor, protecting against discrimination, ensuring workforce health and safety, the freedom of association and assembly as well as compliance with the statutory minimum wage and working hours.

In order to clearly convey this expectation to our suppliers, we thoroughly revised our Group-wide Supplier Code of Conduct in 2022, among other things to already take into account the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains. Our Supplier Code of Conduct now has an even stronger focus on the prevention of human rights and environmental risks, and underscores our clear expectation that our suppliers actively identify and assess such risks in their own operations and supply chains, and prevent or minimize them within their sphere of influence.

Revised Supplier Code of Conduct for all core suppliers

Prudent and responsible product procurement is of special importance to Klöckner & Co. For example, a key goal in the procurement process is to ensure that minerals contained in our products are not from conflict states. The Company seeks to ensures compliance with supply chain due diligence requirements for raw materials from conflict-affected and high-risk areas and restricts the use of certain hazardous substances in electrical and electronic equipment. Dual-use goods and related foreign trade stipulations are centrally monitored with systemic checks in the IT systems. Of particular interest in this regard are conflict minerals such as columbite tantalite (coltan), cassiterite, gold, wolframite and derivatives, which include tantalum, tin and tungsten. The annual review of our product portfolio in fiscal year 2023 showed that less than 0.1% of our products possibly contain tantalum, tin or tungsten. We use the Responsible Minerals Initiative's "Conflict Minerals Reporting Template" to systematically track the provenance of conflict minerals for all relevant suppliers if our customers request corresponding proof. We expect our suppliers, together with their subcontractors, to trace conflict minerals at least to where they were smelted and to commit to standard reporting processes. We further expect our suppliers to retain the relevant documentary proof for five years and to submit it to Klöckner & Co upon request. Should a supplier fail to provide proof of origin for conflict minerals, further purchases from that supplier are systematically blocked. The same applies if the supplier does not acknowledge the above principles regarding the source of conflict minerals. In the 2023 reporting year, no suppliers needed to be blocked for failure to provide proof.

Supply Chain Act

The Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains (Supply Chain Act) adopted in July 2021 also affects Klöckner & Co from 2024 onwards. In order to comply with our future due diligence obligations, we carried out a risk analysis and installed a risk management system during the reporting period. We have also established a Human Rights Office in the Corporate Strategic Sustainability Department, which develops measures, trainings and tools to meet human rights and environmental due diligence obligations.

Social commitment

Klöckner & Co's global and economic position gives rise to responsibility not only for our employees, but also toward the regions in which our headquarters and branches are located. We consequently give our commitment to the immediate surroundings of our sites and, in this way, play our part in meeting social challenges.

Our goal is for the financial support we provide to benefit those who really need it. Donation and sponsoring activities are conducted autonomously by our country organizations as they are best placed to judge individual needs in their region. They are provided with a framework in the form of Group-wide procedural instructions through which we ensure that our activities have a common thrust while being tailored to individual market conditions. The focus of our activities is on supporting selected scientific, sports, art and cultural projects along with ongoing promotion of education initiatives and the integration of refugees into our society. In order to avoid conflicts of interest, we do not as a matter of principle donate to political parties, individuals, for-profit organizations or organizations whose goals conflict with our corporate governance principles or could harm our reputation.

The Klöckner & Co holding company has a clear long-term strategy for supporting non-profit projects in Germany: Our aim is to improve educational opportunities long-term for disadvantaged children who live in our immediate vicinity. For over ten years now, we have focused on neighborhood work in the Marxloh area of Duisburg, where a large number of residents have a migrant background. In this area, we work with schools, children's and youth services as well as additional regional partners.

In 2012, we joined forces with the Ruhr Piano Festival Foundation and created a multi-award-winning education project to foster children's musical and artistic development, which was initially launched at two schools. Over 800 children and teenagers from five schools and daycare centers in Duisburg-Marxloh now participate.

Successful partnership with the ReDI School in Duisburg

In the reporting year, Klöckner & Co continued to provide support as the main sponsor of the ReDI School of Digital Integration (ReDI School), a non-profit coding school, as part of the Kids and Youth Program in Duisburg's Marxloh neighborhood. The coding school has developed very positively since the joint inauguration of the Duisburg-Marxloh site in 2019: Compared to the prior year, the number of participating students increased from 500 to 700. The significant growth notwithstanding, the Kids and Youth Program remains focused on promoting job integration, acquiring technical and soft skills, and building media skills.

In our international business, each country sets its own priorities within the framework of our donation policy. In the reporting year, our Swiss country organization placed the focus on vocational training and promotion with involvement in various local initiatives, among other things as a sponsor of the SwissSkills vocational championships to promote young talent in building technology, metal construction and carpentry. In the Kloeckner Cares program, the national country organizations also support regional organizations that address the needs of their communities. The program also enables employees to get involved by volunteering to help those in need.

ENVIRONMENT

*Environmental criteria have a high priority in the Klöckner & Co Group. In the **Environment action area**, we address the sustainable transformation of our products and services and the environmental impacts of logistics, this being where we have a major influence on reducing emissions. This is also a material reporting topic for Klöckner & Co. In this chapter, we also report on activities designed to build an emission-free value chain.*

Environmental impact of logistics

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

Optimizing logistics processes and reducing carbon emissions

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

Through the targeted coordination of suppliers and the receipt of goods at the first level coupled with enhanced inventory management at the second level, we aim to reduce the internal transport between our sites. This is achieved, for example, through optimized inventory allocation and by continually checking our internal network structures in each country organization. By monitoring and reporting relevant KPIs such as transport, warehousing costs and shipments, we can see where networks require adjustment. These measures create synergies in processing and customer deliveries.

Gradual conversion of the vehicle fleet

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

Alongside the already implemented efficiency and digitalization measures, we are also committed to the long-term conversion of our logistics vehicles from internal combustion engines to more sustainable propulsion options and electric mobility. In the reporting year, our US country organization purchased a heavy-duty electric forklift that saves around 80 tons of carbon emissions a year. Our UK country organization has expanded the vehicle fleet from 20 to 33 trucks that run on certified hydro-treated vegetable oil (HVO). Overall, the vehicles offer an approximately 90% reduction in carbon emissions over the entire fuel supply chain ("well to wheel") compared to conventional diesel vehicles. The first fully electric truck was taken into operation at the German country organization in the reporting year. Additional electric trucks are planned in the Group by 2024. With these measures, we are expanding our portfolio of sustainable logistics services.

All net zero carbon targets recognized by the SBTi

Sustainable business models

Our net zero carbon targets were recognized in 2022 by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process. This means that our reduction path is in line with the current state of scientific knowledge and therefore with the Paris Climate Agreement target of limiting global warming to 1.5 °C.

In a further step toward more sustainable business models, we have introduced rating scales for our CO_2-reduced steel, stainless steel and aluminum products. These categories are rooted in international, science-based standards and group 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. In this way, we provide transparency for our customers in the fast-growing and otherwise non-transparent market for CO_2-reduced steel and metal products. By developing these categories, we aim to avoid greenwashing and help our customers chart out clear paths to future carbon reductions. Through partnerships, we already offer our customers CO_2-reduced steel and metal products today.

We have brought together our entire CO_2-reduced product portfolio under the Nexigen® umbrella brand. In this way, we offer our customers transparent, CO_2-reduced solutions in the area of materials, operations and logistics that help them establish sustainable supply chains. Klöckner & Co recorded transactions involving CO_2-reduced steel across almost all main customer segments and various industries in the reporting year.

Our technology-based initiatives enable us to increase transparency on carbon emissions in the supply chain. The Nexigen® PCF Algorithm, which we developed in-house, enables the automated calculation of the Product Carbon Footprint (PCF) for almost all of our 200,000 products using a calculation method that is certified by TÜV SÜD. A web-based technology solution based on this algorithm, our Nexigen® Data Services, ensures high levels of data integrity and transparency on carbon emissions of steel and metal products along the entire value chain and presents the data in a form that can be put to meaningful use. This transparency enables customers to track and manage their carbon emission history. They are enabled to actively select CO_2-reduced products and are automatically shown the reduction potential in order to decarbonize their products. We thus support our customers in the decarbonization of their products by using technology to provide visibility with regard to emissions.

Conservation of natural resources

As part of the “kloeckner takes action 2040” initiative, we as a Group have made reducing emissions from our operations and our supply chain the priority in terms of our environmental impacts. Our Scope 1 and 2 emissions amounted to 44.1 thousand tons of CO_2e in 2023. We have already reduced our Scope 1 and 2 emissions by almost 52% relative to our 2019 baseline. This means we have already achieved our medium-term target – of halving directly controllable Scope 1 and Scope 2 emissions by 2030 – ahead of schedule.

GREENHOUSE GAS EMISSIONS

	Group, total				Group, continuing operations*)			
(in Tt CO_2e)	**2023**	2022	Variance		**2023**	2022	Variance	
Scope 1	42.1	45.3	– 3.2	– 7.1%	37.3	39.5	– 2.2	– 5.5%
Scope 2 („market-based")**)	2.0	7.4	– 5.4	– 72.8%	1.8	7.4	– 5.6	– 75.9%
Scope 3***)	7,165	8,803	– 1,638	– 18.6%	6,316	7,739	– 1,423	– 18.4%
Thereof Scope 3.1	6,798	8,179	– 1,381	– 16.9%	6,001	7,194	– 1,193	– 16.6%

*) In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, Belgium, the Netherlands and the United Kingdom. The Group accepted the offer on February 15, 2024 (see the Annual Report 2023, p. 32).

**) Location-based emissions amounted to 27.5 thousand tons of CO_2e in 2023.

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

An important lever for Klöckner & Co's direct emissions is the use of renewable energy. Many of our sites have already switched to renewable electricity. This means that 96% of our global electricity consumption already came from renewable sources in 2023. In addition to the systems already in place in Austria and Brazil, we also installed new photovoltaic systems in the reporting year at our sites in Thurrock (United Kingdom) and Tulare (USA), thus enabling our country organizations to generate renewable energy themselves on the spot. We plan to bring further photovoltaic systems into operation in 2024.

Even though emissions from employee travel only represent a small portion of total Group emissions, we continue to work on solutions to reduce our carbon emissions in this area as well. We already published an updated travel expense policy in 2021 that generally does not permit domestic flights within Europe and provides for offsetting for all flights longer than 1,500 kilometers. In 2023, we further promoted hybrid working in our Company with a revision of our policy on working from home and in doing so also aims to reduce the emissions caused by commuting. With our company car policy for the German country organizations, we have initiated a transformation process to electrify the fleet and centralize fleet management. More than a third of the fleet in Germany was transitioned from fossil fuels to electric vehicles in the reporting year, and the plans are to complete the switch by 2025. The necessary charging infrastructure has been installed at the German country organizations' operating sites. In addition, Klöckner & Co has offered "job tickets" for employees of German country organizations since 2023. This offer has been taken up by more than 20% of employees, who receive a Company-subsidized discount for the use of public transport. In this way, Klöckner & Co is promoting more sustainable mobility and reductions in emissions from commuting. We also conducted a mobility survey at our German country organizations in the reporting year to ensure that the mobility needs of our employees continue to be taken into account and brought into line with sustainability requirements as part of the transformation process.

Our prime focus is on direct emission reduction and avoidance. To address the remaining emissions, in addition to our reduction measures, we decided to offset all of our Scope 1 and 2 carbon emissions from 2022, although without taking them into account against our reduction targets. With our offsetting activities, we support two climate change mitigation projects in Nepal and Rwanda. Both of these projects are certified to the Gold standard of the Swiss Golden Standard Foundation. Their focus is on renewable energy and energy efficiency. We plan to reduce the use of offsetting measures to a minimum in the coming years.

In the area of energy management – besides the switch to renewable energy – our main focus is on reducing energy consumption through smart control and conversion to new technologies.

	Group, total				Group, continuing operations*)			
Energy consumption in GWh	**2023**	2022	Variance		**2023**	2022	Variance	
Total energy consumption	273.1	271.0	2.1	0.8%	253.1	232.7	20.4	8.8%
Thereof direct energy consumption	179.0	178.3	0.7	0.4%	173.1	155.3	17.9	11.5%
Thereof indirect energy consumption	94.1	92.7	1.5	1.6%	79.9	77.4	2.5	3.3%

*) In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, Belgium, the Netherlands and the United Kingdom. The Group accepted the offer on February 15, 2024 (see the Annual Report 2023, p. 32).

In our active water and waste management, we take care to use resources responsibly and protect the environment, as described in our global SHEQ policy. This also ensures compliance with applicable local regulations and standards. Since we use almost no water in our processing, our water impact is extremely low and essentially results in conventional wastewater. Wastewater is also part of the OHSAS 18001 and ISO 45001 standards, to which the majority of our sites are certified. Our water withdrawals amounted to 121.8 thousand m³ in 2023. We have no operational processes that result in significant water consumption. Our wastewater volume is consequently equal to our water withdrawal volume. As a by-product of our operations, we generated a total of 142.0 thousand tons of waste in the reporting year, of which steel scrap accounted for the largest share at approximately 92%. Because of its importance in the manufacturing of CO_2-reduced products, this scrap is generally sent to recycling. In this way, Klöckner & Co supports the transformation of the steel industry into a circular economy.

	Group, total				Group, continuing operations*)			
Water withdrawal and waste	2023	2022	Variance		2023	2022	Variance	
Water withdrawal in thousand m³	121.8	118.8	3.0	2.5%	101.7	97.2	4.5	4.6%
Waste in thousand t	142.0	144.9	– 2.9	– 2.0%	131.5	123.1	8.4	6.8%
Thereof steel scrap in %	91.7	91.0	0.7	0.8%	92.4	91.3	1.1	1.2%

*) In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, Belgium, the Netherlands and the United Kingdom. The Group accepted the offer on February 15, 2024 (see the Annual Report 2023, p. 32).

DIGITALIZATION

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

Digitalization and automation at Klöckner & Co

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

Besides the systematic digitalization of internal and external processes, an essential component of this digital transformation is a profound cultural shift within the Company. Therefore, our employees need to gradually develop their digital mindset in order to share in our migration to Industry 4.0. All members of the Klöckner & Co SE Management Board are working unitedly to advance our transformation to a one-stop shop for steel, other materials, equipment and processing services in Europe and America. Particular responsibility for implementing the strategy lies with the CEO. He receives regular status and progress updates from the relevant functional managers.

All Group-wide IT and digital capabilities are combined under the umbrella of our digital unit, kloeckner.i. In order to set ourselves apart from the competition even more pronouncedly, we are expanding our digitalization efforts and further automating our internal value chain. We will drive the successful transformation in our markets with results-focused innovation and the development of digital tools. Agility, cross-functional collaboration and employee empowerment are key prerequisites for a successful transformation and better performance. With all our innovative, transformative IT competencies and services united under one roof, our operating units will benefit from more streamlined collaboration and faster development, time to launch and integration of feedback.

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

Innovative skills for all staff

To ensure that all employees embrace and see themselves as part of the changes, we have prepared a broad range of measures offering everyone the opportunity to acquire digital know-how at their own speed. Employees have access to job-specific, in-house training and language courses via our Group-wide Kloeckner Academy in order to selectively broaden their digital skills. This provides numerous online courses for users covering a wide variety of digital skills, professional development and sustainability knowledge. In addition, all courses are centrally available on the user-friendly Talentsoft learning platform. In total, our employees have already successfully completed over 19,300 courses and training units.

Another key driver of our cultural change is in-depth internal communication to highlight for employees the need for digital transformation and to enable them to find their way around altered structures and working practices. For this purpose, our employees use the hierarchy-free Viva Engage collaboration software to exchange ideas, hold discussions and as a valuable information resource. The CEO invites all employees to engage in an open dialog on Viva Engage and uses the tool in addition to the regular insight talks as a communication channel to hold discussions on topics such as the progress of our digital transformation. All employees are able to use Microsoft Office 365 applications via the cutting-edge intranet. The SharePoint environment also includes the Kloeckner Academy and the employee magazine, INSIDE.

CUSTOMERS

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

Customer satisfaction

As an international steel and metal distributor, we aim to offer customers the highest quality and optimum service. Reliable service strengthens our position as the connecting link between customers and suppliers on a lasting basis. High product quality, an extensive range of services and our digital solutions make us a reliable partner to customers from all industries. We aim to make precisely the products our customers need available to them when they need them. As a result, the country organizations have full responsibility for ensuring customer satisfaction. The country organizations work on customer satisfaction continuously through their close customer relationships, collaboration and surveys.

Kloeckner Assistant automates the sales process

That is why we always conceptualize products and services, sales channels and innovations as well as the development of digital tools and applications from the customer's perspective. Applications such as Kloeckner Assistant automate large parts of the administrative sales process. The AI-driven application was further integrated into the organization during the reporting year and is now in action in five Klöckner & Co country organizations with the ability to automatically read and process PDF files and text messages. As a result, the average number of manual interventions per digital order was reduced significantly compared to the prior year. The number of automated quotations was also significantly increased in the same period. This has brought Klöckner & Co substantially closer to its "zero touch" vision of adding value with minimal manual effort. Kloeckner Assistant is an important tool in automated quotation and order processing, and our customers benefit from more rapid fulfillment of their orders. In addition, the reporting year saw the market launch of the two digital sustainability solutions Nexigen® PCF Algorithm and Nexigen® Data Services. With these solutions, Klöckner & Co is responding to the changing needs of our customers for greater transparency on the carbon footprint of their products.

Using various agile working methods from the start-up world, we keep product development moving forward and on target. We conduct results-driven interviews with customers and use new insight methods such as mapping customer journeys. These involve visualizing the customer experience, from initial contact with the product through the entire use process to long-term product adoption. The resulting insights help us fine-tune our products, tools and services. On this basis, we first develop what is referred to as a “minimum viable product” – one that initially meets just the most basic requirements. We also apply the Lean Startup approach in a variety of in-house projects. As this involves meeting only the most important requirements in the initial stage, we plan to use this approach to develop significantly more rapidly. Improvements can then be added progressively later on.

Our digital unit, kloeckner.i, maintains regular contact with customers to obtain information on their requirements of the digital product portfolio and their level of satisfaction with it, and to develop it in line with their needs. In 2023, kloeckner.i continued the ongoing work of improving the range of digital product offerings and enhancing their ease of use. During the reporting year, the user interface of our e-commerce portal was improved with regard to the search function to show customers more relevant products on the basis of sales frequency and purchase history. The structure of the online product catalog has also been revised to make it easier for customers to find the products that are relevant to them.

Customer surveys

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

Trend in customer satisfaction

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

	2023	2022	2021
Kloeckner Metals Germany	1.90	1.96	1.84
Kloeckner Metals Austria	1.66	1.66	2.05

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

Overview EU Taxonomy Sales 2023

Financial year N	Year			Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)
		(TEUR)	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-Eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-						
Of which Enabling		-	-						
Of which Transitional		-	-						
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	-						
A. Turnover of Taxonomy eligible activities (A.1+A.2)		-	-						
B. Taxonomy-Non-Eligible Activities									
Turnover of Taxonomy-non-eligible activities		7,742,213.00	100.00						
Total (A + B)		**7,742,213.00**	**100.00**						

	DNSH criteria („Do Not Significant Harm")									
	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
								-		
								-	E	
								-		T
								-		
								-		

Overview EU Taxonomy CAPEX 2023

Financial year N	Year			Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	CAPEX (3)	Proportion of CAPEX, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)
		(TEUR)	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-Eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-						
Of which Enabling		-	-						
Of which Transitional		-	-						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	3,261.50	0.99	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Freight transport services by road	CCM 6.6.	11,745.10	3.57	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	361.97	0.11	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	578.10	0.18	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.6.	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7.	17,493.05	5.32	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Data-driven solutions for GHG emissions reductions	CCM 8.2.	2,802.22	0.85	EL	N/EL	N/EL	N/EL	N/EL	N/EL
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		36,241.93	11.02	11.02					
A. CAPEX of Taxonomy eligible activities (A.1+A.2)		36,241.93	11.02	11.02					
B. Taxonomy-Non-Eligible Activities									
CAPEX of Taxonomy-non-eligible activities(B)		292,778.52	88.98						
Total (A + B)		**329,020.45**	**100.00**						

	DNSH criteria („Do Not Significant Harm“)									
	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) CAPEX, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
								-		
								-	E	
								-		T
								1.09		
								19.17		
								0.51		
								-		
								0.09		
								4.11		
								-		
								24.97		
								24.97		

Overview EU Taxonomy OPEX 2023

Financial year N		Year		Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	OPEX (3)	Proportion of OPEX, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)
		(TEUR)	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-Eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-						
Of which Enabling		-	-						
Of which Transitional		-	-						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	1,156.19	1.77	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Freight transport services by road	CCM 6.6.	1,196.01	1.83	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Data-driven solutions for GHG emissions reductions	CCM 8.2.	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,352.20	3.59	3.59	-	-	-	-	-
A. OPEX of Taxonomy eligible activities (A.1+A.2)		2,352.20	3.59	3.59	-	-	-	-	-
B. Taxonomy-Non-Eligible Activities									
OPEX of Taxonomy-non-eligible activities(B)		63,144.73	96.41						
Total (A + B)		**65,496.93**	**100.00**						

DNSH criteria („Do Not Significant Harm")									
Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) OPEX, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
							-		
							-	E	
							-		T
							0.65		
							2.95		
							0.16		
							-		
							-		
							3.76		
							3.76		

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting*)

To Klöckner & Co SE, Duisburg, Germany

We have performed a limited assurance engagement on the separate non-financial group report of Klöckner & Co SE, Duisburg, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Separate Non-financial Group Report").

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

Responsibility of the Executive Directors

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

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

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

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

Audit Firm's Independence and Quality Management
We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

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

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

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

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

- Gain an understanding of the structure of the Company's sustainability organization and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- Inquiries on the relevance of climate-risks
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- Performance of audit procedures at site level to assess selected disclosures
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Separate Non-financial Group Report

- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Separate Non-financial Group Report
- Evaluation of CO_2 compensation certificates exclusively with regard to their existence, but not with regard to their impact

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

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section “EU Taxonomy “ of the Separate Non-financial Group Report. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Restriction of Use

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

Düsseldorf, March 5, 2024

PricewaterhouseCoopers GmbH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Nicolette Behncke
WIRTSCHAFTSPRÜFERIN (GERMAN PUBLIC AUDITOR)

ppa. Moritz von Oppenkowski

Remuneration report

of Klöckner & Co SE

1. Remuneration report 168
1.1 Review of the fiscal year 2023 168
1.2 Management Board remuneration 169
1.3 Supervisory Board remuneration 194

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

1. Remuneration Report

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

1.1 Review of fiscal year 2023

The Group's business performance in fiscal year 2023 was mainly influenced by the macroeconomic effects of interest rate rises and more restrictive monetary policy imposed by central banks in response to high inflation rates. In Europe, energy and commodity prices that continue to be structurally higher than in the USA had an additional negative impact on the general economic environment and on energy-intensive industries in particular. After rising at the beginning of the year, steel and metal prices corrected significantly during the year due to sluggish steel market demand. This negatively impacted Group operating income in the second half-year. The resulting inventory write-downs led overall to a decrease in gross profit for fiscal year 2023 compared to the prior year, although it was possible to achieve a slight improvement in the gross profit margin. The negative effects of this were mitigated by consequent net working capital management. Towards the end of the year, prices stabilized again and those in the USA increased significantly.

For further information on the business development of Klöckner & Co in the reporting year, please refer to the Management Report for fiscal year 2023.

1.2 Management Board remuneration

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

Annual General Meeting vote on the Remuneration Report 2022; appraisal
The Company's Remuneration Report for fiscal year 2022 in accordance with Section 162 of the German Stock Corporation Act (AktG) was approved at the Annual General Meeting of the Company on May 17, 2023 with a majority of 91.65% of valid votes cast. Despite the encouraging voting outcome on the remuneration reports, the Supervisory Board continues to address both the 2021 Remuneration System and continuous improvement of the remuneration report. The Supervisory Board constantly monitors developments and trends in the market and annually reviews options for further developing the Management Board remuneration system. It conducted the last such review at its meeting in December 2023 and, following more in-depth discussion at its March meeting, plans to submit any changes to the remuneration system to shareholders for approval at the 2024 Annual General Meeting.

Remuneration systems
For a better understanding and transparency, the main features of the current 2021 Remuneration System are once again presented in the following.

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

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

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

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

- **Retirement provisions:** For retirement provision, each member of the Management Board receives an annual amount not exceeding 40% of the applicable fixed salary (gross), paid in twelve equal monthly installments at the end of each month in compliance with tax and social insurance stipulations (effectively as cash compensation for retirement provision). Should a member of the Management Board wish instead to receive retirement provision in the same amount in the form of payments by the Company into a reinsured pension fund, the Company may accommodate this by making such payment; if desired, also in advance at the beginning of the year.
- **Ancillary benefits:** The contractual ancillary benefits primarily include customary additional benefits such as insurance premiums (such as occupational and non-occupational accident insurance, liability insurance, industrial criminal legal expenses insurance and general legal expenses insurance) as well as the provision of communication devices and a company car for business and private use (potentially including driver in the case of the CEO). Ancillary benefits can vary in value from year to year for person- and occasion-related reasons but are limited to a maximum of 10% of the fixed salary. The ancillary benefits and hence the 10% limit do not apply to the reimbursement of expenses to which Management Board members are entitled by law, or to inclusion in D&O insurance in the interests of the Company, although Management Board members must bear the deductible required under the German Stock Corporation Act.

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

- **Target bonus:** The basis for determining the amount of the annual bonus is its target amount (target bonus). This is the bonus to which a member of the Management Board is entitled under his or her contract at 100% achievement of the specified targets. According to the degree of over- or underachievement of the specified annual targets, the annual bonus increases or decreases on a target achievement curve specified when setting the targets. If annual targets are exceeded, the bonus may therefore exceed the target bonus. However, it may not exceed 200% of the target bonus (cap). There is no guaranteed minimum target achievement; in the worst case scenario, therefore, there may be no payout at all. If a member of the Management Board is appointed or leaves partway through a year, the bonus is paid pro rata temporis.
- **Personal investment component:** Beyond the annual target achievement, the bonus also has the purpose of providing incentives for long-term and sustainable growth in the value of the Company. By including long-term target factors, the targets to be set annually are intended to promote the strategic and sustainable development of Klöckner & Co (see below under "Targets and target remuneration (target amount for direct remuneration; target total remuneration)"). In addition, the members of the Management Board must use the majority of the bonus amount after statutory tax and social insurance deductions to purchase shares in the Company and hold them on a long-term basis. To ensure that the personal investment component exceeds the remaining cash component, Management Board members are required to purchase such shares for a flat 30% of their gross annual bonus. Assuming a 50% tax and social insurance burden, 60% of the annual net bonus is consequently converted into the personal investment component. The personal investment component may increase or decrease relative to the cash component depending on the individual tax and social insurance burden but should always exceed the net amount of the cash component after statutory tax and social insurance deductions. The shares are normally purchased on the first stock market trading day of the month following payout of the cash component. Shares purchased as part of the personal investment component are subject to a four-year lock-up period. Once this lock-up period expires, Management Board members are free to sell or

continue to hold the shares. The personal investment makes the multi-year performance of the Klöckner & Co share price a key determining factor of the variable Management Board remuneration.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A more detailed description of the 2021 Remuneration System, including, among other things, the scope for deviations from its stipulations and provisions for termination-related benefits, is available on the Company's website at https://www.kloeckner.com/en/group/management-board/management-board-remuneration.html.

SCOPE OF THE NEW 2021 REMUNERATION SYSTEM (GRANDFATHERING FOR EXISTING SERVICE CONTRACTS) 2016 REMUNERATION SYSTEM

In accordance with the transitional provisions under ARUG II and the Code, the scope of the new 2021 Remuneration System is limited to contracts entered into subsequent to its adoption (see Section 26j (1) of the Introductory Act to the Stock Corporation Act (EGAktG) read in conjunction with Section 87a (2) of the German Stock Corporation Act; rationale with regard to Section G of the Code in the version of December 16, 2019). The previous remuneration system for members of the Management Board of Klöckner & Co SE therefore applied until August 31, 2023 to the contract with Guido Kerkhoff that was already in place on May 12, 2021 (2016 Remuneration System – see below).

However, the contract entered into with Guido Kerkhoff in fiscal year 2020, amended at the beginning of 2021 and extended in September 2022 effective September 1, 2023, already took into account the revised version of the Code in 2020 and complies both with that version as well as with the current Code; it also takes into account and complies with the requirements of the new 2021 Remuneration System. This applies both to the contract as it stood from September 2023 following the contract extension and the original contract entered into in 2020 (even though the new 2021 Remuneration System did not yet apply when the original contract was signed).

In view of this, the 2016 Remuneration System is not presented in this Remuneration Report 2023. For a summary presentation of the 2016 Remuneration System, please see the Remuneration Report 2022 (https://www.kloeckner.com/dam/kco/files/en/publications/2023/Kloeckner_Co_Annual_Report_2022.pdf); a more detailed description of the 2016 Remuneration System is contained in the Company's past annual reports (most recently in the Annual Report 2020 from page 106 onwards, available on the Company's website at https://www.kloeckner.com/en/investors/publications.html).

Consideration of a resolution under Section 120a (4) of the German Stock Corporation Act
On May 17, 2023, the Annual General Meeting of the Company approved the Remuneration Report 2022 with a majority of 91.65% of valid votes cast. No points of criticism or critical questions were raised with regard to the Remuneration Report 2022. In light of this, the Supervisory Board sees no fundamental need to change the nature and scope of reporting with regard to Management Board remuneration. It nevertheless continues to address both the remuneration system and continuous improvement of the remuneration report (see above, under "Annual General Meeting vote on the Remuneration Report 2022; appraisal").

Remuneration in fiscal year 2023

CURRENT MEMBERS/MEMBERS IN OFFICE IN FISCAL YEAR 2023

a) Description of the remuneration structure

The remuneration structure in the reporting year for members of the Management Board in office in the reporting year is outlined in the following. All existing Management Board contracts have been in line with the 2021 Remuneration System since August 1, 2022 and were therefore in conformity with it throughout the reporting year (even though, due to grandfathering, that system did not apply to the contract with Guido Kerkhoff until September 1, 2023 – see above). The amounts stated below correspond to the contractually agreed annual remuneration; in the event of appointment to or departure from the Management Board during the year, they are therefore reduced pro rata temporis.

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

- Guido Kerkhoff (CEO since May 13, 2021): €983,333 (2022 €930,000),
- Dr. Oliver Falk: €465,000 (2022: €438,750),
- John Ganem: €465,000 (2022: €438,750),
- Bernhard Weiß (member of the Management Board since June 1, 2021): €420,000 (2022: €406,000).

Target bonus: The variable annual bonus as target bonus at 100% target achievement (maximum possible target achievement 200%) for the full reporting year was as follows (pro rata temporis in the case of Management Board members joining/leaving in the course of the year):

- Guido Kerkhoff (CEO): €1,460,000 (2022: €1,380,000),
- Dr. Oliver Falk: €690,000 (2022: €637,500),
- John Ganem: €690,000 (2022: €637,500),
- Bernhard Weiß: €600,000 (2022: €580,000).

The above fixed salary and target bonus figures for the reporting year take into account for Guido Kerkhoff the salary adjustment partway through the year, effective September 1, 2023, upon his reappointment (fixed salary increased from €930,000 to €1,090,000 per year and target bonus from €1,380,000 to €1,620,000 per year).

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

Target amount for direct remuneration: The annual target amount for direct remuneration (fixed salary plus bonus at 100% target achievement) for the full reporting year was as follows (pro rata temporis in the case of Management Board members joining/leaving in the course of the year):

- Guido Kerkhoff (CEO): €2,443,333 (2022: €2,310,000),
- Dr. Oliver Falk: €1,155,000 (2022: €1,076,250),
- John Ganem: €1,155,000 (2022: €1,076,250),
- Bernhard Weiß: €1,020,000 (2022: €986,000).

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

- 60% of the annual bonus (30% of the gross annual bonus)
- Four-year lock-up period

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

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

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

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

Retirement provision: The members of the Management Board receive a fixed annual amount as cash compensation for retirement provision (pro rata temporis in the case of Management Board members joining/leaving in the course of the year) that they must use for private retirement provision(defined-contribution pension plan); alternatively, a member of the Management Board may wish instead to receive retirement provision in the same amount in the form of payments by the Company into a reinsured pension (such payments are generally made in advance at the beginning of the year). These amounts are as follows for each member of the Management Board.

- Guido Kerkhoff (CEO): €366,667
- Dr. Oliver Falk: €175,000
- John Ganem: US dollar equivalent of €175,000
- Bernhard Weiß: €100,000

Retirement provision for Dr. Oliver Falk and John Ganem switched over in its entirety to the above system on the entry into force of their contract extensions as of August 1, 2022. Irrespective of this, any obligations in connection with pension benefits granted and earned in the past generally continue to apply. In the case of Essener Verband benefit plans this, for example, relates to any costs necessary for benefit entitlement such as service cost or increases in accordance with the applicable articles of association.

For John Ganem, the US subsidiary also made top-up payments into a defined-contribution plan as part of local retirement provision for upper management.

The above retirement provision figures for Guido Kerkhoff take into account the salary adjustment partway through the year, effective September 1, 2023, upon his reappointment (cash compensation for Company retirement provision increased from €350,000 to €400,000 per year).

b) 2023 targets and target achievement

The targets determined for variable remuneration in the reporting year, and the amounts earned in the reporting year (2023 annual bonus) applying the performance criteria previously specified by the Supervisory Board to the figures in the 2023 annual financial statements, are set out in the following description and subsequent tables. The agreed targets relate to the figures for the entire Group before IFRS 5 adjustments. For further details, please refer to our explanations in section 2.4 of the management report.

As in past years, the Supervisory Board set targets for variable remuneration for fiscal year 2023, among other things as financial targets on the basis of Group budget figures including EBITDA before material special effects and operating cash flow, once again placing a special focus for fiscal year 2023 on EBITDA as the primary management metric for corporate performance. These financial targets account for a total notional proportion of 80%: 50% for EBITDA and 30% for operating cash flow. The achievement and implementation of non-financial targets (digitalization and automation, reduction of CO_2e emissions, leadership and employee satisfaction, and occupational safety) are factored into the bonus calculation in fiscal year 2023 at a weighting of 20%. For the reporting year, the targets and their weighting were set uniformly for all Management Board members

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

- EBITDA before material special effects (50%); EBITDA is earnings before interest, taxes, depreciation and amortization and impairments and impairment reversals on intangible assets and property, plant and equipment; material special effects include, for example, major restructuring programs, significant non-operating effects and prior-period effects.
- Cash flow, i.e. cash flow from operating activities (operating cash flow) (30%)
- Strategy/digitalization (5%)
  - Share of digital orders (1.5%), defined as the number of orders received via digital channels as a percentage of the total number of orders ("digital orders")
  - Share of digital quotes (1.5%), defined as the number of quotes generated digitally as a percentage of the total number of quotes("digital quotes")
  - Digital sales process efficiency (2%), defined as the number of manual corrections to orders received via digital channels as a percentage of the total number of digital orders ("average number of changes to all online orders")

- Sustainability/reduction in CO_2e emissions (5%), measured as the reduction in Scope 1 and 2 emissions (in accordance with the Greenhouse Gas Protocol; the targets are based on the 1.5-degree decarbonization path in line with the Klöckner & Co Group's net zero carbon targets recognized as science-based targets by the Science Based Targets initiative [SBTi])
- Sustainability/leadership and employee satisfaction (5%), measured on the basis of the results of the annual employee survey, put to the entire workforce comprising a rating scale of 1 (not at all applicable) to 5 (fully applicable) with the following questions included in the analysis:
  (1) I am confident that Klöckner & Co SE Management Board (Guido Kerkhoff, Dr. Oliver Falk, John Ganem and Bernhard Weiß) is steering the company in the right direction.
  (2) I know the strategy "Klöckner & Co 2025: Leveraging Strengths" with its elements Customer Growth, Digitalization & Value Chain Automation, Operational Excellence and Leveraging Assets & Partner Network. And I know the meaning of that strategy for the organization I am working for.
  (3) I like working here.
  (4) I would recommend the Company as a good employer.
- Sustainability/accident rate (5%), measured by the number of lost-time injury per million hours worked in the Company (the "LTIF" rate)

Calculation of target achievement for the individual targets:

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

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

- EBITDA before material special effects:
  - Target (100%): €293.1 million
  - 0% value: €0
  - 200% value: €586.3 million

The target value was derived from the Group budget for fiscal year 2023, increased by the expected effects of the acquisition of National Material of Mexico pro rata temporis from the closing of the transaction on August 1, 2023. The 0% value was set at €0, resulting in a 200% value of €586.3 million.

- Cash flow from operating activities (operating cash flow):
  - Target (100%): €336.5 million
  - 0% value: €0
  - 200% value: €673.1 million

The target value was derived from the Group budget for fiscal year 2023, increased by the expected effects of the acquisition of National Material of Mexico pro rata temporis from the closing of the transaction on August 1, 2023. The 0% value was set at €0, resulting in a 200% value of €673.1 million.

- Strategy/digitalization:
  – Share of digital orders:
  - Target (100%): 48.8%
  - 0% value: 45.2%
  - 200% value: 52.4%

The target value was derived from the Group planning for fiscal year 2023. The 0% value of 45.2% was based on the figure from the most recent available quarterly financial statements when the targets were set (Q3 2022); the 200% value of 52.4% was then determined arithmetically.

- Share of digital quotes:
  - Target (100%): 16.1%
  - 0% value: 5.6%
  - 200% value: 26.6%

The target value was derived from the Group planning for fiscal year 2023. The 0% value of 16.1% was based on the figure from the most recent available quarterly financial statements when the targets were set (Q3 2022); the 200% value of 26.6% was then determined arithmetically.

- Digital sales process efficiency:
  - Target (100%): 2.67
  - 0% value: 4.01
  - 200% value: 1.34

The target value was derived from the Group planning for 2023. The 200% value was set at half of the 100% target level (rounded); the 0% value of 4.01 was then determined arithmetically.

- Sustainability
  - Reduction in CO_2e emissions:
    - Target (100%): 19.0%
    - 0% value: 0%
    - 200% value: 38.0%

The target value was derived from the long-term CO_2e emission reduction roadmap. The 0% value was set at 0% as the reduction is measured as a percentage change from the emission level for the 2019 base year (91.9 kt CO_2e, in accordance with the Greenhouse Gas Protocol; the targets are based on the 1.5-degree decarbonization path in line with the Klöckner & Co Group's net zero carbon targets recognized as science-based targets by the Science Based Targets initiative [SBTi]); the 200% value of 38% was then determined arithmetically. The calculation of target achievement is based on the figures of the non-financial reporting.

- Employee satisfaction:
  - Target (100%): 4.0
  - 0% value: 3.1
  - 200% value: 4.9

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

- Accident rate:
  - Target (100%): 5.9
  - 0% value: 8.85
  - 200% value: 2.95

The target value was derived from the long-term accident rate reduction roadmap. The 200% value was set at half of the 100% target level; the 0% value of 8.85 was then determined arithmetically. The calculation of target achievement is based on the figures of the non-financial reporting.

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

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

Example: EBITDA before material special effects

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

$$\frac{€187.3\ million}{€293.1\ million} = 63.9\%$$

The target achievement level for the targets share of digital orders, share of digital quotes, digital sales process efficiency, employee satisfaction and accident rate is based on the following calculation:

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

Example: Share of digital orders

$$Target\ achievement\ in\ \% = 1 - \frac{(48.7 - 48.8)}{(45.2 - 48.8)} = \ 96.9\%$$

Calculation of total target achievement:

The agreed targets relate to the figures for the entire Group before IFRS 5 adjustments. Total target achievement is then calculated as the sum total of the individual target achievement levels weighted by their respective notional proportion of the total. The maximum total bonus achievable for 2023 (cap) is 200% of the individual target bonus. The floor is 0%.

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

Target indicator	Target[1)]			Notional proportion
Target achievement	0%	100%	200%	
Financial targets				
EBITDA before special effects	€0 million	€293.1 million	€586.3 million	50%
Operating cash flow	€0 million	€336.5 million	€673.1 million	30%
Non-financial targets				
Digitalization: Share of digital orders in percent	45.2%	48.8%	52.4%	1.5%
Digitalization: Share of digital quotes in percent	5.6%	16.1%	26.6%	1.5%
Digitalization: Sales process efficiency	4.01	2.67	1.34	2.0%
Reduction of CO_2e emissions	0.0%	– 19.0%	– 38.0%	5.0%
Employee satisfaction/Leadership	3.1	4.0	4.9	5.0%
Occupational safety: Lost-time accidents (LTIF rate group)	8.85	5.90	2.95	5.0%

1) The agreed targets relate to the figures for the entire Group before IFRS 5 adjustments.

The resulting target achievement was as follows for the targets in fiscal year 2023:

Criterion and target	Proportional target achievement[1)]				
(€ thousand)	Target[1)]	Relative proportion	Actual figure	Target achievement	Notional proportion
Financial targets					
EBITDA before special effects	293,131	50.0%	187,265	63.9%	31.9%
Operating cash flow	336,530	30.0%	321,566	95.6%	28.7%
Non-financial targets					
Digitalization: Share of digital orders in percent	48.8%	1.5%	48.7%	96.9%	1.5%
Digitalization: Share of digital quotes in percent	16.1%	1.5%	24.1%	175.9%	2.6%
Digitalization: Sales process efficiency	2.67	2.0%	2.34	124.9%	2.5%
Reduction of CO_2e emissions	– 19.0%	5.0%	– 52.0%	273.5%	13.7%
Employee satisfaction/Leadership	4.0	5.0%	3.98	98.1%	4.9%
Occupational safety: Lost-time accidents (LTIF rate group)	5.9	5.0%	5.7	106.8%	5.3%
Total					**91.1%**
Cap					**-**

1) The target achievement relates to the figures for the entire Group before IFRS 5 adjustments.

(€ thousand)	Target bonus	Target achievement	Earned bonus
Guido Kerkhoff, CEO	1,460	91.1%	1,330
Dr. Oliver Falk, CFO	690	91.1%	629
John Ganem, CEO Americas[1)]	690	91.1%	629
Bernhard Weiß, CEO Europe (until September 30, 2023)	450	91.1%	410

1) For John Ganem, the contractually agreed euro amount was used for the calculation for the reporting year assuming the exchange rate available on February 13, 2024. The actual amount of variable remuneration may increase due to the contractually agreed stable-value clause to compensate for exchange rate movements. The actual payment amount is based on the exchange rate available on the payroll closing date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year.

c) Remuneration granted and due in 2023 under Section 162 (1) sentence 2 no. 1 of the German Stock Corporation Act (including relative proportions)

The table below shows the remuneration granted and due – within the meaning of Section 162 (1) sentence 2 no. 1 of the German Stock Corporation Act – to each of the Management Board members in office in the reporting year for Management Board service, including all fixed and variable remuneration components and their relative proportions.

The figures comprise fixed remuneration (fixed salary, ancillary benefits and cash compensation for retirement provision; in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary) earned and paid out in the reporting year, together with variable remuneration components earned in the reporting year, irrespective of whether the latter fall due and are paid out in the fiscal year 2024 now in progress (earned remuneration-based interpretation).

Any severance payments are not stated in the following as they are not directly earned through Management Board service; disclosures on any termination related benefits granted and awarded to a member of the Management Board leaving in the course of the reporting year are provided under o).

With regard to items included in the amounts shown for ancillary benefits and retirement benefits, please see the information provided under heading a) above. Accordingly, amounts for group insurance policies are not included (with the exception of certain insurance policies for John Ganem in the USA); the same applies for paid compulsory employer contributions for health and long-term care insurance in Germany. Payments in connection with defined-contribution plans in the USA are accounted for as retirement contributions, while Section 162 of the German Stock Corporation Act does not require the disclosure of expenses for defined-contribution plans (for comparability purposes, we nevertheless additionally include any such amounts at the bottom of the table, although this information is provided with respect to fiscal year 2022 for the last time due to the changeover in retirement provision; further information in this regard is provided under n)).

MANAGEMENT BOARD REMUNERATION GRANTED AND DUE IN 2023 UNDER SECTION 162 OF THE STOCK CORPORATION ACT1)

	Guido Kerkhoff, CEO				Dr. Oliver Falk, CFO			
	2022		2023		2022		2023	
(€ thousand)	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion
Non-performance-related remuneration components								
Fixed salary	930	29%	983	37%	439	30%	465	36%
Retirement contributions/payments; cash compensation for retirement provision[4)]	350	11%	367	14%	102	7%	175	14%
Ancillary benefits	13	0%	13	0%	13	1%	9	1%
Total non-performance-related remuneration components	**1,293**	**40%**	**1,363**	**51%**	**554**	**38%**	**649**	**51%**
Performance-related remuneration components								
One-year variable remuneration (annual bonus)[2) 3)]	1,966	60%	1,330	49%	908	62%	629	49%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act	**3,259**	**100%**	**2,693**	**100%**	**1,462**	**100%**	**1,278**	**100%**
Expense for defined-benefit pension plans in accordance with IFRS[5)]	-		-		63		-	

(€ thousand)	John Ganem, CEO Americas[6)7)]				Bernhard Weiß, CEO Europe (until September 30, 2023)[8)]			
	2022		2023		2022		2023	
	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion	Amount	Relative proportion
Non-performance-related remuneration components								
Fixed salary	439	30%	465	35%	406	30%	315	39%
Retirement contributions/payments; cash compensation for retirement provision[4)]	87	6%	183	14%	97	7%	75	9%
Ancillary benefits	46	3%	46	3%	9	1%	6	1%
Total non-performance-related remuneration components	572	39%	695	52%	512	38%	396	49%
Performance-related remuneration components								
One-year variable remuneration (annual bonus)[2) 3) 4)]	908	61%	629	48%	826	62%	410	51%
Total remuneration within the meaning of Section 162 of the German Stock Corporation Act	**1,480**	**100%**	**1,324**	**100%**	**1,338**	**100%**	**806**	**100%**
Expense for defined-benefit pension plans in accordance with IFRS[5)]	-		-		-		-	

1) Remuneration earned for Management Board service in the reporting year excluding variable remuneration paid in the reporting year but earned in the previous fiscal year for the previous fiscal year; no remuneration is paid for offices held within the Group. Any severance payments and benefits granted or awarded in the reporting year in relation to early termination of Management Board service are not listed; for those see o) below.

2) Variable remuneration is subject to an obligation that it be used in part to purchase shares in the Company as a long-term remuneration component (see f) below).

3) For John Ganem, the contractually agreed euro amount was used for the calculation for the reporting year assuming the exchange rate available on February 13, 2024. The actual amount of variable remuneration may increase due to the contractually agreed stable-value clause to compensate for exchange rate movements. The actual payment amount is based on the exchange rate available on the payroll closing date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year.

4) Retirement provision for Dr. Oliver Falk and John Ganem was switched in its entirety to a defined-contribution plan in connection with the contract extension that entered into effect in fiscal year 2022.

5) Disclosure of the expense for defined-benefit plans made for comparability purposes (not a disclosure in accordance with Section 162 of the German Stock Corporation Act); for further information, see n) below).

6) In addition to his contract as member of the Management Board of Klöckner & Co SE, John Ganem also has a contract as CEO of the US country organization; an offsetting arrangement applies, as a result of which the presentation is uniform.

7) The differences in the figures relative to the Remuneration Report 2022 result from a change in the exchange rate during the reporting year between preparation of the Remuneration Report 2022 and payment of the annual bonus: At the time of preparation of the Remuneration Report 2022, it was assumed on the basis of the then applicable exchange rate that the stable-value clause would apply. On the payroll closing date, the exchange rate was above the contractually agreed threshold and the contractually agreed stable-value clause therefore did not apply – contrary to the information provided in the Remuneration Report 2022 (see also the corresponding footnote in the Remuneration Report 2022).

8) The remuneration earned shown for Bernhard Weiß for fiscal year 2023 relates exclusively to remuneration for Management Board service rendered up to September 30, 2023; the benefits agreed with Bernhard Weiß related to his departure are therefore not included in the table (however, see under o) below).

d) Remuneration in 2023 on the basis of prior Code tables (benefits granted and benefits received)

For better comparability with past figures, remuneration for the members of the Management Board in office in the reporting year is shown voluntarily in the following based on the model tables relating to section 4.2.5(3) of the Code as of February 7, 2017.

Granted compensation	Guido Kerkhoff, CEO				Dr. Oliver Falk, CFO			
(€ thousand)	2022	2023	2023 (Min.)	2023 (Max.)	2022	2023	2023 (Min.)	2023 (Max.)
Fixed compensation	930	983	983	983	439	465	465	465
Ancillary benefits[1)]	363	380	380	380	116	184	184	184
Total	**1,293**	**1,363**	**1,363**	**1,363**	**555**	**649**	**649**	**649**
One year's variable compensation	1,380	1,460	-	2,920	638	690	-	1,380
Multi-year variable compensation[2)]	-	-	-	-	-	-	-	-
Total	**2,673**	**2,823**	**1,363**	**4,283**	**1,193**	**1,339**	**649**	**2,029**
Postemployment benefits	-	-	-	-	63	-	-	-
Total compensation	**2,673**	**2,823**	**1,363**	**4,283**	**1,256**	**1,339**	**649**	**2,029**

Granted compensation	John Ganem, CEO Americas[4)]				Bernhard Weiß, CEO Europe (until September 30, 2023)			
(€ thousand)	2022	2023	2023 (Min.)	2023 (Max.)	2022	2023	2023 (Min.)	2023 (Max.)
Fixed compensation	439	465	465	465	406	315	315	315
Ancillary benefits[1)]	135	231	231	231	105	81	81	81
Total	**574**	**696**	**696**	**696**	**511**	**396**	**396**	**396**
One year's variable compensation[3)]	638	690	-	1,380	580	450	-	900
Multi-year variable compensation[2)]	-	-	-	-	-	-	-	-
Total	**1,212**	**1,386**	**696**	**2,076**	**1,091**	**846**	**396**	**1,296**
Postemployment benefits	-	-	-	-	-	-	-	-
Total compensation	**1,212**	**1,386**	**696**	**2,076**	**1,091**	**846**	**396**	**1,296**

1) Including amounts for the reporting year paid in lieu of corporate pension benefits which must be invested in a private post-retirement scheme: Guido Kerkhoff €367 thousand (2022: €350 thousand), Dr. Oliver Falk €175 thousand (2022: €102 thousand), John Ganem €175 thousand (2021: €73 thousand), Bernhard Weiß €75 thousand (2022: €97 thousand).

2) The members of the Management Board in office in the reporting year did not participate in the stock option program for the Management Board in place until the end of 2015. However, Dr. Oliver Falk and Bernhard Weiß still hold virtual stock options from their service as CEOs of country organizations within the Klöckner & Co Group.

3) For John Ganem, the contractually agreed euro amount was used for the calculation for the reporting year assuming the exchange rate available on February 13, 2024. The actual amount of variable remuneration may increase due to the contractually agreed stable-value clause to compensate for exchange rate movements. The actual payment amount is based on the exchange rate available on the payroll closing date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year

4) The differences in the figures relative to the Remuneration Report 2022 result from a change in the exchange rate during the reporting year between preparation of the Remuneration Report 2022 and payment of the annual bonus: At the time of preparation of the Remuneration Report 2022, it was assumed on the basis of the then applicable exchange rate that the stable-value clause would apply. On the payroll closing date, the exchange rate was above the contractually agreed threshold and the contractually agreed stable-value clause therefore did not apply – contrary to the information provided in the Remuneration Report 2022 (see also the corresponding footnote in the Remuneration Report 2022).

Proceeds (€ thousand)	Guido Kerkhoff, CEO 2022	Guido Kerkhoff, CEO 2023	Dr. Oliver Falk, CFO 2022	Dr. Oliver Falk, CFO 2023
Fixed compensation	930	983	439	465
Ancillary benefits[1)]	363	380	116	184
Total	**1,293**	**1,363**	**555**	**649**
One year's variable compensation	1,966	1,330	908	629
Multi-year variable compensation[2)]	-	-	-	-
Total	**3,259**	**2,693**	**1,463**	**1,278**
Postemployment benefit	-	-	63	-
Total compensation	**3,259**	**2,693**	**1,526**	**1,278**

Proceeds (€ thousand)	John Ganem, CEO Americas[4)] 2022	John Ganem, CEO Americas[4)] 2023	Bernhard Weiß, CEO Europe (until September 30, 2023) 2022	Bernhard Weiß, CEO Europe (until September 30, 2023) 2023
Fixed compensation	439	465	406	315
Ancillary benefits[1)]	135	231	105	81
Total	**574**	**695**	**511**	**397**
One year's variable compensation[3)]	908	629	826	410
Multi-year variable compensation[2)]	-	-	-	-
Total	**1,482**	**1,324**	**1,337**	**807**
Postemployment benefit	-	-	-	-
Total compensation	**1,482**	**1,324**	**1,337**	**807**

1) Including amounts for the reporting year paid in lieu of corporate pension benefits which must be invested in a private post-retirement scheme: Guido Kerkhoff €367 thousand (2022: €350 thousand), Dr. Oliver Falk €175 thousand (2022: €102 thousand), John Ganem €175 thousand (2022: €73 thousand), Bernhard Weiß €100 thousand (2022: €97 thousand).
2) The members of the Management Board in office in the reporting year did not participate in the stock option program for the Management Board in place until the end of 2015. However, Dr. Oliver Falk and Bernhard Weiß still hold virtual stock options from their service as CEOs of country organizations within the Klöckner & Co Group; benefits received in this regard do not constitute Management Board remuneration and are not included in the table.
3) For John Ganem, the contractually agreed euro amount was used for the calculation for the reporting year assuming the exchange rate available on February 13, 2024. The actual amount of variable remuneration may increase due to the contractually agreed stable-value clause to compensate for exchange rate movements. The actual payment amount is based on the exchange rate available on the payroll closing date; in the event of any deviation from the amounts stated above due to exchange rates, the amounts paid out will be published in the Remuneration Report for the next fiscal year.
4) The differences in the figures relative to the Remuneration Report 2022 result from a change in the exchange rate during the reporting year between preparation of the Remuneration Report 2022 and payment of the annual bonus: At the time of preparation of the Remuneration Report 2022, it was assumed on the basis of the then applicable exchange rate that the stable-value clause would apply. On the payroll closing date, the exchange rate was above the contractually agreed threshold and the contractually agreed stable-value clause therefore did not apply – contrary to the information provided in the Remuneration Report 2022 (see also the corresponding footnote in the Remuneration Report 2022.

e) Fixed and variable remuneration including relative proportions and explanatory notes on conformity with the applicable remuneration system

Proportions of total remuneration

The relative proportions accounted for by each remuneration component are shown in the table under heading c) above.

Conformity with the applicable remuneration system
The remuneration is in conformity with the applicable remuneration system. In particular, the requirements of the 2021 Remuneration System were complied with as regards the ratio of fixed and variable remuneration to the target amount for direct remuneration (40:60, excluding ancillary benefits and retirement provision), as are the requirements on the ratios of the retirement provision and ancillary benefit amounts to the fixed salary (retirement provision: 20% to 40%; ancillary benefits: 10% maximum); no remuneration has been granted that is not covered by the applicable remuneration system (see also the table under k).

f) Promotion of the Company's long-term development

In the nature of an LTI component, the requirement for a majority of variable remuneration to be invested in shares in the Company with a specified lock-up period ties the value of benefits received by the members of the Management Board to the share price and, because of the multi-year lock-up period, to the long-term development of the Company. This aligns Management Board performance goals more closely with shareholder interests. The amounts and percentages for the required personal investment in shares for the reporting year are shown in the table below:

PERSONAL INVESTMENT 2023[1)]

(€ thousand)	Guido Kerkhoff, CEO	Dr. Oliver Falk, CFO	John Ganem, CEO Americas	Bernhard Weiß, CEO Europe (until 30.09.2023)
Performance-related remuneration, gross	1,330	629	629	410
Personal investment amount	399	189	189	123
Personal investment amount, gross[2)]	797	377	377	246
Personal investment percentage, gross[2)]	60%	60%	60%	60%

1) On the basis of remuneration granted and due in 2023 under Section 162 of the German Stock Corporation Act (see c) above).
2) Gross amount of personal investment calculated assuming notional 50% tax and social insurance burden.

The targets governing the amount of variable remuneration are also based on long-term strategic developments (such as growth and milestones in digitalization and under the multi-year strategy) and also include sustainability targets (for the targets for the reporting year, see b) above). As a result, remuneration is geared in several respects to promotion of the Company's long-term development.

g) Comparative analysis of annual changes in Management Board remuneration, the Company's financial performance and average employee remuneration

The table below shows the percentage change in the remuneration of members of the Management Board in comparison to the financial performance of Klöckner & Co SE and changes in average employee remuneration on a full-time equivalent basis.

The financial performance of Klöckner & Co SE is presented on the basis of the following key performance indicators (KPIs): (i) net income (or net loss) of Klöckner & Co SE, (ii) Group EBITDA before material special effects and (iii) Group cash flow from operating activities. The latter two KPIs are also major determinants of variable remuneration for the Management Board.

Average employee remuneration is determined on a full-time equivalent basis for two groups: (i) senior management worldwide (management level 1, meaning CEOs and CFOs of country organizations and heads of corporate departments at Klöckner & Co SE) and (ii) the total workforce worldwide.

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN MANAGEMENT BOARD REMUNERATION PURSUANT TO SECTION 162 (1) NO. 2 OF THE STOCK CORPORATION ACT

Management Board Compensation[1]	2018–2019	2019–2020	2020–2021	2021–2022	2022–2023
Current members of the Management Board					
Guido Kerkhoff[2]	-	-	387%	– 13%	– 17%
Dr. Oliver Falk	-	143%	41%	– 13%	– 13%
John Ganem	-	147%	40%	– 11%	– 11%
Bernhard Weiß[3]	-	-	-	65%	17%
Former members of the Management Board					
Gisbert Rühl[4]	26%	8%	8%	– 81%	0%
Bill Partalis[6]	0%	0%	0%	0%	0%
Financial performance					
Net income Klöckner & Co SE	– 613%	94%	3233%	– 61%	– 283%
EBITDA before material special effects (Group)	– 46%	– 10%	664%	– 51%	– 55%
Cash flow from operating activities (Group)	240%	– 21%	– 290%	232%	– 21%
Average employee remuneration on full-time equivalent basis					
Senior management worldwide (Level 1)[5, 6]	– 18%	15%	– 2%	– 5%	1%
Total workforce worldwide[6]	4%	3%	10%	– 4%	– 2%

1) Total remuneration within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (fiscal years 2018 to 2020 pro forma).
2) Guido Kerkhoff was appointed to the Management Board as of September 1, 2020; the total remuneration for 2020 relates to the period subsequent to his appointment.
3) Bernhard Weiß was appointed to the Management Board as of June 1, 2021; the total remuneration for 2021 used as a basis therefore relates solely to the period subsequent to his appointment. He left the Management Board as of September 30, 2023; the remuneration for fiscal year 2023 used as a basis consists of both the remuneration for service up to his departure and the benefits in connection with the early termination of his Management Board service (see also under o)).
4) Gisbert Rühl left the Management Board as of May 12, 2021; the remuneration for fiscal year 2021 used as a basis consists of Management Board remuneration up to his departure, the benefits in connection with the early termination of his Management Board service (see the relevant information in the Remuneration Report 2021) and the pension paid after his departure in fiscal year 2021. To this extent, the method of calculation differs from that used in the Remuneration Reports 2021 and 2022. In the Remuneration Report 2021, the calculation solely included the Management Board remuneration for fiscal year 2021 until his departure; in the Remuneration Report 2022, it included the Management Board remuneration until his departure and the pension paid after his departure in fiscal year 2021.
5) The comparison group comprises the management of country organizations and heads of corporate departments at Klöckner & Co SE.
6) Adjusted for exchange rate movements.

h) Shares and stock options granted or awarded

No shares or stock options were granted or awarded to members of the Management Board in the reporting year. However, the Management Board members in office are required – in the nature of a long-term incentive (LTI) remuneration component – to invest the majority of the variable remuneration for the reporting year in shares in the Company ("personal investment" – see under heading f) above).

The former virtual stock option (VSO) program for members of the Management Board was discontinued at the end of 2015. No more VAOs were in existence in the reporting year. For further details on the VSO program, please see the Annual Report of the Company for fiscal year 2015. The Management Board members in office during the reporting year did not participate in the above-mentioned VSO program for members of the Management Board. Any VSOs from prior non-Management Board service and any payments based on such VSOs are not considered remuneration for Management Board service and are therefore not included in this report.

i) Clawback of variable remuneration components

No clawback of variable remuneration components took place in the reporting year.

j) Maximum remuneration

The maximum remuneration specified in the 2021 Remuneration System, defined in the 2021 Remuneration System as an absolute euro figure for the maximum amount of remuneration granted to a Management Board member in a given fiscal year, was complied with in the reporting year (the maximum remuneration amounts to €6.4 million for the CEO and €2.2 million for an ordinary member of the Management Board). Reference is made in this regard to the table under heading k). This also shows the ratios of retirement provision and ancillary benefits to the fixed salary, as described under heading e).

k) Deviations from the 2021 remuneration system

To the extent that the 2021 Remuneration System applied, no deviations from it arose in the reporting year. With regard to the requirements on maximum remuneration (see j) above) and on the ratio of retirement and ancillary benefits to the fixed salary (see e) above), this is additionally evident from the table below:

REQUIREMENTS UNDER THE 2021 REMUNERATION SYSTEM[1)]

(€ thousand)	Guido Kerkhoff, CEO[2)]	Dr. Oliver Falk, CFO	John Ganem, CEO Americas	Bernhard Weiß, CEO Europe (until September 30, 2023)[3)]
Maximum remuneration				
Maximum remuneration under the remuneration system 2021	6,400	2,200	2,200	1,650
Total remuneration 2023	2,694	1,278	1,324	807
Ratio of non-performance-related remuneration components of target amount for direct remuneration in 2023[5)]				
Ratio of ancillary benefits to fixed salary (stipulated: max. 10%)	1.34%	1.91%	9.94%	2.06%
Ratio of retirement benefits to fixed salary (stipulated: 20-40%)[4)]	37.29%	37.63%	39.46%	23.81%

1) In the reporting year, the requirements under the 2021 Remuneration System applied in full to Dr. Oliver Falk and John Ganem and pro rata temporis to Guido Kerkhoff (from September 1, 2023) and Bernhard Weiß (until September 30, 2023).
2) 2021 Remuneration System applicable to Guido Kerkhoff only pro rata temporis; voluntary full-year disclosure.
3) Maximum remuneration for Bernhard Weiß calculated pro rata temporis up to September 30, 2023 (full-year maximum remuneration for an ordinary member of the Management Board: €2,200,000); the total remuneration for 2023 relates to remuneration earned up to September 30, 2023 (i.e., excluding severance benefits).
4) Under the requirements of the remuneration system, retirement provision for Guido Kerkhoff, Dr. Oliver Falk, John Ganem and Bernhard Weiß in the reporting year consists exclusively of a defined-contribution plan (cash compensation tied to the purpose of servicing retirement provision; in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary).
5) The underlying figures are to be found in the table "Remuneration granted and due under Section 162 (1) sentence 2 no. 1 of the German Stock Corporation Act".

No use was made in the reporting year of the authorization for temporary deviations provided in the 2021 Remuneration System.

l) Third-party benefits; intra-Group offices

No member of the Management Board was granted or awarded benefits by a third party in the reporting year for service on the Management Board. The members of the Management Board were not granted any additional remuneration for any offices held within the Klöckner & Co Group (see under heading c) above).

m) Benefits in the event of early termination of Management Board service

Management Board contracts provide for compensation in the event of early termination other than for cause. This compensation depends on the remaining term of the contract, but is capped at two years' annual remuneration (severance payment cap). The existing contracts do not provide for a special right of termination in the event that a specific control threshold is exceeded in relation to voting rights in the Company (change-of-control clause).

Management Board members are subject to a 24-month post-contractual non-competition covenant compensated for by payment of half of their most recent total remuneration (fixed salary plus bonus at 100% target achievement) p.a. unless the Company waives the clause. The Management Board contracts already provide for any severance payment to be deducted from such amounts. The personal investment requirement is waived in this instance.

No changes to these arrangements were made in the reporting year.

n) Benefits in the event of regular termination of Management Board service (retirement provisions)

To the extent that retirement provision for individual members of the Management Board in office in the reporting year comprises benefits subsequent to regular termination of Management Board service, their present value and the Company's expense in this regard during the reporting year (service cost in accordance with IFRS) are presented in the table below.

As described under a) above, in accordance with their contracts, the members of the Management Board in office currently solely receive (and received in the reporting year) amounts for private retirement provision (cash compensation for retirement provision). Benefits in the event of regular termination of Management Board service are not/no longer provided. The contracts with Management Board members Dr. Oliver Falk and John Ganem switched to the purely defined-contribution retirement provision system with cash compensation effective August 1, 2022 (in the case of John Ganem plus defined-contribution plan top-up payments by the US subsidiary as part of local retirement provision).

PENSION COMMITMENTS FOR MANAGEMENT BOARD MEMBERS IN OFFICE IN THE REPORTING YEAR – PRESENT VALUES AND EXPENSE AMOUNTS[1)]

(in €)	Reporting date	Present value[2)]	Service cost 2023[2)]
Dr. Oliver Falk	December 31, 2023	4,622,226	-
John Ganem	December 31, 2023	2,167,033	-

1) No change in pension commitments in the reporting year; retirement provision for Dr. Oliver Falk and John Ganem was switched in its entirety as of August 1, 2022 to a defined-contribution plan.
2) IFRS amount.

The “old” pension commitments for member of the Management Board Dr. Oliver Falk from the time before the changeover in retirement provision consist of a defined-benefit pension plan in accordance with the rules of the Essener Verband. Management Board member John Ganem had a comparable defined-benefit pension plan commensurate with the arrangements applicable to him at the US subsidiary prior to his appointment to the Management Board, which likewise include a life-long pension. In view of the changeover in retirement provision in fiscal year 2022, no service cost was incurred in the reporting year. Irrespective of this, any obligations in connection with pension benefits granted and earned in the past generally continue to apply. In the case of Essener Verband benefit plans this, for example, relates to any costs necessary for benefit entitlement such as service cost or increases in accordance with the applicable articles of association.

o) Benefits and payments related to the termination of Management Board service in the reporting year (relates exclusively to Bernhard Weiß)

Management Board member and CEO Europe Bernhard Weiß left effective September 30, 2023 by mutually agreed termination of his contract, which originally ran to May 31, 2024. It was agreed that the Company would make payments as follows:

The fixed salary was paid in the regular amount pro rata temporis. The same applies to the retirement provision. The pro-rata bonus for the period up to the departure of Bernhard Weiß is, in accordance with his contract, calculated and paid in the regular manner on the basis of target achievement and is presented accordingly as variable remuneration for the reporting year (see under c) above); the related personal investment obligation likewise remains in place.

For the remaining term of his contract (i.e., for the period from October 1, 2023 to May 31, 2024), Bernhard Weiß received a severance payment in a total amount of €746,666.67. This was based on the contractual amounts for fixed salary, retirement provision and annual bonus until the regular end of the contract on May 31, 2024. The annual bonus is based on the target bonus, i.e., 100% target achievement, and there is no personal investment obligation. With regard to retirement provision, Bernhard Weiß had opted for payment into a reinsured pension fund; the Company had therefore already paid the total amount for the reporting year at the beginning of the year. The severance pay entitlement was therefore offset with and reduced by the amount of the retirement provision for the period from October 1, 2023 to December 31, 2023. The remaining portion of the severance payment was paid out on January 31, 2024. In addition, Bernhard Weiß is allowed to continue using his company car until December 31, 2024 (a benefit-in-kind in the total amount of €7,035.00).

FORMER MEMBERS OF THE MANAGEMENT BOARD

Remuneration granted and due to former members of the Management Board (other than those who left office prior to January 1, 2014) for the reporting year pursuant to Section 162 of the German Stock Corporation Act is shown in the table below.

REMUNERATION FOR FORMER MEMBERS OF THE MANAGEMENT BOARD GRANTED AND DUE IN FISCAL YEAR 2023 UNDER SECTION 162 OF THE STOCK CORPORATION ACT

	Bill Partalis, CEO Americas (until December 31, 2017)		Gisbert Rühl, CEO (until May 12, 2021)		Bernhard Weiss (bis 30. September 2023)	
(€ thousand)	Amount	Relative Proportion	Amount	Relative Proportion	Amount	Relative Proportion
Retirement benefits / pensions	103	100%	610	100%	-	0%
Severance payments	-	-	-	-	754	100%

In the reporting year, total compensation of €137 thousand was paid to other former members of the Management Board (2022: €137 thousand). Provision for pension obligations to former members of the Management Board and their surviving dependents amount under IFRS to €21,377 thousand (2022: €20,001 thousand).

Changes in the Management Board remuneration in the reporting year

Guido Kerkhoff's appointment as Chief Executive Officer and his contract were extended by a further three years effective September 1, 2023. His remuneration was also adjusted in conjunction with the extension.

In light of the increased importance of the Kloeckner Metals Americas segment and in particular the acquisitions made there, the Supervisory Board carried out a detailed horizontal review of John Ganem's current remuneration. The focus was placed on the US market and on companies comparable to Klöckner in North America, as John Ganem is based exclusively in the USA. On the basis of this analysis, the Supervisory Board decided to increase the remuneration for John Ganem from 2024 (subject to approval of the adjusted remuneration system by the Annual General Meeting – see below).

The envisaged increase in John Ganem's remuneration requires an adjustment of the current maximum remuneration amounts in the 2021 remuneration system. However, as explained under j), the maximum remuneration is not the level of remuneration targeted by the Supervisory Board; it merely constitutes the absolute upper limit of the total annual remuneration achievable under the remuneration system. The Supervisory Board intends to, after a detailed discussion at the Supervisory Board meeting in March 2024, submit the adjusted Management Board remuneration system to the 2024 Annual General Meeting for approval .

The above-mentioned adjustment/increase in Management Board remuneration was decided following and on the basis of an appropriateness test applied by the Supervisory Board. As well as responsibilities, performance and the increased length of service, this also took into account predecessors' remuneration and both horizontal and vertical benchmarking.

Target setting for 2024

ASSESSMENT OF APPROPRIATENESS

Criteria with respect to the appropriateness of Management Board remuneration include an individual Management Board member's responsibilities and performance, the enterprise's business situation, success and future prospects, the extent to which the remuneration matches that of industry peers and the remuneration structure within the Company. Both positive and negative developments are taken into account when determining performance-related remuneration components. Overall, remuneration is intended to be internationally competitive and to give incentives geared to the Company's sustainable growth and a sustained increase in enterprise value in a dynamic environment.

In setting the 2021 Remuneration System and the targets and target total remuneration for 2024, the Supervisory Board applied horizontal benchmarking based partly on an independently compiled study of remuneration paid to regular management board members and CEOs at other companies. Due to a lack of comparable German companies in the steel distribution industry, other wholesalers and comparable international companies were included in the analysis. The peer group used consisted of German SDAX®-listed (at the time of peer group selection) companies of comparable size (sales and workforce), the SDAX® average and international peer companies. The SDAX® peer group and the international peer group are regularly reviewed by the Supervisory Board and the SDAX® peer group was revised in September 2023 for the first time since the introduction of the 2021 Remuneration System. The appropriateness test was carried out already using the revised peer group. In addition, vertical benchmarking was carried out against the remuneration for senior management (management level 1) and the Group workforce as a whole (in both cases worldwide).

The Supervisory Board, through the Presidium, regularly reviews the currently applied remuneration system with regard to its appropriateness and structure (components and fixed and variable remuneration amounts) and with a view to any need for adjustment. The appropriateness of Management Board remuneration relative to each Management Board member's tasks and performance, to the enterprise's situation and to usual levels of remuneration is additionally reviewed annually when setting target total remuneration for the next year.

TARGETS FOR FISCAL YEAR 2023

The Supervisory Board set the targets for fiscal year 2024 at its December meeting in the reporting year. In conformity with the 2021 Remuneration System, it set and weighted both financial and non-financial targets. Upon the closing of the planned sale of the distribution business in France, the Netherlands, Belgium and the United Kingdom, the targets are to be adjusted on the basis of targets which were set likewise in December 2023 by the Supervisory Board and comprise adjustments to take account the expected effects of a sale (pro rata temporis from the closing of the transaction in fiscal year 2024).

a) Financial targets

The financial targets relate to EBITDA before material special effects and operating cash flow and are based on the Group budget. As in the prior year, EBITDA before material special effects has a notional proportion of 50% and operating cash flow a notional proportion of 30%.

b) Non-financial targets

As in the prior year, the Supervisory Board based the non-financial targets on three focal areas:

For the strategy component, the focus is once again placed on digitalization. The targets set here – each with a notional proportion of 1.5% – are the share of digital orders to be generated ("digital orders," defined as the number of orders received via digital channels as a percentage of the total number of orders) and the share of digital quotes to customers ("digital quotes," defined as the number of quotes generated digitally as a percentage of the total number of quotes). To these is added, with a notional proportion of 2%, the efficiency of the digital sales process ("average number of changes to all online orders", defined as the number of manual corrections to orders received via digital channels as a percentage of the total number of digital orders). As in the prior year, two further focal areas relate to the sustainability aspect – environmental, social and governance (ESG) – and have been incorporated as non-financial targets: reduction in CO_2e emissions – which comes under the environmental category but is also part of the Group strategy – and employee-related targets. Likewise as in the prior year, the targets for this purpose are as follows, with a notional proportion of 5% each: Reduction in CO_2e emissions, employee satisfaction/leadership as measured in the Group-wide employee survey and further reduction in the lost time injury frequency (LTIF) rate throughout the Group. These non-financial targets are specified with clear and measurable criteria.

The total weighting of the non-financial targets is therefore 20%, which is within the range specified in the remuneration system.

TARGET AMOUNT FOR DIRECT REMUNERATION AND TARGET TOTAL REMUNERATION FOR FISCAL YEAR 2024

Also at its December meeting in the reporting year, the Supervisory Board set the target amount for direct remuneration and target total remuneration for fiscal year 2024, as set out in the following. The Supervisory Board based the figures for retirement provision and ancillary benefits on reasonable estimates; the final figures for fiscal year 2024 may therefore differ from those estimates. The target remuneration for John Ganem is subject to the condition that the increase in remuneration (fixed salary, annual bonus and retirement provision) decided by the Supervisory Board and agreed with John Ganem in December 2023 will only enter into effect as of January 1, 2024 if the 2024 Annual General Meeting approves a revised remuneration system for the Management Board with a corresponding adjustment to the maximum remuneration. Because of this, two target remuneration figures are shown for John Ganem for fiscal year 2024 on the basis of whether or not the above-mentioned remuneration increase enters into effect.

MANAGEMENT BOARD TARGET REMUNERATION FOR FISCAL YEAR 2023[1)]

	Guido Kerkhoff		Dr. Oliver Falk	
(€ thousand)	2023	2024	2023	2024
Fixed compensation[2)]	983	1,090	465	465
One year's variable compensation (annual bonus)[2)]	1,460	1,620	690	690
Target amount for direct remuneration	**2,443**	**2,710**	**1,155**	**1,155**
Ancillary benefits	13	16	9	9
Retirement provisions (pension benefits, cash compensation, and other contribution payments)[2)]	367	400	175	175
Target total remuneration	**2,823**	**3,126**	**1,339**	**1,339**

	John Ganem		
(€ thousand)	2023	2024 (current)[3)]	2024 (new)[3)]
Fixed compensation[2)]	465	465	698
One year's variable compensation (annual bonus)[2)]	690	690	1,035
Target amount for direct remuneration	**1,155**	**1,155**	**1,733**
Ancillary benefits	47	47	47
Retirement provisions (pension benefits, cash compensation, and other contribution payments)[2)]	175	184	272
Target total remuneration	**1,377**	**1,386**	**2,052**

1) The forecast target remuneration was prepared in each case in November of the prior year; it includes rounding and is partly based on assumptions and estimates; the final figures for each fiscal year may consequently differ.
2) The figures stated include any remuneration adjustments in subsequent fiscal years already decided at the time of setting the respective target remuneration. For Guido Kerkhoff, the amounts for 2023 already include the remuneration adjustment from September 2023; for John Ganem, the target remuneration under "2024 (new)" is subject to the condition that the Annual General Meeting approves the revised Management Board remuneration system; if not, the target remuneration under "2024 (current)" applies.
3) The annual bonus for John Ganem is based on the contractually agreed euro amount (i.e., without application of the stable-value clause). The retirement provision for John Ganem includes defined-contribution plan top-up payments by the US subsidiary.

Requirements as to the ratio of fixed and variable remuneration to the target amount for direct remuneration for fiscal year 2024 are complied with (40:60, excluding ancillary benefits and retirement provision), as are the requirements on the ratios of retirement provision and ancillary benefit amounts to the fixed salary (retirement provision: 20% to 40%; ancillary benefits: 10% maximum).

1.3 Supervisory Board remuneration

Remuneration system for the Supervisory Board and Annual General Meeting vote on the remuneration system for the members of the Supervisory Board

The current remuneration system for the Supervisory Board was most recently revised in 2023. The Annual General Meeting of the Company on May 17, 2023 adopted the new remuneration system for the Supervisory Board with a majority of 99.63% of valid votes cast. It was also decided that the new remuneration system for the Supervisory Board would be applied for the first time with respect to the reporting year.

The structure and amount of remuneration paid to Supervisory Board members are governed by Section 14 of the Articles of Association, which are published on the Company's website. The main features are presented in the following.

While members of the Management Board also receive performance-related remuneration components, remuneration for the members of the Supervisory Board is structured entirely as fixed remuneration. This consists mainly of a fixed remuneration component (as basic remuneration), which is paid pro rata temporis in the event of personnel changes during the fiscal year. Attendance fees are also paid; reasonable cash expenses and value added tax are reimbursed. The Company covers the cost of external training for Supervisory Board members via expense accounts. The fixed remuneration is €60,000 per fiscal year. The Chairman of the Supervisory Board receives two-and-a-half times, his or her deputy one-and-a-half times and the Chairman of the Audit Committee one-and-a-quarter times the fixed remuneration. The attendance allowance is €2,000 per meeting. The Chairman of the Supervisory Board and any Chairman of a Supervisory Board committee each receive two-and-a-half times this amount and their deputies one-and-a-half times this amount. As the remuneration is fixed, no cap or maximum remuneration amount is to be specified.

In addition, in the Company's interest, the members of the Supervisory Board are included in D&O insurance. There has no longer been a deductible since January 1, 2024.

A detailed description of the remuneration system for the Supervisory Board is available on the Company's website at https://www.kloeckner.com/en/group/supervisory-board.html

The Supervisory Board regularly reviews the appropriateness of the remuneration system for the Supervisory Board. Under the German Stock Corporation Act as amended by ARUG II, the Annual General Meeting must also adopt a resolution on the remuneration system for the members of the Supervisory Board at least once every four years. The next such resolution must therefore be adopted no later than 2027.

Consideration of a resolution under Section 120a (4) of the German Stock Corporation Act

On May 17, 2023, the Annual General Meeting of the Company approved the Remuneration Report 2022 with a majority of 91.65% of valid votes cast. No points of criticism or critical questions were raised with regard to the Remuneration Report 2021. In light of this, the Supervisory Board sees no fundamental need to change the nature and scope of reporting. The Supervisory Board nonetheless continues to address the continuous improvement of the remuneration report.

Remuneration in fiscal year 2023

REMUNERATION GRANTED AND DUE (INCLUDING RELATIVE PROPORTIONS)

The table below shows, for each individual Supervisory Board member, the remuneration earned in the reporting year by the members of the Supervisory Board which falls due after the end of the Annual General Meeting in 2024.

For the memberships in Supervisory Board committees in fiscal year 2023, please see the Corporate Governance Statement (under "Supervisory Board committees") in the Annual Report 2023 (see page 93). Meeting attendance information is provided in the Report of the Supervisory Board (see page 13).

Under Section 14 (5) of the Company's Articles of Association, the fixed remuneration and attendance fees fall due after the end of the Annual General Meeting that receives or decides on the approval of the consolidated financial statements for the relevant fiscal year.

SUPERVISORY BOARD REMUNERATION GRANTED AND DUE IN 2022 UNDER SECTION 162 OF THE STOCK CORPORATION ACT[1), 2)]

(in €)	Basic remuneration (fixed remuneration)	% of total remuneration	Attendance fees (fixed remuneration)	% of total remuneration	Total
Prof. Dr. Dieter H. Vogel (Chairman)	150,000	73	55,000	27	205,000
Dr. Ralph Heck (Deputy Chairman)	90,000	83	18,000	17	108,000
Prof. Dr. Tobias Kollmann	60,000	88	8,000	12	68,000
Prof. Dr. E.h. Friedhelm Loh	60,000	79	16,000	21	76,000
Uwe Röhrhoff	60,000	75	20,000	25	80,000
Ute Wolf (Chairwoman of the Audit Committee)	75,000	68	35,000	32	110,000
Supervisory Board	**495,000**	**77**	**152,000**	**23**	**647,000**

1) Remuneration earned for Supervisory Board service in the reporting year (paid out after the Annual General Meeting in the current fiscal year, excluding remuneration earned in the preceding fiscal year and paid out in the reporting year).
2) Remuneration is paid plus any value added tax to be remitted in Germany, or value added tax is reimbursed by the Company; in the case of Dr. Ralph Heck, any withholding tax to be paid in Switzerland is retained out of the stated amount.

SUPERVISORY BOARD REMUNERATION GRANTED AND DUE IN 2021 UNDER SECTION 162 OF THE STOCK CORPORATION ACT[1), 2)]

(in €)	Basic remuneration (fixed remuneration)	% of total remuneration	Attendance fees (fixed remuneration)[3)]	% of total remuneration	Total
Prof. Dr. Dieter H. Vogel (Chairman)	100,000	63	60,000	37	160,000
Dr. Ralph Heck (Deputy Chairman)	60,000	70	26,000	30	86,000
Prof. Dr. Tobias Kollmann	40,000	77	12,000	23	52,000
Prof. Dr. E.h. Friedhelm Loh	40,000	71	16,000	29	56,000
Uwe Röhrhoff	40,000	65	22,000	35	62,000
Ute Wolf (Chairwoman of the Audit Committee)	50,000	59	35,000	41	85,000
Supervisory Board	**330,000**	**66**	**171,000**	**34**	**501,000**

1) Remuneration earned for Supervisory Board service in fiscal year 2022 (paid out after the Annual General Meeting in fiscal year 2023), excluding remuneration paid out in fiscal year 2022 and earned in the preceding fiscal year.
2) Remuneration was paid plus any value added tax to be remitted in Germany, or value added tax was reimbursed by the Company; in the case of Dr. Ralph Heck, any withholding tax to be paid in Switzerland was retained out of the stated amount.
3) The two extraordinary meetings in January 2022 were counted for remuneration purposes as one meeting, i.e. (i) the attendance fee is earned by attending either one of the two meetings and (ii) the attendance fee is granted only once, even if both meetings were attended.

Supervisory Board remuneration according to Section 314 (1) No. 6 of the German Commercial Code (consolidated financial statements) and Section 285 No. 9 of the German Commercial Code (single-entity financial statements), totaled €647,000 in 2023 (2022: €501,000).

No remuneration or benefits for services rendered on an individual basis – particularly consulting or agency services – were granted to Supervisory Board members in the year under review. Expenses were reimbursed within the limits set out above in the description of the remuneration system for the Supervisory Board.

No remuneration is paid in shares or stock options. As the remuneration consists entirely of fixed components, no variable remuneration components were clawed back in the reporting year.

EXPLANATORY NOTES ON CONFORMITY WITH THE REMUNERATION SYSTEM, PROMOTION OF THE COMPANY'S LONG-TERM DEVELOPMENT AND APPLICATION OF THE PERFORMANCE CRITERIA

The requirements of the remuneration system were complied with. As the remuneration is entirely fixed (fixed/basic remuneration, attendance fees and reimbursement of expenses), no cap or maximum remuneration amount is necessary. For the same reason, it is not necessary to describe the application of any performance criteria. The remuneration system for members of the Supervisory Board comprising (fixed) basic remuneration and attendance fees with appropriate multiples for chairpersons and deputy chairpersons accords with prevailing market practice at comparable companies in Germany. The remuneration is intended to appropriately remunerate the members of the Supervisory Board for their prudent and conscientious supervision of the Management Board and to attract and retain suitable candidates for the office of member of the Supervisory Board. In this way, it promotes the corporate strategy and the Company's long-term development.

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN SUPERVISORY BOARD REMUNERATION, THE COMPANY'S FINANCIAL PERFORMANCE AND AVERAGE EMPLOYEE REMUNERATION

The table below shows the percentage change in the remuneration of members of the Supervisory Board in comparison to the financial performance of Klöckner & Co SE and changes in average employee remuneration on a full-time equivalent basis.

As in the comparative analysis of remuneration for members of the Management Board, the financial performance of Klöckner & Co SE is presented on the basis of the following key performance indicators: (i) net income (or net loss) of Klöckner & Co SE, (ii) consolidated EBITDA before material special effects and (iii) consolidated cash flow from operating activities.

Average employee remuneration is determined, as in the comparative analysis of remuneration for members of the Management Board, on a full-time equivalent basis for two groups: (i) senior management (management level 1) worldwide and (ii) the total workforce worldwide. Accordingly, for further details, please refer to the information in the report on Management Board remuneration.

COMPARATIVE ANALYSIS OF ANNUAL CHANGES IN SUPERVISORY BOARD REMUNERATION PURSUANT TO SECTION 162 (1) NO. 2 AKTG

Supervisory Board remuneration[1]	2018–2019	2019–2020	2020–2021	2021–2022	2022–2023
Current members of the Supervisory Board					
Prof. Dr. Dieter H. Vogel (Chairman)	20%	– 13%	– 3%	10%	28%
Dr. Ralph Heck (Deputy Chairman) – since May 16, 2018	60%	– 8%	0%	10%	26%
Prof. Dr. Tobias Kollmann	13%	– 4%	– 4%	8%	31%
Prof. Dr. E.h. Friedhelm Loh	20%	– 10%	0%	4%	36%
Ute Wolf (Chairwomen of the Audit Committee)	15%	– 8%	– 2%	5%	29%
Uwe Röhrhoff (Deputy Chairman) – from May 12, 2017 to May 16, 2018; ordinary member since May 12, 2021	– 100%	-	-	60%	29%
Earnings performance					
Net income of Klöckner & Co SE	– 613%	94%	3233%	– 61%	– 283%
EBITDA before material special effects (Group)	– 46%	– 10%	664%	– 51%	– 55%
Operating cash flow (Group)	240%	– 21%	– 290%	232%	– 21%
Average employee remuneration on full-time equivalent basis					
Senior management worldwide (Level 1)[2), 3)]	– 18%	15%	– 2%	– 5%	1%
Total workforce worldwide[3)]	4%	3%	10%	– 4%	– 2%

1) Total remuneration within the meaning of Section 162 (1) sentence 1 of the German Stock Corporation Act (fiscal years 2018 to 2020 pro forma).
2) The comparison group comprises the management of country organizations and heads of corporate departments at Klöckner & Co SE.
3) Adjusted for exchange rate movements.

Duisburg, March 5, 2024

Klöckner & Co SE

On behalf of the Supervisory Board

Prof. Dr. Dieter H. Vogel
CHAIRMAN OF THE SUPERVISORY BOARD

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)

Auditor’s Report

To Klöckner & Co SE, Duisburg

Remuneration Report pursuant to § 162 AktG for the Financial Year from January 1 to December 31, 2023

We have audited the remuneration report of Klöckner & Co SE, Duisburg, for the financial year from January 1, 2023 to December 31, 2023 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board
The executive directors and the supervisory board of Klöckner & Co SE are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities
Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of the remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1, 2023 to December 31, 2023, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with Klöckner & Co SE. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Düsseldorf, March 5, 2024

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Antje Schlotter

Wirtschaftsprüferin
(German Public Auditor)

ppa. Verena Polzer

Wirtschaftsprüferin
(German Public Auditor)

Group Financial Statements

of Klöckner & Co SE

Group financial statements 202
Consolidated statement of income 202
Statement of comprehensive income 203
Consolidated statement of financial position 204
Consolidated statement of cash flows 206
Summary of changes in consolidated equity 208
Notes to the consolidated financial statements 210
Declaration of the Management Board 311
Independent Auditor’s Report 312

Consolidated financial statements

Consolidated statement of income

for the 12-month period ending December 31, 2023

(€ thousand)	Notes	2023	2022
Sales	7	6,956,607	8,337,085
Changes in inventory	17	– 2,198	34,136
Other operating income	8	33,363	63,750
Cost of materials	9	– 5,797,149	– 7,043,521
Personnel expenses	10	– 534,520	– 519,122
Depreciation and amortization	16	– 118,061	– 107,980
Impairment losses of intangible assets and property, plant and equipment	16	– 7,141	– 405
Reversals of impairments of intangible assets and property, plant and equipment	16	521	-
Other operating expenses	11	– 465,661	– 465,314
Operating result		**65,760**	**298,629**
Income from investments	**12**	**– 3,555**	**5,526**
Finance income		2,825	1,593
Finance expenses		– 48,976	– 35,633
Financial result	**13**	**– 46,151**	**– 34,040**
Income before taxes		**16,055**	**270,115**
Income taxes	14	– 16,325	– 57,003
Net income from continuing operations (net of tax)		**– 270**	**213,112**
Net income from discontinued operations (net of tax)		**– 189,532**	**46,224**
Net income		**– 189,802**	**259,336**
thereof attributable to			
– shareholders of Klöckner & Co SE		*– 190,593*	*253,239*
– non-controlling interests		*791*	*6,097*
Earnings per share from continuing operations (€/share)	**15**		
– basic		**– 0.01**	**2.08**
– diluted		**– 0.01**	**1.90**
Earnings per share attributable to the ordinary equity holders of the company (€/share)	**15**		
– basic		**– 1.91**	**2.54**
– diluted		**– 1.91**	**2.32**

Statement of comprehensive income

for the 12-month period ending December 31, 2023

(€ thousand)	Notes	2023	2022
Net income		**– 189,802**	**259,336**
Other comprehensive income not reclassifiable			
Actuarial losses and gains (IAS 19)	24	20,828	– 83,682
Total		**20,828**	**– 83,682**
Other comprehensive income reclassifiable			
Foreign currency translation		2,531	59,115
Loss/gain from cash flow hedges	30	766	– 3,534
Total		**3,297**	**55,581**
Deferred taxes on other comprehensive income		– 4,474	17,167
Other comprehensive income		**19,651**	**– 10,934**
Total comprehensive income		**– 170,151**	**248,402**
thereof attributable to			
– shareholders of Klöckner & Co SE		*– 170,902*	*242,199*
– non-controlling interests		*751*	*6,203*
Total comprehensive income attributable to Klöckner & Co SE stockholders refers to			
– continuing operations		*19,666*	*208,616*
– discontinued operations		*– 190,568*	*33,583*

Consolidated statement of financial position

as of December 31, 2023

ASSETS

(€ thousand)	Notes	December 31, 2023	December 31, 2022
Non-current assets			
Intangible assets	16 (a)	207,403	84,525
Property, plant and equipment	16 (b)	760,495	799,197
Other financial assets	19	35,401	36,415
Other non-financial assets	19	73,549	67,812
Deferred tax assets	14	54,852	45,321
Total non-current assets		**1,131,700**	**1,033,270**
Current assets			
Inventories	17	1,399,869	1,633,497
Trade receivables	18	659,904	848,782
Contract assets	18	59,112	49,078
Commissions, discounts and rebate receivables	18	53,694	42,581
Current income tax receivable	14	29,341	19,937
Other financial assets	19	13,373	17,754
Other non-financial assets	19	44,707	31,743
Cash and cash equivalents	20	154,903	179,068
Assets held for sale	21	320,638	3,752
Total current assets		**2,735,541**	**2,826,190**
Total assets		**3,867,241**	**3,859,460**

EQUITY AND LIABILITIES

(€ thousand)	Notes	December 31, 2023	December 31, 2022
Equity			
Subscribed capital		249,375	249,375
Capital reserves		570,420	568,622
Retained earnings		777,890	1,008,383
Accumulated other comprehensive income		150,011	130,044
Equity attributable to shareholders of Klöckner & Co SE		**1,747,695**	**1,956,422**
Non-controlling interests		7,010	11,834
Total equity	**22**	**1,754,705**	**1,968,256**
Non-current liabilities			
Provisions for pensions and similar obligations	24	24,849	38,012
Other provisions and accrued liabilities	25	10,336	14,833
Non-current financial liabilities	26	742,050	400,805
Other financial liabilities	28	1,649	645
Deferred tax liabilities	14	68,726	47,548
Total non-current liabilities		**847,610**	**501,843**
Current liabilities			
Other provisions and accrued liabilities	25	99,048	145,941
Income tax liabilities	14	18,095	21,591
Current financial liabilities	26	185,537	358,549
Trade payables	27	676,440	776,571
Other financial liabilities	28	18,152	35,966
Non-financial contract liabilities	28	4,903	2,519
Advance payments received	28	2,199	5,637
Other non-financial liabilities	28	15,786	42,589
Liabilities directly associated with assets classified as held for sale	21	244,764	-
Total current liabilities		**1,264,926**	**1,389,362**
Total liabilities		**2,112,536**	**1,891,204**
Total equity and liabilities		**3,867,241**	**3,859,460**

Consolidated statement of cash flows 2023

(€ thousand)	Notes	2023	2022
Net income		– 189,802	259,336
Result from discontinued operations		189,532	– 46,224
Income taxes	14	16,325	57,003
Financial result	13	46,151	34,040
Income from investments	12	3,555	– 5,526
Depreciation, amortization, (reversals of) impairment losses on non-current assets	16	124,681	108,385
Other non-cash income/expenses		– 2,320	– 1,193
Gain on disposal of non-current assets	8, 11	– 3,375	– 50,126
Change in net working capital			
Inventories	17	168,739	157,679
Trade receivables*)	18	102,062	30,606
Trade payables**)	27, 28	– 19,669	– 89,849
Change in other operating assets and liabilities		– 57,012	21,125
Interest paid	34	– 43,390	– 30,659
Interest received	34	1,306	1,341
Income taxes paid		– 55,103	– 88,848
Income taxes received		5,092	2,573
Cash flow from operating activities - continuing operations		**286,772**	**359,663**
Cash flow from operating activities - discontinued operations		**34,794**	**45,502**
Cash flow from operating activities		**321,566**	**405,165**
Proceeds from the sale of non-current assets		1,000	59,790
Proceeds from the sale of financial assets		7,429	-
Dividends received		75	762
Payments for intangible assets, property, plant and equipment		– 88,203	– 66,677
Payments for financial assets		– 3,772	– 5,584
Payments for investments in consolidated subsidiaries		– 348,107	– 22,100
Cash flow from investing activities - continuing operations		**– 431,578**	**– 33,809**
Cash flow from investing activities - discontinued operations		**– 2,500**	**– 155**
Cash flow from investing activities		**– 434,078**	**– 33,964**
Dividend payments to shareholders of Klöckner & Co SE		– 39,900	– 99,750
Dividend payments to non-controlling interests		– 5,575	– 10,100
Borrowings	34	683,198	406,472
Repayment of financial liabilities	34	– 482,134	– 497,016
Repayment of leasing liabilities	34	– 29,624	– 29,067
Proceeds from derivates of financing activities	34	– 864	– 5,509
Cash flow from financing activities - continuing operations		**125,101**	**– 234,970**
Cash flow from financing activities - discontinued operations		– 14,003	– 13,766
Cash flow from financing activities		**111,098**	**– 248,736**
Changes in cash and cash equivalents		**– 1,414**	**122,465**
Effect of foreign exchange rates on cash and cash equivalents		– 9,649	– 1,025
Cash and cash equivalents at the beginning of the period	20	179,068	57,628
Cash and cash equivalents at the end of the period		**168,005**	**179,068**
Thereof included in „Assets held for sale"		– 13,102	-
Cash and cash equivalents as per statement of financial position		**154,903**	**179,068**

*) Incl. contract assets and Commissions, discounts and rebates receivables.
**) Incl. contract liabilities and advance payments.

See Note 34 for notes on the cash flow statement.

Summary of changes in consolidated equity

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings
Balance as of January 1, 2022	**249,375**	**568,729**	**854,894**
Other comprehensive income			
Foreign currency translation	-	-	-
Gain/Loss from cash flow hedges	-	-	-
Related income tax	-	-	-
Actuarial gains and losses (IAS 19)	-	-	-
Related income tax	-	-	-
Reclassification to profit and loss due to sale of foreign subsidiaries	-	-	-
Other comprehensive income	**-**	**-**	**-**
Net income	-	-	253,239
Total comprehensive income	**-**	**-**	**253,239**
Dividends	-	-	– 99,750
Gain/loss from hedges and cost of hedging, reclassified in inventories	-	-	-
Equity component of convertible bond	-	– 108	-
Balance as of December 31, 2022	**249,375**	**568,622**	**1,008,383**
Balance as of January 1, 2023	**249,375**	**568,622**	**1,008,383**
Other comprehensive income			
Foreign currency translation	-	-	-
Gain/Loss from cash flow hedges	-	-	-
Actuarial gains and losses (IAS 19)	-	-	-
Related income tax	-	-	-
Other comprehensive income	**-**	**-**	**-**
Net income	-	-	– 190,593
Total comprehensive income	**-**	**-**	**– 190,593**
Change in scope of consolidation	-	-	-
Dividends	-	-	– 39,900
Share-Based Payment	-	1,799	-
Gain/loss from hedges and cost of hedging, reclassified in inventories	-	-	-
Balance as of December 31, 2023	**249,375**	**570,420**	**777,890**

	Accumulated other comprehensive income					
	Currency translation adjustments	Actuarial gains and losses (IAS 19)	Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non-controlling interests	Total
	211,741	**– 68,551**	**– 4,571**	**1,811,616**	**15,731**	**1,827,348**
	59,101	-	-	59,101	14	59,115
	-	-	– 3,534	– 3,534	-	– 3,534
	-	-	-	-	-	-
	-	– 83,803	-	– 83,803	121	– 83,682
	-	17,196	-	17,196	– 29	17,167
	-	-	-	-	-	-
	59,101	**– 66,607**	**– 3,534**	**– 11,040**	**106**	**– 10,934**
	-	-	-	253,239	6,097	259,336
	59,101	**– 66,607**	**– 3,534**	**242,199**	**6,203**	**248,402**
	-	-	-	– 99,750	– 10,100	– 109,850
	-	-	2,465	2,465	-	2,465
	-	-	-	– 108	-	– 108
	270,842	**– 135,158**	**– 5,640**	**1,956,422**	**11,834**	**1,968,256**
	270,842	**– 135,158**	**– 5,640**	**1,956,422**	**11,834**	**1,968,256**
	2,546	-	-	2,546	– 15	2,531
	-	-	766	766	-	766
	-	20,868	-	20,868	– 40	20,828
	-	– 4,489	-	– 4,489	15	– 4,474
	2,546	**16,379**	**766**	**19,691**	**– 40**	**19,651**
	-	-	-	– 190,593	791	– 189,802
	2,546	**16,379**	**766**	**– 170,902**	**751**	**– 170,151**
	-	-	-	-	-	-
	-	-	-	– 39,900	– 5,575	– 45,475
	-	-	-	1,799	-	1,799
	-	-	276	276	-	276
	273,388	**– 118,779**	**– 4,598**	**1,747,695**	**7,010**	**1,754,705**

Notes to the consolidated financial statements

of Klöckner & Co SE, Duisburg, as of December 31, 2023

(1) Company information

Klöckner & Co SE is a listed corporation domiciled at Am Silberpalais 1, Duisburg, Germany, and entered in the commercial register of Duisburg Local Court under HRB 20486.

The consolidated financial statements of Klöckner & Co SE, as the ultimate parent company, and its subsidiaries (the Klöckner & Co Group) were authorized for submission to the Supervisory Board by resolution of the Management Board on March 5, 2024. The Supervisory Board's responsibility is to examine the consolidated financial statements and to issue a statement as to whether it approves them.

(2) Basis of accounting

The consolidated financial statements as of December 31, 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the additional requirements under Section 315e (1) of the German Commercial Code (Handelsgesetzbuch/HGB). All binding IFRS and the associated interpretations of the IFRS Interpretations Committee (IFRIC) as of December 31, 2023 have been applied.

The financial statements of the companies included in the consolidated financial statements, all of which have been prepared as of the reporting date of the consolidated financial statements, are based on uniform accounting policies.

The consolidated financial statements are prepared in euros. Unless otherwise indicated, all amounts are stated in thousands of euros (€ thousand). There may be discrepancies relative to the unrounded figures.

The consolidated financial statements were prepared on a historical cost basis with the exception of certain financial instruments, which are measured at fair value, and of the net defined benefit liability, which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

(3) Basis of consolidation and consolidation methods

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Klöckner & Co SE and the companies it controls (subsidiaries).

The financial statements of subsidiaries acquired or divested during the fiscal year are included in the consolidated financial statements from the date when control is obtained to the date when control is lost.

Intra-Group receivables, liabilities, balances, income and expenses are eliminated in consolidation. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset against each other where they relate to taxes levied by the same taxation authority and to the same period.

The number of consolidated companies changed as follows during the year under review:

	2023	2022
Consolidated entities at the beginning of the financial year*)	51	53
+ business combinations	7	2
– mergers	– 2	– 2
– liquidations	– 1	– 2
Consolidated entities at the end of the financial year*)	**55**	**51**
thereof domestic entities including Klöckner & Co SE	*11*	*11*

*) Including consolidated special-purpose entities.

Four (2022: four) subsidiaries that do not have a significant impact on the Group's results of operations, financial position and net assets are not consolidated. A list of affiliated companies included in the consolidated financial statements is attached as an annex to the notes.

Special-purpose entities

One special-purpose entity exists in connection with the Group's European asset-backed securitization program (ABS program). The second, dormant, special-purpose entity was acquired by a French subsidiary in 2023. It remains inactive. The interests in the special-purpose entity that remains operational are held by an independent and privately owned service company that is responsible for accounting in the parent. The entity purchases merchandise receivables from the subsidiaries participating in the ABS program on contractually agreed terms, financing the purchases with conduit credits refinanced by commercial paper issues or loans granted by the banks involved. The rating required for the commercial paper is ensured by maintaining accounts receivable reserves and meeting performance indicators.

The extent to which this program is used depends on the amount of receivables and the monthly development of the cash flow requirements. This decision is the responsibility of Klöckner & Co SE.

Klöckner & Co SE is contractually responsible for payment execution, reporting, management of the purchased receivables, including credit management and collection of receivables in the special-purpose entity. In addition, Klöckner & Co SE determines the factor that a subsidiary is required to pay in order to cover all running costs of the special-purpose entity. The special-purpose entity is controlled by Klöckner & Co SE and is therefore included in the consolidated financial statements. It is subject to control due to the fact that the Group is exposed to variable returns from the special-purpose entity and is able to influence those returns with its control over the entity.

The companies participating in the program continue to be assigned responsibility by Klöckner & Co SE for collection and receivables management, and bear all related costs but receive corresponding remuneration. They also cover the running costs of the special-purpose entity.

For further information on the ABS program, see Note 18 (Trade receivables) and Note 26 (Financial liabilities).

(4) Acquisitions and disposals

The Group structure changed, as listed below, as a result of the following acquisitions and disposals during fiscal year 2023, with corresponding impacts on the presentation of the results of operations, financial position and net assets.

ACQUISITIONS 2023

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 CHF 3.3 million (€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 CHF 150 thousand (€154 thousand) per year for the years 2024, 2025 and 2026 – a total of CHF 450 thousand (€462 thousand) – if certain milestones are achieved. The quantitative component of the consideration amounts to CHF 850 thousand (€873 thousand) and is dependent on cumulative net sales for the years 2024 to 2026 and the EBITDA margin in 2026.

With effect as of August 1, 2023, Kloeckner Metals Corporation acquired National Material of Mexico (NMM; now Kloeckner Metals Service Centers de Mexico, Monterrey, Mexico, hereinafter also referred to as KMM), which together with three subsidiaries has been included in the consolidated financial statements since that date. The acquisition enables Kloeckner Metals Corporation, Wilmington, Delaware, USA, to significantly expand its presence in Mexico and strengthen its position in the market where the most important automotive and industrial customers are located. Including agreed subsequent adjustments, the purchase price for 100% of the shares amounted to USD 330.4 million (€299.8 million). In addition, the electrical business (NMME) was acquired from the seller in the form of an asset deal for USD 23.4 million (€21.2 million). Customer relationships were measured using the residual value method (a present value model). The fair value of the customer relationships was calculated using an assumed churn rate of 10.0%. A discount rate of 10.6% was used for the present value calculation. The customer relationships are amortized over a period of 15 years. The trade name was calculated on the same discount rate, a royalty rate of 0.46% and a useful life of ten years. Property, plant and equipment was measured using a cost-based method (the replacement cost method). Under the replacement cost method, an asset is measured at the current cost that would be incurred in an arm’s length transaction to replace the asset with a similar asset in similar condition.

With effect as of October 1, 2023, Kloeckner Metals Corporation acquired assets and liabilities of SOL Components LLC, Sacramento, USA, (SOL), one of the leading companies in end-to-end structural solutions for the solar industry in North America, for USD 4.5 million (€4.1 million). This acquisition represents a further step in the development of sustainable business models and reinforces Klöckner & Co's future position in order to play a key role in North America's transition to renewable energy sources. The purchase agreement also contains an earn-out clause under which a subsequent purchase price adjustment of a maximum of USD 3.0 million was agreed subject to the achievement of specified sales targets as of December 31, 2024. If the specified targets are not achieved, management can extend the period by mutual agreement. The fair value of the earn-out clause was measured using a discount rate of 8.1% and amounted to USD 1.8 million as at October 1, 2023. Customer relationships were measured using the residual value method (a present value model). The customer relationships are amortized over a period of 11 years. A royalty rate of 3.0% was assumed for the developed technology. It is amortized over seven years. The trade name was measured on the basis of a royalty rate of 0.5% and is amortized over nine years. A discount rate of 23.5% was used for the present value calculations. As a result of remeasurement on initial consolidation, the fair value of the acquired net assets exceeded the purchase price by €3.2 million, which was accounted for in profit or loss as a bargain purchase ("lucky buy") gain. This positive negotiation outcome was achieved because the company was looking for a strategic partner whose contributions to capital would provide a basis for investing in the necessary infrastructure for future growth in order to handle large-scale projects.

On November 2, 2023, Kloeckner Metals Corporation also acquired 100% of the shares in Industrial Manufacturing Services Inc., Lancaster, South Carolina, USA, (International Machinery Sales, Inc. (IMS)) in a share deal and, from the same owner, the associated real estate in an asset deal. The company provides fabrication, welding, assembly and just-in-time warehousing of light to medium-size subassemblies for OEMs in the heavy machinery industry. By making this acquisition, the company aims to exploit growth opportunities in order to attract new customers within the market and intensify existing relationships with OEMs. Moreover, the acquisition enables Industrial Manufacturing Services' strong expertise in welding and finished parts manufacturing to be added to the existing service portfolio and implemented at other locations throughout North America. The total purchase price was USD 44.2 million (€41.7 million). The company was included in the consolidated financial statements with effect from November 1, 2023. Customer relationships were measured using the residual value method (a present value model). The fair value of the customer relationships was calculated using an assumed churn rate of 7.25%. A discount rate of 11.1% was used for the present value calculation. The customer relationships are amortized over a period of 30 years. A royalty rate of 2.0% and a discount rate of 10.9% were assumed for the technology. The technology is amortized over a period of 10 years. Property, plant and equipment was measured using a cost-based method (the replacement cost method). The acquisition date fair values of the acquired assets and liabilities are as follows:

(€ thousand)	NMM	NMME	IMS	SOL	Müller Wüst AG	**Total impact**
Assets						
Other intangible assets	71,773	2,656	16,972	9,162	109	100,672
thereof customer relationships	*71,088*	*2,656*	*15,380*	*4,082*	*-*	*93,206*
thereof trade names	*685*	*-*	*-*	*1,179*	*-*	*1,864*
thereof order backlog	*-*	*-*	*1,592*	*1,179*	*-*	*2,771*
thereof technology	*-*	*-*	*-*	*2,722*	*-*	*2,722*
Property, plant and equipment	49,231	17	9,978	2	63	59,291
Other non-current assets	14	-	-	-	-	14
Deferred tax	7,901	-	-	-	-	7,901
Inventories	130,621	5,551	3,043	489	44	139,748
Trade receivables	91,692	895	727	5,561	96	98,971
Other current assets	13,280	37	35	-	34	13,386
Cash and cash equivalents	12,188	-	9,681	-	150	22,019
Total acquired assets	**376,700**	**9,156**	**40,436**	**15,214**	**496**	**442,002**
Liabilities and provisions						
Pensions	2,329	-	-	-	-	2,329
Non-current financial liabilities	809	-	-	-	-	809
Deferred tax liabilities	29,494	-	-	1,052	19	30,565
Other current provisions	8,975	764	639	-	23	10,401
Trade payables	61,098	1,391	908	3,315	61	66,773
Current financial liabilities	1,703	-	-	-	-	1,703
Other current liabilities	528	1	1	2,020	173	2,723
Total assumed liabilities	**104,936**	**2,156**	**1,548**	**6,387**	**276**	**115,303**
Acquired net assets	**271,764**	**7,000**	**38,888**	**8,827**	**220**	**326,699**
Considerations	**299,768**	**21,207**	**41,660**	**5,670**	**3,392**	**371,697**
Goodwill	**28,001**	**14,207**	**2,772**	**-**	**3,172**	**48,152**
Negative goodwill	-	-	-	– 3,157	-	– 3,157
Consideration, paid in cash and cash equivalents	*299,768*	*21,207*	*41,660*	*4,082*	*2,055*	*368,772*
Consideration. deferred purchase price	*-*	*-*	*-*	*1,588*	*1,337*	*2,925*

The goodwill arising from the business combination relates to expected synergies from integrating the company concerned into the existing service portfolio of the Kloeckner Metals Americas segment and the Kloeckner Metals Non-EU segment. The resulting goodwill is tested at the level of the Mexico CGU and the USA CGU. The goodwill in the USA CGU is tax-deductible in the amount of €17.0 million and non-deductible in the amount of €31.2 million.

No significant uncollectible receivables were taken over in the acquisitions.

The acquired companies have contributed as follows to net income since the acquisition date:

(€ thousand)	NMM	Other	**Total**
Sales contribution since initial consolidation	266,495	4,789	271,284
Contribution to net income since initial consolidation	1,729	1,235	2,964
Gross contractual amounts of trade receivables	75,026	1,730	76,756
Acquisition-related expenses (other operating expenses)	1,801	212	2,013

Had the acquisitions been included in the consolidated financial statements from the beginning of the fiscal year, Group sales would have been €7,388 million and the net loss would have been €176 million. In determining these figures, management assumed that the fair values determined at the acquisition date would also have applied in the case of an acquisition on January 1, 2023.

DISPOSALS, MERGERS AND LIQUIDATIONS IN 2023

Richardsons Westgarth Ltd., Leeds, United Kingdom, was liquidated effective March 18, 2023.

On March 24, 2023, Klöckner Netherlands Holding B.V., Amsterdam, Netherlands, was merged with ODS B.V., Rotterdam, Netherlands.

Prafer S.A.S., Woippy, France, was merged with Kloeckner Metals France S.A.S., Aubervilliers, France, on November 2, 2023.

Kloeckner Metals France S.A.S., Aubervilliers, acquired KDI Finance S.A.S., Aubervilliers, France, which was already consolidated as a special-purpose entity in previous years, on December 5, 2023. There was no material impact on the consolidated financial statements.

(5) Significant accounting policies

Currency translation

Transactions in foreign currency are translated at the transaction date exchange rate. Monetary items are translated at the reporting date exchange rate. Translation differences arising on the measurement of monetary assets (except exchange differences on net investments) or of monetary liabilities are recognized, regardless of any hedging, in profit or loss as part of other operating income or expenses.

In accordance with the functional currency approach, the annual financial statements of foreign Group companies prepared in foreign currency are translated into euros by the modified current rate method. All subsidiaries conduct their business independently in their domestic markets. As such, the functional currency is the local currency in each case. The assets and liabilities of subsidiaries are translated at the reporting date closing exchange rate. Income and expenses are translated at the transaction date exchange rate, approximated as the average exchange rate for the reporting period. All translation differences are recognized in other comprehensive income and are not recognized in profit or loss until the period of a subsidiary's disposal.

The exchange rates for the Group's main currencies changed as follows:

	Closing rate		Average rate	
€1=	December 31, 2023	December 31, 2022	Jan. 1 - Dec. 31, 2023	Jan. 1 - Dec. 31, 2022
Pound Sterling (GBP)	0.8691	0.8869	0.8698	0.8528
Swiss Franc (CHF)	0.9260	0.9847	0.9718	1.0047
US-Dollar (USD)	1.1050	1.0666	1.0813	1.0531
Mexican Peso (MXN)	18.7231	20.8560	19.1830	21.1869

Impairments

The Group assesses at each reporting date whether there is any indication that intangible assets or property, plant and equipment may be impaired. If there is an indication that an asset may be impaired, its recoverable amount is measured in order to determine the size of any impairment loss to be recognized. The recoverable amount is the greater of fair value less costs of disposal and value in use. In the event that a recoverable amount for the specific asset cannot be estimated, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. If an impairment loss recognized in prior periods for an asset other than goodwill no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased through profit or loss to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

Goodwill arising in business combinations is tested for impairment at least annually. The impairment test is performed at the level of the CGU to which the goodwill has been assigned. In the Klöckner & Co Group, the two CGUs Becker Stahl-Service GmbH (BSS) and Switzerland have a goodwill asset. The acquisitions in fiscal year 2023 resulted in new goodwill in the Mexico CGU and in the USA CGU. Goodwill is tested for impairment as of December 31 of the fiscal year or whenever there is an indication that it may be impaired. If the carrying amount exceeds the recoverable amount, a goodwill impairment is recognized in the amount of the difference and cannot be reversed in subsequent periods.

The recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. Value in use and fair value less costs of disposal are determined using a DCF approach. The estimated cash flows are based on the Company's current four-year business plan and management's estimates for each business unit. The cost of capital used reflects the risk specific to the underlying business and the country in which the business operates. The interest rates are based among other things on a peer group analysis. The composition of the peer group is regularly reviewed and modified as necessary.

For CGUs whose recoverable amount is less than their carrying amount, fair values are determined at the level of individual assets. Detailed information is provided in Note 16 a (Intangible assets) and 16 b (Property, plant and equipment). Depending on future changes in those fair values, additional impairment losses and impairment reversals cannot be ruled out.

Impairment losses are presented separately in the income statement under depreciation and amortization.

Government grants and government assistance
Grants are recognized in profit or loss over the periods in which the related costs are recognized in expense.

Government grants related to assets – mainly property, plant and equipment – are deducted from the cost of the asset.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognized in profit or loss as other operating income in the period in which they become receivable for the Group.

Presentation of the consolidated statement of financial position and consolidated statement of income
Individual items have been combined in the consolidated statement of financial position and the consolidated statement of income; further information is provided separately in these Notes. Assets and liabilities expected to be realized or settled within one year are classified as current.

The consolidated statement of income is prepared according to the nature of expense method.

Estimates, judgments and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognized in the period of the change if the change affects that period only. If more than one period is affected, the change is reflected in the period of the revision and subsequent periods.

Material judgments, estimates and assumptions are required in the following areas:

	Note
Judgements	
– Determination of scope of consolidation in relation to special-purpose entities, where there is no majority of voting rights or capital	3
– Assessment of intangible assets and property, plant and equipment for triggering events for an impairment	16 (a), (b), (c)
Estimates and assumptions	
– Measurement of intangible assets and property, plant and equipment acquired in a business combination within the meaning of IFRS 3	4
– Determination of the fair values or expected sales proceeds of a disposal group of discontinued operations in accordance with IFRS 5	16 (b), 21
– Measurement of the net realizable value for inventories	17
– Estimates of expected useful lives, assumptions about macroeconomic conditions and industry trends and estimates on which the termination of the recoverable amount was based	16
– Recognition and Measurement of tax receivables related to the estimation if sufficient taxable income is available	14
– Assumptions regarding discount rates, mortality rates and, where applicable, expected returns on plan assets for the measurement of provision for pensions and similar obligations	24
– Recognition and measurement of other provisions and contingent liabilities	25

Accounting effects of climate change

During the reporting year, we have taken account of the impacts of climate change and the associated decarbonization and sustainability transformation of the steel industry in relation to our Company and our net assets, financial position and results of operations. Potential impacts were included in the assessment in the course of preparation of the consolidated financial statements, in particular with regard to assumptions, judgments and estimates concerning future developments affecting the Klöckner Group and its environment.

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 solutions. Furthermore, Klöckner & Co has committed to reducing emissions along the entire value chain to net zero by 2050. Directly controllable emissions (Scope 1, Scope 2 and directly controllable Scope 3 emissions) are additionally to be reduced to net zero by 2040. Our net zero carbon targets have been recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process.

As a global steel distributor, Klöckner & Co expanded its range of CO_2-reduced steel and metal products in fiscal year 2023 by entering into strategic partnerships on the procurement side. Also in fiscal year 2023, in developing the Nexigen® PCF algorithm and investing in the newly created technology solution Nexigen® Data Services, we launched innovative solutions to help customers decarbonize by providing them with transparency on carbon emissions and offering them CO_2-reduced product alternatives. In the Nexigen® brand, we have created a key strategic framework to exploit future opportunities arising from the decarbonization of the steel industry and continue our growth as well as further expanding our portfolio of sustainable carbon-reduced product and service solutions for the future. Business activities under the Nexigen® umbrella brand are currently still in the ramp-up phase. Klöckner & Co expects considerable future sales growth with Nexigen®. The future level of sales cannot be reliably quantified, however, due to factors beyond Klöckner & Co's control, including the unforeseeable development of new technologies, regulatory requirements and cost increases such as carbon pricing in relation to conventional technologies.

As a share of total operating expenses and total capital expenditure for 2023, expenses and investments for the sustainability transformation are not material in relation to total capital expenditure and therefore have no material impact on the net assets, financial position and results of operations of the Klöckner Group.

Further information on the accounting consideration of climate-related aspects and on their influence on the estimates and assumptions made in preparation of the financial statements can be found in particular in the additional explanations under Notes 4 (Acquisitions), 10 (Personnel expenses), 11 (Other operating expenses) and 16 (Intangible assets and property, plant and equipment).

In this connection, Klöckner keeps an attentive watch on legislation relating to climate change.

New accounting standards and interpretations

The following standards were applied for the first time in fiscal year 2023:

Standard/Interpretation
IFRS 17 – Insurance Contracts
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
Amendments to IAS 12 – Pillar Two Model Rules

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

The table below lists the published standards and interpretations not yet applied in the Klöckner & Co Group:

Standard/Interpretation	Mandatory application
Endorsed by the EU until authorization date for issuance	
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	2024
Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback	2024
EU endorsement outstanding	
Amendments to IAS 7 und IFRS 7 – Reverse Factoring Agreements	2024
Amendments to IAS 21 – Lack of Exchangeability	2025

Early application of these standards is permitted but not planned. The Group currently expects that the application of the new standards, interpretations and amendments will have no material effects on the consolidated financial statements.

The amendments to IAS 1: Classification of Liabilities as Current or Non-current relate to a narrow-scope modification of the assessment criteria for classifying liabilities as current or non-current.

They clarify that the classification of liabilities as current or non-current is based on the entity's rights in existence at the end of the reporting period to defer settlement by at least twelve months. If such rights exist, the liability is classified as non-current. The right to defer settlement of the liability must be substantial. If the exercise of such a right is conditional on compliance with covenants, the conditions must be met at the end of the reporting period; if not, the liability is classified as current.

Classification of a liability is unaffected by management intentions or expectations as to whether the liability will actually be settled within twelve months of the end of the reporting period. Classification is solely based on the existence of rights at the end of the reporting period to defer settlement of the liability by at least twelve months. This also applies in the event of settlement within the subsequent events period.

In July 2020, the date of initial application was postponed by one year to annual periods beginning on or after January 1, 2024.

Due to the ongoing process of analyzing and interpreting IAS 1, the Group is currently unable to estimate the impact in the period of initial application. The developments are being closely monitored.

Non-current assets held for sale, disposal groups and discontinued operations
An individual non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets and liabilities are presented as a disposal group if they are to be sold or otherwise disposed of as a group in a single transaction and collectively meet the criteria specified in IFRS 5 Non-current Assets held for Sale and Discontinued Operations. The assets and liabilities of a disposal group are presented separately in the statement of financial position under “Assets held for sale” and “Liabilities directly associated with assets classified as held for sale.” A disposal group is classified as a discontinued operation if the components of the disposal group represent a separate major line of business or geographical area of operations that is part of a single coordinated plan to dispose of such a line of business or area of operations. The profit or loss of discontinued operations is recognized in the period in which it arises and is presented separately in the income statement under “Discontinued operations (after taxes).”

In the Klöckner & Co Group, the France, United Kingdom, Netherlands and Belgium CGUs are classified as discontinued operations as a disposal group with effect from December 1, 2023 (see also Note 21 for further information).

The income statement for the prior period has been restated accordingly by presenting the results of the components of disposal group under discontinued operations. In the statement of cash flows, the cash flows from discontinued operations are presented separately from the cash flows from continuing operations and the prior-period figures have been restated accordingly.

A disposal group is first measured with its assets in accordance with the relevant IFRS standards. However, individual assets in the disposal group cease to be depreciated or amortized. The resulting carrying amount of the group is then compared with its fair value less costs to sell in order to determine the lower amount for measurement. Impairment losses due to first-time classification as assets held for sale are recognized in profit or loss, as are subsequent impairment losses and impairment reversals.

Notes to the consolidated statement of income

(6) Special items affecting the results

Comparability between the fiscal year 2023 results and the prior year is impacted by the following special effects:

(€ thousand)	2023	2022
Material property disposal gains / operations	4,740	50,350
Gains / Expenses on restructuring		
– Personnel measures	– 4,760	3,279
– Other restructuring expenses	-	– 1,376
EBITDA impact	**– 20**	**52,253**
EBT impact	**– 20**	**52,253**

2023

Sale of property, plant and equipment
A line of business in the Kloeckner Metals EU segment was sold in fiscal year 2023 with a gain on disposal of €5 million.

Personnel-related restructuring expenses

Planned restructuring in the Kloeckner Metals EU segment resulted in personnel-related restructuring expenses of €5 million.

2022

Sale of property, plant and equipment

A site in the Kloeckner Metals Non-EU segment that was presented as of December 31, 2021 as "non-current assets held for sale" in accordance with IFRS 5 was sold in fiscal year 2022 resulting in a book gain of €50 million.

Expenses from site closures and income from reversals of provisions in connection with the Surtsey project

The Surtsey project resulted in follow-on expenses and adjustments to provisions for site closure costs in all operating segments in a total amount of €1 million. These are offset by income of €3 million in the Kloeckner Metals EU segment from the reversal of restructuring provisions for personnel measures.

Impacts of the Russian war of aggression against Ukraine and of the Middle East conflict

Klöckner & Co has no business activities of its own in Ukraine, Russia or in the crisis region of the Middle East. Furthermore, the sales and procurement markets in these countries have no relevance for Klöckner & Co and no material sales are generated or material purchases made there. The Russian war of aggression against Ukraine and the Middle East conflict therefore have had no direct accounting impact. However, the hostilities have had impacts on the macroeconomic environment that have indirectly affected the development of demand in the sales markets relevant to us. Following price corrections in the second half of 2022, steel prices in Europe and the USA were significantly down at the beginning of fiscal year 2023 compared to a year earlier and, especially in the European market, fell to an annual low over the further course of the year. However, steel prices stabilized again towards the end of the year. The price correction in fiscal year 2023 led to inventory write-downs on the basis of measurement at net realizable value in accordance with IAS 2, accumulating to a total of €11 million over the year as a whole (please refer to Note 17, Inventories). Such inventory write-downs may be reversed in future periods assuming the general economic situation improves again. The long-term effects of the Russian war of aggression against Ukraine and the Middle East conflicts have also led to very high inflation rates and hence to customers postponing purchases resulting in lower sales in fiscal year 2023. Higher transport and logistics costs as well as costs of operating supplies and packaging resulted in higher costs overall compared to the prior year.

There has been no change with regard to the uncertainties in assessing the impact of the Russian war of aggression against Ukraine and of the Middle East conflict on current business performance, including the earnings prospects. From today's perspective, future developments and their impacts on the development of the business are subject to a high degree of uncertainty, including with regard to continued high inflation rates, ongoing supply bottlenecks and skills shortages in industrialized countries, uncertainties regarding further increases in key interest rates, the risk of instability in the financial sector or of individual bank failures, the exacerbation of debt problems in some European countries as a result of central banks' interest rate policies, semiconductor supply bottlenecks, and continued high energy, material and commodity prices.

Against this backdrop, we have conducted impairment tests on critical assets comprising goodwill, intangible assets and property, plant and equipment (Note 16), deferred tax assets (Note 14) and trade receivables and contract assets (Note 18). Please also refer in this connection to our explanatory notes on financial risk management (Note 31) and in addition to the commentary on the results of operations, financial position and net assets in the Management Report.

(7) Sales

Accounting policies
Revenue from sales of goods are recognized when control has transferred to the buyer. This mostly coincides with the delivery date. Revenue from contracts with customers are only recognized otherwise than at the time of delivery if the buyer already has control before delivery or if control transfers over time. Sales are reported net of allowances such as commissions, trade discounts and rebates, which are determined by estimation if necessary.

The Klöckner & Co Group mainly sells steel and metal products in sales from stockyards, back-to-back transactions and processing.

Stockyard sales generally consist of selling material, with little or no processing, to customers out of a stockyard and deliveries in consignment stock on customer premises. Revenue from such transactions is recognized on delivery or collection of the goods.

Back-to-back transactions are sales where goods are delivered straight to a customer without going through a Klöckner & Co stockyard. In these transactions, the Klöckner & Co Group is responsible for fulfillment and has the inventory risk up to delivery to the customer. Prices are negotiated separately with the supplier and with the customer. This means Klöckner & Co is the principal in back-to-back transactions and revenue is recognized on delivery to the customer.

Higher value-added products and processing services are characterized by the fact that goods are normally processed before delivery to a customer. This involves the use of special machines such as 3D lasers. Revenue from such transactions is recognized on delivery of the processed goods to a customer.

Service center sales primarily entail the processing of coil into various sheet metal products.

In addition to sales of steel and metals, the other contracts in the Kloeckner Metals Non-EU segment also relate to sales of technical products in Switzerland.

Payment terms vary from customer to customer. Frequent payment terms are 30 days net, 60 days net and the 15th of the month following delivery.

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

2023 *(€ thousand)*	Kloeckner Metals Americas	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group Companies	Total
Germany	-	1,583,477	18,590	-	1,602,067
EU excluding Germany	-	340,771	8,420	-	349,191
Switzerland	-	12,462	1,111,609	-	1,124,072
Rest of Europe	-	9,843	1,096	-	10,939
USA	3,527,487	195	375	-	3,528,057
Rest of North America	-	-	-	-	-
Central and South America	303,491	19,413	605	-	323,509
Asia/Australia	-	18,773	-	-	18,773
Africa	-	-	-	-	-
Sales	**3,830,978**	**1,984,934**	**1,140,695**	**-**	**6,956,607**

2022 *(€ thousand)*	Kloeckner Metals Americas	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group Companies	Total
Germany	-	2,039,664	12,662	446	2,052,772
EU excluding Germany	5,658	488,076	7,580	-	501,314
Switzerland	13,934	11,759	1,282,627	-	1,308,319
Rest of Europe	189	11,703	916	-	12,807
USA	4,256,867	708	783	-	4,258,357
Rest of North America	2,490	-	-	-	2,490
Central and South America	147,948	32,194	558	-	180,700
Asia/Australia	-	18,532	28	-	18,560
Africa	-	1,765	-	-	1,765
Sales	**4,427,086**	**2,604,401**	**1,305,153**	**446**	**8,337,085**

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

2023 *(€ thousand)*	Kloeckner Metals Americas	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group Companies	Total
Stockholding	1,466,921	838,207	289,013	-	2,594,141
Processing and Service-Center	2,340,281	1,031,031	361,715	-	3,733,027
Direct business	23,776	107,203	23,600	-	154,579
Other contracts	-	8,493	466,367	-	474,860
External sales	**3,830,978**	**1,984,934**	**1,140,695**	**-**	**6,956,607**

2022 *(€ thousand)*	Kloeckner Metals Americas	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and Other Group Companies	Total
Stockholding	1,665,983	1,081,492	350,655	446	3,098,575
Processing and Service-Center	2,719,368	1,297,449	466,758	-	4,483,575
Direct business	41,735	215,547	29,231	-	286,513
Other contracts	-	9,913	458,509	-	468,422
External sales	**4,427,086**	**2,604,401**	**1,305,153**	**446**	**8,337,085**

(8) Other operating income

(€ thousand)	2023	2022
Foreign currency exchange gains	10,302	5,883
Gain on disposal of assets held for sale		
- intangible assets and property, plant and equipment (material special effects)	4,740	-
- assets held for sale (material special effects)	-	50,350
Indemnification payments received	2,102	878
Income from business combinations (excess of acquired net assets over costs - negative goodwill = lucky buy)	3,218	-
Other income	13,001	6,639
Other operating income	**33,363**	**63,750**

The prior year income from asset disposals (non-current assets held for sale) mainly related to gains of €50 million on the sale of real estate in Switzerland. Further information is included in Note 6 (Special items affecting the results).

(9) Cost of materials

(€ thousand)	**2023**	2022
Cost of materials, supplies and purchased merchandise	5,794,172	7,039,611
Cost of purchased services	2,978	3,910
Cost of materials	**5,797,149**	**7,043,521**

(10) Personnel expenses

(€ thousand)	**2023**	2022
Wages and salaries	430,010	419,319
Restructuring expenses/income	4,760	– 3,279
Social security contributions (including welfare benefits)	79,618	76,692
Retirement benefit cost	20,132	26,390
Personnel expenses	**534,520**	**519,122**

The increase in wages and salaries is mainly due to negative currency effects from the USD and CHF exchange rates in the Kloeckner Metals Americas and Kloeckner Metals Non-EU segments. On a currency-adjusted basis, personnel expenses in fiscal year 2023 amount to €537 million, compared to €519 million in the prior year, and show an increase by 3.4%, mainly due to larger number of employees and restructuring expenses.

Wages and salaries include €1.1 million (2022: €0.9 million) in climate-related variable remuneration components for management, including the Management Board, that are measured on the basis of the reduction in CO_2e emissions (Scope 1 and Scope 2 emissions) relative to the 2019 base year. Further information and explanatory notes on the targets for variable remuneration can be found in our Remuneration Report.

The average number of employees in the Klöckner & Co Group pursuant to Section 314 (1) 4 of the German Commercial Code (HGB) was as follows in the reporting year:

	2023	2022
Salaried employees	3,715	3,538
Wage earners	2,142	1,956
Apprentices	159	158
Employees	**6,016**	**5,652**

(11) Other operating expenses

(€ thousand)	2023	2022
Forwarding cost	160,414	163,844
Third-party services	100,017	101,516
Repairs, maintenance and other expenses for plant and buildings	51,880	53,220
Supplies	47,281	47,674
Audit fees and consulting	23,175	28,036
Other taxes	13,508	14,041
Travel expenses	11,987	10,463
Other insurance	10,743	8,848
Foreign currency exchange losses	7,531	5,563
Postal charges and telecommunication	6,125	5,745
Advertising and representation expenses	5,619	4,287
Other restructuring expenses	-	1,376
Bad debt expenses	1,531	1,132
Credit insurance	950	2,099
Other expenses	24,899	17,470
Other operating expenses	**465,661**	**465,314**

The other expenses mainly relate to fringe benefits, office supplies, incidental bank charges and membership fees.

Other operating expenses include €2.1 million in payments for carbon emission offsets (2022: €2.1 million). 96% of our global electricity consumption already came from renewable sources in 2023 (2022: 58%).

(12) Income from investments

Income from investments comprises dividends and measurement gains/losses on unconsolidated affiliated companies and other investments and breaks down as follows:

(€ thousand)	2023	2022
Dividends	75	764
Changes in market value from the valuation of equity instruments	– 3,630	4,761
Income from investments	**– 3,555**	**5,526**

The changes in fair value from the measurement of equity instruments relate to investment by kloeckner.v GmbH in various venture capital companies.

(13) Financial result

Accounting policies

Interest income is recognized pro rata temporis based on the outstanding principal amount and the applicable interest rate using the effective interest method. Dividends are recognized when the right to receive payment is legally established.

(€ thousand)	2023	2022
Other interest and similar income	2,825	1,593
Finance income	**2,825**	**1,593**
Interest and similar expenses	– 44,272	– 32,487
Interest cost for leases	– 3,758	– 2,829
Interest cost for post–employment benefits	– 946	– 316
Finance expenses	**– 48,976**	**– 35,633**
Financial result	**– 46,151**	**– 34,040**

The financial result includes net interest expense of €42,960 thousand (2022: €30,967 thousand) measured and recognized using the effective interest rate method.

The increase in interest and similar expenses is due to higher average net financial debt compared to the prior year and to higher interest rates.

(14) Income taxes

Accounting policies

Income tax expense is the sum total of current and deferred tax expenses.
Current tax expense is calculated on the basis of taxable income for the fiscal year. Tax liabilities are measured at the amount for which payment to the taxation authorities is expected. The liabilities are measured at the tax rates that have been enacted by the reporting date.

Deferred taxes are calculated using the balance sheet liability method. They result from differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax base (temporary differences) and from consolidation entries. No deferred taxes are recognized for goodwill on initial consolidation. Deferred taxes are measured based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is also recognized for the carryforward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part or all of deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and a previously unrecognized deferred tax asset is recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Klöckner & Co Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off and they relate to income taxes levied by the same taxation authority and current tax assets and tax liabilities are intended to be settled on a net basis.

Current and deferred taxes are recognized in profit or loss unless they relate to items that are recognized directly in equity or in other comprehensive income. In such cases, they are also charged or credited to equity or other comprehensive income.

Income taxes in the income statement

Income tax income/expense for the Klöckner & Co Group is as follows:

(€ thousand)	2023	2022
Current income tax expense (+)/benefit (–)	**35,519**	**63,756**
thereof related to prior periods	395	– 222
thereof related to current period	35,124	63,978
Domestic	– 114	9,596
Foreign	35,633	54,160
Deferred tax expense (+)/benefit (–)	**– 19,194**	**– 6,753**
thereof related to temporary differences	– 4,364	– 6,032
thereof related to loss carry forwards	– 14,829	– 721
Domestic	– 13,053	– 2,613
Foreign	– 6,141	– 4,140
Income tax expense (+)/benefit (–)	**16,325**	**57,003**

The combined income tax rate is 32.1% (2022: 31.8%), comprising corporate income tax (including solidarity surcharge) of 15.8% and trade tax for Klöckner & Co of 16.3%. Foreign tax rates vary between 18.0% and 34.0%.

The income tax item shows current tax expense of €35,519 thousand in the reporting year (2022: €63,756 thousand). It should be noted, however, that cross-border offsetting of tax profits and tax losses is not permitted. In particular, tax losses in individual European countries cannot be offset against tax profits in other European countries.

The Group operates in numerous different countries. Its income is therefore subject to various tax jurisdictions. Tax receivables, tax liabilities, temporary differences, tax loss carryforwards and the resulting deferred taxes must be determined separately for each taxable entity. Management is required to make estimates in calculating current and deferred taxes. Deferred tax assets can only be recognized to the extent that their realization is probable. The realization of deferred taxes notably depends on sufficient taxable income being available for the type of tax and tax jurisdiction concerned. Various factors must be taken into consideration when gauging the probability of the future flow of economic benefits, such as historical earnings, budgets, loss carryforward restrictions and tax planning strategies. The recognition of deferred taxes is assessed once again at each reporting date.

IFRIC 23 clarifies the application of the recognition and measurement rules in IAS 12 in the event of uncertainty about the income tax treatment. Recognition and measurement require estimates and assumptions about such questions as to whether uncertain tax treatments are considered separately or together, whether the most likely value or the expected value method is used to resolve the uncertainty and whether there have been changes relative to the prior period. Detection risk is immaterial to the accounting of uncertain financial statement items. They are accounted for on the basis of the assumption that the tax authorities investigate the matter in question and have full knowledge of all relevant information.

Information on the stated estimates, assumptions and judgments must be provided in the notes. In addition, information on the potential effects of the uncertainty must be disclosed as a tax-related contingent liability in accordance with IAS 12.88.

There are no material effects on the consolidated financial statements of Klöckner & Co SE.

Expected tax income/expense is reconciled to actual tax income/expense as follows:

(€ thousand)	2023	2022
Expected tax rate	**32.1%**	**31.8%**
Income before taxes	**16,055**	**270,115**
Expected tax expense/benefit at domestic tax rate	5,153	85,896
Foreign tax rate differential	– 10,723	– 22,001
Tax rate changes	– 280	– 186
Tax reduction due to tax free income	– 689	652
Tax increase due to non–deductible expenses	8,111	3,505
Current income tax levied or refunded for prior periods	513	– 221
Tax reduction due to aperiodic recognition of deferred tax assets on temporary differences and on tax loss carryforwards	-	– 8,285
Current tax benefit resulting from previously unrecognized deferred tax assets on loss carryforwards and on temporary differences	– 3,096	– 5,619
Deferred tax benefit resulting from previously unrecognized deferred tax assets on loss carryforwards and on temporary differences	-	– 12,372
Tax increase due to non–capitalization of deferred tax assets on loss carryforwards and deductible temporary differences including valuation allowances	15,526	13,005
Other income taxes	-	-
Other tax effects	1,810	2,629
Effective income tax benefit/expense	**16,325**	**57,003**
Effective tax rate	**101.7%**	**21.1%**

The actual tax rate of 101.7% in the fiscal year under review is above the expected combined income tax rate of 32.1%. This mainly relates to higher taxes due tax losses for which no deferred tax asset can be recognized.

Taxes recognized directly in other comprehensive income

Current and deferred taxes are normally recognized in profit or loss, with the exception of taxes relating to items accounted for in other comprehensive income.

(€ thousand)	December 31, 2023	December 31, 2022
Change in deferred tax assets and liabilities (net), not affecting net income	**– 6,465**	**– 14,738**
thereof reported		
– in other comprehensive income	*– 6,465*	*– 14,738*

Deferred taxes on adjustments of pension provisions in other comprehensive income in accordance with IAS 19, net investment hedges and changes in the fair values of derivative financial instruments designated in hedge accounting are recognized directly in other comprehensive income.

The deferred tax assets relating to items accounted for in equity totaled €11,737 thousand at the end of the reporting year (2022: €16,226 thousand). In the reporting year, these relate in their entirety to pension obligations.

Deferred tax assets and liabilities

Deferred tax assets and liabilities associated with items in the consolidated statement of financial position and to tax loss carryforwards are as follows:

	As of January 1, 2023		
(€ thousand)	Net balance	Recognized in profit and loss	Recognized in OCI
From temporary differences and consolidations	***– 32,378***	***4,363***	***– 34,062***
Intangible assets	– 6,260	– 9,116	– 5,721
Property, plant and equipment	– 32,992	– 2,813	– 30,149
Non-current investments	-	-	-
Inventories	– 9,940	– 3,838	– 9,083
Receivables	– 1,464	– 2,899	– 1,338
Other current assets	12,650	5,031	11,560
Provisions for pensions and similar obligations	– 6,908	2,206	– 10,786
Other provisions and accrued liabilities	6,270	– 4,513	5,729
Financial liabilities	6,097	– 631	5,572
Other liabilities	169	20,936	154
Tax loss carryforwards/interest carryforwards	*30,150*	*14,830*	*27,552*
Deferred tax assets/liabilities (before offsetting)	**– 2,228**	**19,193**	**– 6,510**
Offsetting	-		
Deferred tax assets/liabilities	**– 2,228**		

	As of January 1, 2022		
(€ thousand)	Net balance	Recognized in profit and loss	Recognized in OCI
From temporary differences and consolidations	***– 53,372***	***9,648***	***11,575***
Intangible assets	– 6,655	1,320	– 697
Property, plant and equipment	– 42,423	13,876	– 4,445
Non-current investments	48	– 53	5
Inventories	– 13,447	4,916	– 1,409
Receivables	– 394	– 1,029	– 41
Other current assets	29,920	– 20,405	3,135
Provisions for pensions and similar obligations	– 14,714	– 7,819	15,625
Other provisions and accrued liabilities	2,726	3,258	286
Financial liabilities	491	5,555	51
Other liabilities	– 8,925	10,029	– 935
Tax loss carryforwards/interest carryforwards	*25,811*	*1,637*	*2,705*
Deferred tax assets/liabilities (before offsetting)	**– 27,562**	**11,285**	**14,280**
Offsetting	-		
Deferred tax assets/liabilities	**– 27,562**		

Recognized directly in equity	Acquired in business combinations	Other (e.g. non-current assets held for sale and discontinued operations)	As of December 31, 2023 Net balance	Deferred tax assets	Deferred tax liabilities
-	*7,612*	*2,334*	*– 52,128*	*79,023*	*– 131,151*
-	1,472	451	– 19,171	643	– 19,814
-	7,756	2,378	– 55,819	430	– 56,249
-	-	-	-	-	-
-	2,337	717	– 19,808	4,222	– 24,030
-	344	106	– 5,251	1,948	– 7,199
-	– 2,974	– 912	25,355	28,395	– 3,040
-	1,624	498	– 13,365	4,391	– 17,756
-	– 1,474	– 452	5,561	7,484	– 1,923
-	– 1,433	– 440	9,164	9,164	-
-	– 40	– 12	21,206	22,346	– 1,140
-	*– 30,276*	*– 4,000*	*38,253*	*38,253*	-
-	**– 22,664**	**– 1,666**	**– 13,875**	**117,276**	**– 131,151**
			-	– 62,425	62,425
			– 13,875	**54,851**	**– 68,726**

Recognized directly in equity	Aquired in business combinations	Other (e.g. non-current assets held for sale and discontinued operations)	As of December 31, 2022 Net balance	Deferred tax assets	Deferred tax liabilities
17,167	*– 231*	*-*	*– 32,378*	*59,940*	*– 92,318*
-	– 231	-	– 6,260	3	– 6,263
-	-	-	– 32,992	7,282	– 40,274
-	-	-	-	-	-
-	-	-	– 9,940	4,162	– 14,102
-	-	-	– 1,464	49	– 1,513
-	-	-	12,650	27,979	– 15,329
17,167	-	-	– 6,908	4,116	– 11,023
-	-	-	6,270	8,067	– 1,797
-	-	-	6,097	6,097	-
-	-	-	169	2,185	– 2,017
-	-	-	*30,150*	*30,150*	-
17,167	**– 231**	**-**	**– 2,228**	**90,090**	**– 92,318**
			-	– 44,770	44,770
			– 2,228	**45,320**	**– 47,548**

Klöckner & Co recognizes deferred tax assets only to the extent that tax planning calculations indicate that the related tax benefits will be utilized within a certain planning horizon, as we can only assess utilization to the required level of probability within such a forward horizon. As of December 31, 2023, deductible temporary differences and loss carryforwards that are able to be utilized are recognized over a planning horizon of four years (2022: four-year planning horizon).

In accordance with IAS 12.39, no deferred tax liabilities were recognized for taxable temporary differences associated with investments in subsidiaries (outside basis differences) in the amount of €21.8 million (2021: €22.0 million).

The following deferred tax assets on unused tax loss carryforwards and deductible temporary differences have not yet been recognized because their realization cannot be reliably guaranteed:

(€ million)	**December 31, 2023**	December 31, 2022
Unrecognized tax losses		
– Corporate income tax	578	478
– Trade tax and similar taxes	110	102
– Interest carry forward	2	-
Temporary differences	11	18

The majority of the unrecognized tax loss carryforwards are not subject to a maximum carryforward period under prevailing law and therefore do not expire unless specific circumstances arise (such as change of control). The unrecognized tax loss carryforwards that are subject to a maximum carryforward period expire as follows:

(€ million)	**December 31, 2023**	December 31, 2022
until December 31, 2022	-	-
until December 31, 2032	1	19
after December 31, 2032	12	25

Temporary differences are deductible indefinitely.

Pillar two
Klöckner & Co falls within the scope of the OECD Pillar Two model legislation (Global Anti-Base Erosion Proposal [GloBE] for the reform of international business taxation). The Pillar Two legislation was adopted in Germany, the jurisdiction in which Klöckner & Co is domiciled, and will enter into force on January 1, 2024. As the Pillar Two legislation was not yet in force as at the reporting date, the Group is not currently subject to tax in this respect. The Group makes use of the exemption from the recognition of deferred taxes in connection with Pillar Two income taxes, which was the subject of the amendment to IAS 12 published in May 2023.

According to the legislation, the Group must pay an additional tax per country in the amount of the difference between the GloBE effective tax rate and the minimum tax rate of 15%. All Group companies are subject to an effective tax rate and the minimum tax rate of more than 15%.

Due to the complexity of the application of the legislation and the calculation of GloBE income, the quantitative impact of the legislation that has been passed or entered into force cannot yet be reliably estimated. Even for companies with an effective tax rate of over 15%, Pillar Two could therefore have tax implications.

(15) Earnings per share

Accounting policies

Basic earnings per share are calculated by dividing consolidated net income for the year attributable to shareholders of Klöckner & Co SE by the average number of shares outstanding during the period. Potential shares from convertible bonds are treated as dilutive if, and only if, their conversion to shares would decrease earnings per share or increase loss per share.

		2023	2022
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	– 190,593	253,238
– from continuing operations		– 1,061	207,014
– from discontinued operations		– 189,532	46,224
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share from continuing operations	**(€/share)**	**– 0.01**	**2.08**
Basic earnings per share from discontinued operations	**(€/share)**	**– 1.90**	**0.46**
Sum of basic earnings per share	**(€/share)**	**– 1.91**	**2.54**
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	-	253,238
– from continuing operations	(€ thousand)	-	207,014
– from discontinued operations	(€ thousand)	-	46,224
Interest expense on convertible bond (net of tax)	(€ thousand)	-	4,620
– from continuing operations	(€ thousand)	-	211,634
– from discontinued operations	(€ thousand)	-	46,224
Weighted average number of shares	(thousands of shares)	-	99,750
Dilutive potentiel shares from convertible bond	(thousands of shares)	-	11,548
Weighted average number of shares for diluted earnings per share	(thousands of shares)	-	111,298
Diluted earnings per share from continuing operations	**(€/share)**	**– 0.01**	**1.90**
Diluted earnings per share from discontinued operations	**(€/share)**	**– 1.90**	**0.42**
Sum of diluted earnings per share	**(€/share)**	**– 1.91**	**2.32**

The convertible bond was repaid as scheduled in September 2023. There is therefore no longer any dilution of earnings for 2023.

Notes to the consolidated statement of financial position

(16) Intangible assets and property, plant and equipment

a) Intangible assets

Accounting policies
Intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses if economic benefits are expected from the asset and the cost of the asset can be measured reliably.

Intangible assets are amortized on a straight-line basis over their expected useful life. Intangible assets recognized in business combinations for customer relationships are amortized based on the expected churn rate.

The expected useful lives are as follows:

	Useful life in years
Software	2–5
Customer relations	2.5–15
Trade names	3–15
Other intangible assets	1–15

The useful life is reviewed annually and changed as necessary in accordance with future expectations. Intangible assets with an indefinite useful life – in the Klöckner & Co Group solely goodwill – are reviewed for impairment annually and whenever there is an indication that they may be impaired.

(€ thousand)	Intangible assets (without Software/ Goodwill)	Customer relationships from business combinations	Software	Goodwill	Total intangible assets
Cost as of January 1, 2022	44,362	385,196	86,363	320,582	836,503
Accumulated amortization and impairments	– 32,322	– 341,272	– 76,892	– 288,628	– 739,114
Balance as of January 1, 2022	**12,040**	**43,924**	**9,471**	**31,954**	**97,389**
Exchange rate differences	304	2,835	371	1,356	4,866
Additions from business combinations	-	5,270	-	1,169	6,439
Additions	138	-	2,296	-	2,434
thereof taxonomy-eligible	-	-	-	-	-
Disposals	-	-	– 833	-	– 833
Reversal of impairment	-	-	147	-	147
Impairments	-	-	– 65	-	– 65
Depreciation and amortization	– 604	– 18,295	– 6,953	-	– 25,852
Transfers	– 9,658	-	9,658	-	-
Balance as of December 31, 2022	**2,220**	**33,734**	**14,092**	**34,479**	**84,525**
Cost as of December 31, 2022	36,096	413,401	83,139	340,606	873,242
Accumulated amortization and impairments	– 33,876	– 379,667	– 69,047	– 306,127	– 788,717
Balance as of January 1, 2023	**2,220**	**33,734**	**14,092**	**34,479**	**84,525**
Exchange rate differences	– 2	– 693	557	1,784	1,646
Additions from business combinations	4,586	93,206	2,881	48,152	148,825
Additions	233	72	6,211	-	6,516
thereof taxonomy-eligible	-	-	2,802	-	2,802
Disposals	– 2	-	-	-	– 2
Reversal of impairment	-	-	5	-	5
Impairments	– 111	-	– 231	– 5,486	– 5,828
Depreciation and amortization	– 1,329	– 21,215	– 5,782	-	– 28,326
Transfers	– 754	-	800	-	46
Reclassification to assets held for sale	– 1	-	– 3	-	– 4
Balance as of December 31, 2023	**4,840**	**105,104**	**18,530**	**78,929**	**207,403**
Cost as of December 31, 2023	39,324	496,120	90,251	369,562	995,257
Accumulated amortization and impairments	– 34,484	– 391,016	– 71,721	– 290,633	– 787,854

Intangible assets include €3 million (2022: €1 million) for self-developed software at kloeckner.i GmbH. Research and development expenses came to €1 million (2022: €0 million).

Intangible assets include taxonomy-eligible capital expenditure of €3 million (2022: €0 million) for the recognition of our Nexigen® Data Services software. With this software, we provide customers with the means to actively manage the CO_2 emissions of their Klöckner & Co products in order to meet their reduction targets. Taxonomy-eligible capital expenditure is capital expenditure that is eligible to be classified as environmentally sustainable under the rules of the EU Taxonomy. Detailed information is included in our Sustainability Report.

Of the €105 million carrying amount of customer relationships from initial consolidations, €71 million relates to the acquisition in Mexico and €22 million to acquisitions in the USA in the reporting year that are amortized on a straight-line basis over their expected useful life.

Goodwill impairment testing in accordance with IAS 36

The annual impairment testing of cash-generating units (CGUs) to which goodwill has been allocated, as required by IAS 36 (Impairment of Assets), is carried out on the basis of the business plan approved by the respective committees in the fourth quarter.

The recoverable amount of a CGU is calculated as value in use using the discounted cash flow method, which is based on bottom-up planning. Planning covers a detail planning period of four-year period. Klöckner & Co utilizes a uniform planning model for all CGUs.

The discount rates are based on the Capital Asset Pricing Model (CAPM). Its main inputs are the risk-free rate of return, the volatility (beta) of peer group shares relative to the capital market, assumptions about credit risk and the market risk premium for return on equity.

The figures were determined with the assistance of outside experts.

Assumptions used in impairment testing of material goodwill

The following assumptions were used for the compound annual growth rate (CAGR) of shipments, gross profit per ton and OPEX in the detailed planning period for the purposes of impairment testing of goodwill determined to be material:

CGU (relative change in %)	Year	Shipments in tons	Gross profit € per ton	OPEX in €
Switzerland	2023	2.5%	3.2%	4.7%
	2022	3.1%	– 0.1%	8.0%
Becker Stahl-Service GmbH (BSS)	2023	10.4%	5.4%	9.6%
	2022	8.1%	6.2%	10.3%
USA	2023	6.2%	1.2%	5.7%
Mexico	2023	10.7%	2.2%	8.2%

Growth rates of 1.0% (Switzerland CGU), 1.5% (BSS CGU) and 2.0% (USA and Mexico CGUs) were used in determining the expected future cash flows (2022: Switzerland and BSS CGUs: 1.0%).

The expected future cash flow primarily takes into account the cyclical nature of the business model, based on averaging over the detailed planning period of four years. In addition, it takes into account past results adjusted for the intervening inflationary trends. With regard to the Russian war of aggression against Ukraine and the Middle East conflict, cash flows were budgeted for 2024 on the assumption of an easing of the macroeconomic effects on the markets concerned.

In addition, the projected cash inflows largely depend on expected shipments and future gross profit per ton. This is prognosticated on the basis of normalized gross profit. Shipments are estimated taking into account macroeconomic and industry-specific trends.

Other major factors affecting the sustainable level of future cash inflows comprise the expected development of operating expenses (OPEX) and the determination of discount rates, including the future growth rate assumed in perpetuity. OPEX is determined on the basis of individual business budgeting and on assessment of macroeconomic developments.

These premises also include assumptions about the impact of climate-related aspects and the influence of other sustainability factors on business development or the product portfolio due, for example, to changes in customer demand or regulatory requirements. On this basis, there are no indications of a climate-related impairment of goodwill. The Group will review the basic assumptions made on an ongoing basis and adjust them as needed. In this connection, Klöckner keeps an attentive watch on legislation relating to climate change.

Impairment testing of goodwill allocated to the CGUs

The carrying amounts of goodwill total €79 million and relate to the Mexico CGU (€28 million), the Switzerland CGU (€34 million) and the USA CGU (€17 million). With regard to the Becker Stahl-Service GmbH CGU (Becker), the impairment test resulted in the recognition of an impairment loss on the goodwill in the full amount of €5 million (previous year: positive headroom of €170,485 thousand). For all other goodwill, its recoverability was confirmed. The positive headroom amounts to €50,667 thousand (2022: €16,874 thousand) for Switzerland and €29,065 thousand and €240,668 thousand, respectively, for the goodwill acquired in Mexico and the US in the reporting year.

The following table shows the percentage by which the key assumptions used in calculating the terminal value in the impairment test would have to change, with all other factors held constant, in order for the estimated recoverable amount of the CGU to equal its carrying amount (sensitivity analysis):

CGU	Shipments in tons	Gross profit per ton in €	OPEX in €	WACC in %	Growth rate in %
USA	– 6.8%p	– 5.3%p	+ 5.9%p	+ 1.8%p	– 10.9%p
Mexico	– 8.6%p	– 5.8%p	+ 7.5%p	+ 0.8%p	– 3.2%p
Switzerland	– 1.8%p	– 1.6%p	+ 1.8%p	+ 0.6%p	– 1.3%p

Value in use was measured on the basis of a pretax WACC of 11.8% for the USA CGU, a pretax WACC of 14.0% for the Mexico CGU and a pretax WACC of 8.5% (2022: 8.6%) in Switzerland.

b) Property, plant and equipment

Accounting policies
Property, plant and equipment is carried at cost less accumulated depreciation and impairments plus impairment reversals.

The cost of self-constructed assets comprises all direct costs and attributable overheads. Administrative costs are only included in the cost of an asset to the extent that they relate to its construction. Property, plant and equipment subject to depreciation is normally depreciated on a straight-line basis. Maintenance and repair costs are expensed as incurred.

Depreciation is based on the following useful lives:

	Useful life in years
Office building, factory and warehouse buildings	10–50
Plant facilities similar to buildings	8–33
Warehouse and crane equipment and other technical equipment	2–20
Operating and office equipment	1–15

(€ thousand)	Land, similar land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and construction in progress	Total property, plant and equipment
Cost as of January 1, 2022	904,081	447,334	394,713	59,269	1,805,397
Accumulated amortization and impairments	– 460,187	– 305,181	– 279,627	– 48	– 1,045,043
Balance as of January 1, 2022	**443,894**	**142,153**	**115,086**	**59,221**	**760,354**
Exchange rate differences	13,488	4,663	3,351	925	22,427
Additions from business combinations	1,030	2,686	762	-	4,478
Additions	28,833	18,705	46,730	32,391	126,659
thereof taxonomy-eligible	5,305	119	26,810	-	32,234
Disposals	– 1,007	– 1,483	– 876	– 3	– 3,369
Reversal of impairments	336	37	38	-	411
Impairments	– 135	– 339	– 103	-	– 577
Depreciation and amortization	– 39,826	– 29,801	– 37,396	-	– 107,023
Transfers	25,789	9,056	7,695	– 42,540	-
Reclassification to assets held for sale	– 2,243	– 1,908	– 12	-	– 4,163
Balance as of December 31, 2022	**470,159**	**143,769**	**135,275**	**49,994**	**799,197**
Cost as of December 31, 2022	963,932	462,675	442,947	50,045	1,919,599
Accumulated amortization and impairments	– 493,773	– 318,906	– 307,672	– 51	– 1,120,402
Balance as of January 1, 2023	**470,159**	**143,769**	**135,275**	**49,994**	**799,197**
Exchange rate differences	8,167	– 1,489	2,120	– 391	8,407
Additions from business combinations	31,654	23,826	3,558	253	59,291
Additions	37,749	33,057	47,749	43,986	162,541
thereof taxonomy-eligible	17,493	-	15,947	-	33,440
Disposals	– 3,968	– 10,814	– 3,448	– 773	– 19,003
Reversal of impairments	321	161	26	-	508
Impairments	– 90,641	– 18,461	– 21,696	– 3,543	– 134,341
Depreciation and amortization	– 40,901	– 31,935	– 40,294	-	– 113,130
Transfers	10,826	25,291	9,638	– 45,801	– 46
Reclassification to assets held for sale	– 2,225	– 401	– 261	– 42	– 2,929
Balance as of December 31, 2023	**421,141**	**163,004**	**132,667**	**43,683**	**760,495**
Cost as of December 31, 2023	823,469	411,745	388,417	43,732	1,667,363
Accumulated amortization and impairments	– 402,328	– 248,741	– 255,750	– 49	– 906,868

Property, plant and equipment includes right-of-use assets (IFRS 16) in the amount of €123,248 thousand (2022: €152,873 thousand).

Property, plant and equipment with a carrying amount of €41,845 thousand (2022: €21,128 thousand) was pledged as security in the form of liens for financial liabilities.

Included in property, plant and equipment is taxonomy-eligible capital expenditure of €33 million (2022: €32 million), mainly in the category of freight transport services by road. We are switching our vehicle fleet to other means of propulsion such as electric mobility, among other things with the installation of charging facilities for electric vehicles this year.

Impairment testing of other non-current assets

If there are indications of impairment for CGUs – which are normally identified at country level – to which no goodwill has been allocated, the recoverable amount is measured at the level of the CGU concerned. The figures were determined with the assistance of outside experts.

Klöckner & Co SE's market capitalization was less than the book value of equity as of December 31, 2023. There was thus a triggering event within the meaning of IAS 36.12 (d) that may be an indication of impairment of other non-current assets (such as buildings or machinery). In addition, due to the significantly poorer business performance criteria in the second half of the fiscal year, there were internal indications within the meaning of IAS 36.12 (f) that there may be an impairment of the recoverable amount of the Brazil, Germany and Becker CGUs.

GERMANY, BRAZIL AND BECKER CGUS

The impairment tests conducted on non-current assets for all CGUs showed that the values in use of the Germany, Brazil and Becker CGUs were less than their carrying amounts, hence the recoverable amount cannot be determined from the cash flows from continuing use.

Any impairment must be allocated in a second step to reduce the carrying amounts of the assets of the CGUs (IAS 36.104). In allocating the impairment loss, the carrying amount of an asset may not be reduced below its fair value less costs of disposal or its value in use (IAS 36.105). The fair values of the individual assets were therefore determined.

In determining the fair values of land assets, use was also made of additional outside appraisals and external sources for land values. Any appraisals from prior periods were updated in line with observed market changes. The values are based on the sales comparison approach.

The fair values of technical equipment and other equipment, furniture and fixtures, and office equipment were determined on the basis of an indexed replacement value approach. Price indices were obtained from the respective national statistical offices. For all items that have reached 50% of their economic life, a functional obsolescence allowance of 1% p.a. was applied to the depreciated cost when new. Economic obsolescence allowances of 10% were applied.

The fair values of right-of-use assets in accordance with IFRS 16 are determined on the basis of benchmark lease payments and price developments for comparable assets.

For most assets, the fair values determined in this way exceed the carrying amounts of the assets of the CGUs. Impairments were identified and recognized in the amount of €1,156 thousand for the Becker CGU and €977 thousand for the Germany CGU. For the Brazil CGU, impairment testing resulted in a €513 thousand impairment reversal.

The recoverability of non-current assets is thus demonstrated via the assumption of individual disposal or alternative use (e.g. through subleasing) or taken into account by impairment losses in the financial statements. Depending on future changes in their fair values, however, the necessity for additional impairment losses and impairment reversals cannot be ruled out.

When determining the fair values of non-current assets, account has also been taken of the potential impact of climate-related aspects and the influence of other sustainability factors on business development or the product portfolio due, for example, to changes in customer demand or regulatory requirements. On this basis, there are neither indications of a climate-related impairment of non-current assets or a significant adjustment to the remaining useful life of assets, nor are there any indications of existing or potential new environmental or restoration obligations as of the reporting date. The Group will review the basic assumptions made on an ongoing basis and adjust them as needed. In this connection, Klöckner keeps an attentive watch on legislation relating to climate change.

The carrying amounts of the tested non-current assets of the CGUs in question before impairment testing were as follows as of December 31, 2023:

(€ thousand)	Germany	Becker	Brazil
Other intangible assets	55	10,294	64
Land and buildings	16,562	36,297	560
Technical equipment and machinery	12,601	26,860	2,079
Other equipment, operating and office equipment	11,126	8,940	155
Payments on account/Assets under construction	4,734	1,916	55
Right-of-use assets	11,975	1,540	85
Total	**57,053**	**85,847**	**2,998**

FRANCE, BELGIUM, NETHERLANDS AND UNITED KINGDOM CGUS

The decision was taken in the first half of the year to implement a hub structure for the CGU France together with related site closures. There was consequently an internal indication within the meaning of IAS 36.12 (f) that there may be an impairment of the recoverable amount. The impairment test for the interim financial statements as of June 30, 2023 confirmed the recoverability of the non-current assets for the France CGU based on their value in use.

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, on June 30, 2023, an external indication of a potential impairment of the recoverable amount of the UK CGU. Due to the significantly poorer business performance criteria in the second half of the fiscal year, there were also internal indications within the meaning of IAS 36.12 (f) that there may be an impairment of the recoverable amount of this CGU. However, as the fair values less costs to sell of the individual assets exceed their carrying amounts, no further impairment loss was required to be recognized for the United Kingdom CGU either as of June 30, 2023 or upon subsequent measurement at the end of the second half-year.

On December 22, 2023, Klöckner & Co SE received an irrevocable offer from Hierros Añon S.A., Spain, which includes the purchase of the France, United Kingdom, Netherlands and Belgium CGUs contained in the Kloeckner Metals EU and Kloeckner Metals Non-EU segments. After concluding the necessary information and consultation process with the relevant employee representative bodies, Klöckner & Co SE accepted the offer on February 15, 2024. The closing of the purchase agreement is therefore subject only to customary regulatory approvals and closing conditions and is expected to occur in the first half of 2024. With this transaction, Klöckner & Co is continuing its strategic realignment, reducing the share accounted for by the low-margin and cyclical commodity distribution business and will focus more strongly on higher processing, higher value-added business. As the necessary approvals for accepting the offer were already granted by the Supervisory Board as of December 31, 2023, the criteria under IFRS 5 for presenting the disposal group as "discontinued operations" are met at the reporting date. The disposal group relates to the segment Kloeckner Metals EU and Kloeckner Metals Non-EU. Due to the classification of the assets as held for sale, the disposal group was initially measured in accordance with the relevant IFRS standards, which did not result in any need for impairment, and was then compared with the expected purchase price less cost to sell, which therefore corresponds to fair value as at the reporting date. The purchase price was estimated on the basis of the purchase price components stipulated in the purchase agreement (primarily net working capital, cash and cash equivalents and net financial debt at the closing date). This results in an expected loss on disposal of €142 million, of which €133 million is attributable to non-current assets and €9 million to deferred taxes (see also note 21).

c) Leases

Accounting policies

THE GROUP AS LESSOR

Klöckner & Co does not act as lessor to any significant extent.

THE GROUP AS LESSEE

At the inception of a contract, Klöckner assesses whether the contract is, or contains, a lease. For all leases in which a Group company is lessee, a right-of-use asset and a corresponding lease liability are recognized. Exceptions to this are short-term leases (defined as leases with a term of 12 months or less) and leases of low-value assets (such as tablets, personal computers, small items of office furniture and telephones). For these leases, lease payments are recognized as other expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

The lease liability is initially recognized at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is determined on the basis of external sources. These are adjusted to take account of the lease terms and the type of asset.

Lease payments are included in measurement of the lease liability as follows:

- Fixed lease payments (including in-substance fixed payments), less any incentives receivable
- Variable lease payments based on an index or rate, initially measured using the index or rate at the commencement date of the lease
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

For subsequent measurement of the lease liability, the carrying amount is increased to reflect interest on the lease liability (applying the effective interest method) and reduced to reflect the lease payments made.

Lease liabilities are remeasured and the corresponding right-of-use asset adjusted accordingly in the following cases:

- There is a change in the lease term or there is a significant event or significant change in circumstances resulting in a change in the assessment of an option to purchase. In such cases, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- There is a change in future lease payments resulting from a change in an index or a rate or a change in the amounts expected to be payable under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the revised lease payments using an unaltered discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate is used).
- There is a lease modification and the lease modification is not accounted for as a separate lease. In such cases, the lease liability is remeasured on the basis of the modified lease term by discounting the revised lease payments using a revised discount rate at the effective date of the lease modification.

Initial measurement of the right-of-use assets comprises any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred. Subsequent measurement is at cost less any accumulated depreciation and any accumulated impairment losses.

If Klöckner has an obligation to dismantle or remove the asset underlying a lease or to restore the asset or site on which it is located to the condition required by the terms and conditions of the lease, a provision is recognized and measured in accordance with IAS 37. If such costs relate to a right-of-use asset, they are recognized as part of the cost of the right-of-use asset.

Right-of-use assets are normally depreciated over the lease term. However, if the useful life of the underlying asset is shorter than the lease term, the right-of-use asset is depreciated over the useful life of the underlying asset. The same applies if the lease transfers ownership of the underlying asset or if the Group is reasonably certain to exercise a purchase option agreed in the lease and the exercise price is therefore already included in the cost of the right-of-use asset. Depreciation begins on commencement of the lease.

Right-of-use assets are presented as a separate item in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any impairment loss as described in the accounting principles for property, plant and equipment.

Variable lease payments that do not depend on an index or rate are not included in measurement of the lease liability and the right-of-use asset. Such payments are recognized in the other expenses item of the income statement in the period in which the event or condition that triggers the payments occurs.

Among the practical expedients provided for in IFRS 16, a lessee can elect not to separate non-lease components from lease components and instead to account for each lease component and any associated non-lease components as a single agreement in accordance with IFRS 16. Klöckner applies this practical expedient for leases of technical equipment and machinery and for leases of operating and office equipment. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone selling price of the lease component and the aggregate stand-alone selling prices of the non-lease component(s).

Klöckner & Co presents right-of-use assets in property, plant and equipment and lease liabilities in financial liabilities.

Klöckner & Co primarily leases stockyard and office premises, trucks, cars and machinery. These leases typically have terms of between three and ten years, in some cases with an extension option beyond the lease term. Lease payments are renegotiated every five years to reflect market rates. Some leases provide for additional lease payments based on changes in local price indices.

Information on leases in which Klöckner & Co is lessee is presented in the following.

Right-of-use assets

Right-of-use assets relating to leased property that does not meet the definition of investment property are presented in property, plant and equipment (see Note 16b).

(€ thousand)	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Total
January 1, 2022	**103,042**	**5,115**	**34,075**	**142,232**
Depreciation	– 21,675	– 1,660	– 17,697	– 41,032
Additions right-of-use	15,042	1,087	29,919	46,048
Additions right-of-use from business combinations	1,030	311	77	1,418
Disposals right-of-use	– 503	-	– 295	– 798
Foreign currency adjustment	3,717	39	1,249	5,005
December 31, 2022	**100,653**	**4,892**	**47,328**	**152,873**
January 1, 2023	**100,653**	**4,892**	**47,328**	**152,873**
Depreciation	– 23,558	– 1,926	– 19,083	– 44,567
Impairments	– 25,862	– 3,173	– 12,019	– 41,054
Additions right-of-use	32,757	4,320	21,533	58,610
Additions right-of-use from business combinations	2,360	-	-	2,360
Disposals right-of-use	– 3,060	-	– 432	– 3,492
Assets held for sale	– 318	– 41	– 144	– 503
Foreign currency adjustment	– 392	– 95	– 490	– 977
December 31, 2023	**82,580**	**3,977**	**36,691**	**123,248**

Amounts recognized in profit or loss

(€ thousand)	2023	2022
Interest expense for leasing agreements	3,758	2,829
Expenses for short term leases	3,711	3,741
Variable payments, not included in the lease liability	3,435	4,204
Expenses for leases of an asset of minor value	297	366
Income from subleases	– 6	– 11

Amounts recognized in the statement of cash flows

Cash outflows for leases totaled €37,390 thousand (2022: €42,197 thousand). If all options to extend or terminate not accounted for in the lease liability are exercised, additional payments totaling €49,726 thousand (2022: €40,581 thousand) will be incurred in the future.

Extension options
A number of leases for property, trucks and cars contain extension options exercisable up to one year before the end of the non-cancelable period of the lease. Where possible, the Klöckner & Co Group seeks to have extension options included in new leases for operational flexibility. Such extension options can only be exercised by Klöckner & Co and not by the lessor. An assessment is made at the commencement date as to whether the extension option is reasonably certain to be exercised. Should a significant event or a significant change in circumstances occur that is within Klöckner & Co's control, the assessment as to whether the extension option is reasonably certain to be exercised is made again.

There were no significant sale-and-lease-back transactions on the balance sheet date.

(17) Inventories

Accounting policies
Inventories are measured at the lower of cost and net realizable value. Determining net realizable value requires management to estimate sales prices and costs until sale.

Costs of conversion include costs directly related to the units of production, based on normal capacity. As well as directly attributable costs, costs of conversion also include a systematic allocation of indirect materials and indirect labor, including production-related depreciation (e.g. for certain coil inventories). Measurement is normally on a monthly moving average basis. In certain cases, cost is assigned by specific identification of individual costs.

(€ thousand)	December 31, 2023	December 31, 2022
Merchandise	677,935	977,586
Raw materials and supplies	590,127	526,468
Finished goods	111,138	91,431
Work in progress	20,670	38,012
Inventories	**1,399,869**	**1,633,497**

Raw materials and supplies also include coil inventories at steel service centers.

Of the inventories as of December 31, 2023, €261,241 thousand (2022: €572,077 thousand) are carried at net realizable value. Write-downs to net realizable value were recognized as expense in the amount of €45,921 thousand (2022: €77,525 thousand). The change in write-downs (reduction) recognized through profit or loss in the fiscal year was €11,311 thousand (2022: addition of €46,258 thousand). The amount recognized as expense for inventories corresponds to the cost of materials, supplies and purchased merchandise.

In addition to reservations of title in the ordinary course of business, inventories with a carrying amount of €566,297 thousand (2022: €655,815 thousand) are pledged as security for financial liabilities. As of 31. Dezember 2023, drawings on the corresponding credit lines amounted to €407,239 thousand (2022: €154,697 thousand) under the ABL program in the USA.

(18) Trade receivables and contract assets

a) Trade receivables

Trade receivables are normally invoiced in the local currency of the relevant subsidiary; foreign currency export receivables are generally hedged.

The Klöckner & Co Group sells trade receivables as a rule under an ABS program within the Group. The trade receivables are sold by participating Klöckner & Co companies to a fully consolidated special-purpose entity (SPE).

The receivables purchased by the special purpose entity serve as collateral for loan debts to several banks or bank conduits.

The carrying amount of the receivables of the companies participating in the European ABS program as of December 31, 2023, is €112 million (2022: €260 million).

For further information on the ABS program, see Note 26 (Financial liabilities) and Note 3 (Basis of consolidation and consolidation methods).

The following table provides information on the extent of credit risks attributable to trade receivables:

TRADE RECEIVABLES AND CONTRACT ASSETS

(€ thousand)		Of which overdue by days as of the reporting date[*]						
Gross trade receivables	Of which not overdue as of the reporting date	1–30 days	31–60 days	61–90 days	91–120 days	> 120 days	Write–downs	**Carrying amount**
December 31, 2023								
723,964	570,273	109,664	17,721	5,179	6,205	14,922	– 4,949	719,015
December 31, 2022								
906,110	697,118	139,253	23,161	11,220	8,218	27,141	– 8,250	897,860

[*] Including contract assets: €59,112 thousand (2022: €49,078 thousand).

As of December 31, 2023, trade receivables of companies not participating in the ABS program were pledged in the amount of €8,392 thousand (2022: €10,228 thousand) as collateral for loan liabilities.

b) Contract assets

Contract assets changed as follows in fiscal year 2023:

(€ thousand)	2023	2022
Contract assets as of January 1	49,078	41,861
Additions/ Disposals	11,259	5,759
Exchange rate differences	– 1,224	1,457
Contract assets as of December 31	**59,112**	**49,078**

c) Bonus claims to suppliers

Bonus claims to suppliers are determined on the basis of contractual agreements and accepted shipments.

(19) Other financial and non-financial assets

	December 31, 2023		December 31, 2022	
(€ thousand)	Current	Non-current	Current	Non-current
Other financial assets	**13,373**	**35,400**	**17,754**	**36,415**
Investments	-	32,604	-	32,457
Non-current loans and securities	-	211	-	207
Fair value of derivative financial instruments	651	-	1,110	-
Vendors with debit balance	3,578	-	5,969	-
Miscellaneous other non-financial assets	9,144	2,585	10,675	3,751
Other non-financial assets	**44,707**	**73,549**	**31,743**	**67,812**
Receivables from social security carriers	1,130	-	80	-
Reinsurance claims from pension obligations	-	1,363	-	2,617
Prepaid pension cost	-	72,186	-	65,195
Claims of other taxes	18,050	-	12,656	-
Prepaid expenses	11,223	-	11,789	-
Advance payments	14,304	-	7,218	-
Other assets	**58,080**	**108,949**	**49,497**	**104,227**

The payments on account include an amount of €6.5 million paid to a steel producer for the future delivery of CO_2-reduced green steel. For further information on CO_2-reduced green steel, please refer to our sustainability strategy in the management report.

(20) Cash and cash equivalents

Cash and cash equivalents mainly comprise bank balances and short-term deposits. There were no restrictions as of the reporting date.

(21) Non-current assets held for sale

Accounting policies

An individual non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets and liabilities are presented as a disposal group if they are to be sold or otherwise disposed of as a group in a single transaction and collectively meet the criteria specified in IFRS 5 Non-current Assets held for Sale and Discontinued Operations. The assets and liabilities of a disposal group are presented separately in the statement of financial position under "Assets held for sale" and "Liabilities directly associated with assets classified as held for sale." A disposal group is classified as a discontinued operation if the components of the disposal group represent a separate major line of business or geographical area of operations that is part of a single coordinated plan to dispose of such a line of business or area of operations. The profit or loss of discontinued operations is recognized in the period in which it arises and is presented separately in the income statement under "Discontinued operations (after taxes)."

The income statement for the prior period has been restated accordingly by presenting the results of the components of disposal group under discontinued operations. In the statement of cash flows, the cash flows from discontinued operations are presented separately from the cash flows from continuing operations and the prior-period figures have been restated accordingly.

Due to the first-time classification as held for sale, the non-current assets are measured at the lower of carrying amount and fair value less costs to sell; they are no longer depreciated or amortized. A disposal group is first measured in accordance with the relevant IFRS standards and the resulting carrying amount of the group is then compared with its net fair value in order to determine the lower amount for measurement. Impairment losses due to first-time classification as assets held for sale are recognized in profit or loss, as are subsequent impairment losses and impairment reversals up to the amount of the cumulative impairment losses.

Under IFRS 5, if a change in a disposal plan means that the criteria for classification as a discontinued operation are no longer met, the disposal group concerned must be returned to being treated as a continuing operation. The income statement must then be restated both for the reporting year and the prior year so that the income and expenses of the disposal group are once again included in net income from continuing operations. Similarly, in the statement of cash flows, the cash inflows and outflows of the disposal group for both reporting years are once again classified under continuing operations. In the statement of financial position, for both reporting years, the assets and liabilities of the disposal group are no longer presented separately and instead are once again presented within the individual line items. A disposal group that ceases to be classified as held for sale is measured at the lower of amortized cost and its recoverable amount.

On December 22, 2023, Klöckner & Co SE received an irrevocable offer from Hierros Añon S.A., Spain, which includes the purchase of the France, United Kingdom, Netherlands and Belgium CGUs contained in the Kloeckner Metals EU and Kloeckner Metals Non-EU segments. After concluding the necessary information and consultation process with the relevant employee representative bodies, Klöckner & Co SE accepted the offer on February 15, 2024. The closing of the purchase agreement is therefore subject only to customary regulatory approvals and closing conditions and is expected to occur in the first half of 2024. With this transaction, Klöckner is continuing its strategic realignment, reducing the share accounted for by the low-margin and cyclical commodity distribution business and will focus more strongly on higher processing, higher value-added business. As the necessary approvals for accepting the offer were already granted by the Supervisory Board as of December 31, 2023, the criteria under IFRS 5 for presenting the disposal group as “discontinued operations” are met at the reporting date. The disposal group relates to the segment Kloeckner Metals EU and Kloeckner Metals Non-EU. Due to the classification of the assets as held for sale, the disposal group was initially measured in accordance with the relevant IFRS standards, which did not result in any need for impairment, and was then compared with the expected purchase price less cost to sell, which therefore corresponds to fair value as at the reporting date. The purchase price was estimated on the basis of the purchase price components stipulated in the purchase agreement (primarily net working capital, cash and cash equivalents and net financial debt at the closing date). This results in an expected loss on disposal of €142 million, of which €133 million is attributable to non-current assets and €9 million to deferred taxes.

The assets held for sale shown in the prior year related to two sites in the Kloeckner Metals EU segment that were closed in the course of the site closures as part of the Surtsey project. The sale of one site in 2023 resulted in a gain on disposal of €1.9 million. The sale of the second site was completed in February 2024 with a gain on disposal of €3.0 million.

The assets held for sale, disposal groups and associated liabilities are divided among the segments as follows:

(€ thousand)	**December 31, 2023**	December 31, 2022
Intangible assets	4	-
Land and buildings	4,068	1,859
Technical equipment and machinery	2,282	1,881
Other non-current assets	26,419	12
Inventories	147,147	-
Trade receivables	107,349	-
Cash and cash equivalents	13,103	-
Other current assets	20,266	-
Total assets	**320,638**	**3,752**
Non-current financial liabilities	33,407	-
Other non-current liabilities	28,452	-
Trade liabillities	111,163	-
Current financial liabilities	11,692	-
Other current financial liabilities	60,050	-
Total liabilities	**244,764**	**-**
Net assets	**75,874**	**3,752**

The profit or loss from discontinued operations in the full fiscal year 2023 is shown in the table below. The write-downs to fair value were recognized in the amount of €133 million under impairment losses on intangible assets and property, plant and equipment and in the amount of €9 million under income taxes.

In accordance with IFRS 5, the prior-year profit or loss has been reclassified and made comparable.

(€ thousand)	2023	2022
Sales	785,606	1,041,601
Other operating income	6,780	16,477
Cost of materials	– 634,319	– 805,813
Personnel expenses	– 95,397	– 99,062
Depreciation and amortization	– 23,815	– 24,573
Impairment losses of intangible assets and property, plant and equipment	– 132,607	-
Other operating expenses	– 85,755	– 79,177
Operating result	**– 179,507**	**49,453**
Income from Investments		**– 3**
Finance income	1,189	722
Finance expenses	– 1,807	– 1,174
Financial result	**– 618**	**– 452**
Income before taxes from discontinued operations	**– 180,125**	**48,998**
Income taxes	– 9,407	– 2,774
Net income from discontinued operations (net of tax)	**– 189,532**	**46,224**

STATEMENT OF COMPREHENSIVE INCOME

(€ thousand)	2023	2022
Currency translation adjustments from discontiuned operations	27,338	-
Other comprehensive income from discontinued operations	**27,338**	**-**

STATEMENT OF CASH FLOWS

(€ thousand)	2023	2022
Cash flow from operating acitvities	*34,794*	*45,502*
Cash flow from investiong acitvities	*– 2,500*	*– 155*
Cash flow from financing acitvities	*– 14,003*	*– 13,766*
Net-Increase cash and cash equivalents from discontinued operations	**18,291**	**31,581**

(22) Equity and non-controlling interests

a) Subscribed capital

The subscribed capital of Klöckner & Co SE is €249,375,000, as in the prior year, and is divided into 99,750,000 no-par-value shares, each notionally corresponding to €2.50 of the share capital.

Acquisition of treasury stock

By Annual General Meeting resolution of June 1, 2022, the Management Board is authorized, subject to approval from the Supervisory Board, to acquire, by or before May 31, 2027, treasury stock of up to 10% of the Company's share capital in issue at the time of adoption of the resolution by the Annual General Meeting on June 1, 2022 or, if lower, the Company's share capital in issue at the time of exercise of the authorization. The Management Board was additionally authorized to acquire treasury stock using derivatives (put options, call options or forward purchase contracts). The authorization may be utilized in whole or in part, on one or more occasions, by the Company, by Group companies or by third parties acting on the Company's account or on the account of Group companies. The authorization may be used for any legally permissible purpose. Trading with treasury stock is prohibited. No use has been made of the authorization so far.

Conditional capital

CONDITIONAL CAPITAL 2013

At the Annual General Meeting of May 12, 2017, the Conditional Capital 2013 was adjusted such that the Company's share capital is subject to a smaller conditional increase of up to €24,932,500 by the issue of up to 9,973,000 new no-par-value registered shares. The Conditional Capital 2013 serves to grant subscription and/or conversion rights and/or obligations to the holders of warrant-linked and/or convertible bonds that are issued by the Company or a Group company in accordance with the authorization under agenda item 6 of the Annual General Meeting of the Company of May 24, 2013, (this relates solely to the 2016 convertible bond). The new no-par-value registered shares issued under the contingent capital increase will each have dividend rights from the beginning of the fiscal year in which they are issued. The corresponding provision of the Articles of Association is Section 4 (6). This authorization can effectively no longer be used, as conversion rights from bonds issued under the authorization of the Annual General Meeting of May 24, 2013, no longer exist or can no longer be exercised following the full repayment of the 2016 convertible bond issue in the reporting year.

CONDITIONAL CAPITAL 2023

By resolution of the Annual General Meeting of June 1, 2022, the share capital was conditionally increased by up to €24,937,000 by the issue of up to 9,975,000 new no-par-value registered shares (Conditional Capital 2022). The new no-par-value registered shares issued under the contingent capital increase will each have dividend rights from the beginning of the fiscal year in which they are issued. The Conditional Capital 2022 serves to grant shares to the holders of warrant-linked and/or convertible bonds that are issued, in accordance with the authorization under agenda item 8 of the Annual General Meeting of June 1, 2022, by the Company or by companies controlled by the Company or in which the Company holds a majority interest. Furthermore, it serves the purpose of issuing shares to creditors of convertible bonds issued based on the resolution under agenda item 6 of the Company's Annual General Meeting of May 24, 2013 in case of an adjustment of the conversion ratio; this authorization most recently related solely to the 2016 convertible bond issue and became devoid of purpose on the full repayment of that bond issue in the reporting year. The corresponding provision of the Articles of Association is Section 4 (7).

Authorized capital

AUTHORIZED CAPITAL 2023

By resolution of the Annual General Meeting on June 1, 2022 and with the approval of the Supervisory Board, the Management Board was authorized, until May 31, 2027, to increase the share capital on one or more occasions by up to a total of €49,875,500 against cash or non-cash contributions by the issue of 19,950,000 no-par-value registered shares. The corresponding provision of the Articles of Association is Section 4 (3) (Authorized Capital 2022).

b) Capital reserves

Capital reserves as of December 31, 2023, were €570,420 thousand (December 31, 2022: €568,622 thousand). The €1,798 thousand change in capital reserves includes the portion of variable Management Board remuneration that is granted in shares as a personal investment component (see also Notes 23 and 33). As equity-settled share-based payment in accordance with IFRS 2, this is presented as of the reporting date in capital reserves.

c) Retained earnings

Retained earnings include the accumulated undistributed earnings of the companies included in the consolidated financial statements, to the extent that no distributions are made outside the Group, as well as effects on equity from consolidation.

d) Other comprehensive income

Accumulated other comprehensive income comprises translation differences from translation of the financial statements of foreign subsidiaries, changes in the fair value of cash flow hedges and changes in actuarial gains and losses on pension obligations under IAS 19, including related deferred taxes.

e) Non-controlling interests

Non-controlling interests represent third-party interests in consolidated subsidiaries.

f) Proposal for the appropriation of net income

The Management Board and Supervisory Board propose that an amount of €19,950 thousand should be distributed to shareholders as dividend from Klöckner & Co SE's unappropriated profits for fiscal year 2023. At 99,750,000 eligible no-par-value shares, the dividend proposal corresponds to a dividend of €0.20 per share.

A dividend of €0.40 per share was paid out in fiscal year 2023, which at 99,750,000 eligible no-par-value shares corresponds to a distribution of €39,900 thousand.

(23) Share-based payments

Accounting policies

The share-based compensation plans in the Klöckner & Co Group are cash-settled virtual stock option (VSO) plans. A provision is recognized pro rata temporis in the amount of the fair value of the payment obligation as of each reporting date; any subsequent change in the fair value is recognized in profit or loss.

The fair value of the virtual stock options is measured for the determination of provisions using Monte Carlo simulation with the following parameters:

in %	December 31, 2023	December 31, 2022
Risk-free rate of return	1.9 to 3.0	2.4 to 2.6
Expected volatility	42.2	54.3

The expected volatility is based on market-traded options on the shares.

The Management Board remuneration system of Klöckner & Co SE includes long-term variable remuneration components that are granted in shares at the time of payment of the variable remuneration component. In accordance with IFRS 2, as this remuneration component is classified as share-based remuneration that is not linked to share price performance criteria (so-called "non-performance criteria"), it is accounted for in capital reserves, until granted, at the equivalent value calculated from target achievement in the remuneration system.

Virtual stock options (VSOs)

The Klöckner & Co Group has operated cash-settled share-based payment programs since 2006. The beneficiaries are the selected members of senior management in Germany and internationally who are granted an annual allocation of virtual stock options (VSOs). The contracts provide for a cash payment to the beneficiary on exercise of the option. The strike price is based on the average price of Klöckner & Co shares over the last 30 stock market trading days of the year prior to issuance of the respective tranche. The cash payment amounted to the difference between the average share price (XETRA trading, Deutsche Börse AG, Frankfurt am Main) over the last 30 trading days prior to exercising the option and the strike price for the respective tranche. The settlement amount was capped at €25 per option after adjusting for dividend payments in the meantime and any dilutive effects of capital increases. The vesting period is uniformly three years.

The total number of outstanding virtual stock options has changed as follows:

(Number of virtual stock options)	Total
Outstanding at the beginning of the year	**2,919,998**
Granted	670,391
Exercised	– 377,499
Forfeited	– 407,167
Outstanding at the end of the reporting period (discontinued operations)	432,000
Outstanding at the end of the reporting period (continuing operations)	**2,373,723**
thereof exercisable at the reporting date	*795,833*
weighted average remaining contractual lifetime (months)	*48*
range of strike prices (€/VSO)	*4.62–9.13*
weighted average strike price (€/VSO)	*7.26*

In fiscal year 2023, 670,391 (2022: 612,832) virtual stock options were granted and 377,499 were exercised (2022: 463,834). The average share price per stock option on exercise was €10.15 (2022: €10.91).

The provision recognized pro rata temporis for stock options granted amounts as of the reporting date to €4,738 thousand (2022: €8,895 thousand) and was utilized on exercise of the options in the amount of €1,733 thousand (2022: €1,749 thousand) and, in the amount of €847 thousand, reclassified to the liabilities directly associated with assets classified as held for sale in connection with the planned sale of the subsidiaries in France, United Kingdom, the Netherlands and Belgium. The reversal of the provision resulted in a gain of €2,423 thousand (2022: expense for additions to provisions: €1,274 T€), of which €442 thousand is included in the profit or loss of discontinued operations. The intrinsic value of virtual stock options exercisable as of the reporting date was €1,189 thousand (2022: €1,406 thousand). Of this, €198 thousand relates to discontinued operations.

Long-term variable Management Board remuneration

The long-term, performance-related variable remuneration – the so-called personal investment component (LTI) – for members of the Management Board of Klöckner & Co SE consists of 60% of the annual variable bonus (30% of the gross bonus), which is to be invested in shares in the Company and which the members of the Management Board are free to sell after a four-year lock-up period. In fiscal year 2023, €1,798 thousand (prior year: €2,771 thousand) was recognized in personnel expenses for this portion of variable Management Board remuneration and credited to the capital reserve at fair value as of December 31, 2023 (equity-settled share-based payment in accordance with IFRS 2).

(24) Provisions for pensions and similar obligations

Accounting policies

Pension obligations arising from defined benefit plans are determined using the projected unit credit method. The expected benefits, including dynamic components (e.g., pension and salary increases), are recognized over an employee's entire period of service. Actuarial advice is obtained.

Actuarial gains or losses resulting from differences between the expected and actual changes in plan participants and actuarial assumptions are recognized in other comprehensive income in the period in which they arise. They are presented separately in the statement of comprehensive income. The statement of financial position consequently shows the full scale of the obligation while avoiding earnings fluctuations in the income statement as a result of changes in measurement parameters.

Service cost is reported in personnel expenses. Interest expense from the unwinding of the discount on pension obligations and returns on plan assets are presented in the financial result as net interest expense at the rate used to discount the obligations.

To meet pension obligations, the Klöckner & Co Group holds assets in trust under contractual trust arrangements (CTAs). The assets are measured at fair value. The fair value is based on the market values of the asset management companies at the reporting date. The plan assets are offset against the benefit obligation. Any net plan liability is accounted for in provisions. Any excess of plan assets over plan liabilities is presented in assets as a pension plan surplus.

The amount of the resulting asset to be recognized is limited to the present value of available refunds plus the reduction of future contributions to the plan (asset ceiling).

Past service cost is recognized in profit or loss.

Employer contributions to defined contribution plans under which the Klöckner & Co Group pays set contributions into a separate entity under defined contribution plans and has no legal or constructive obligation to pay further contributions are expensed as incurred.

Most employees in the Klöckner & Co Group have pension benefits, with the type of provision varying from country to country according to the national legal, economic and tax situation. Pension plans in the Group include both defined contribution and defined benefit plans as follows:

In fiscal year 2021, plan assets in Germany and the United Kingdom were significantly increased in order to fund and secure future pension payments. Pension obligations in Germany were fully funded by establishing and paying €190 million into a contractual trust arrangement (CTA). In the United Kingdom, the funding level was increased by paying into a Scottish Legal Partnership (SLP), which is a fund separate from the company. The additional amount paid into the SLP in 2021 was GBP 40 million. A further amount of GBP 5 million was paid directly into the assets under management by the trustees.

Depending on their year of entry, employees in Germany either have a defined benefit entitlement equaling a percentage of eligible salary for each qualifying year of service or, for entrants after 1979, a fixed capital amount scaled by salary band for each qualifying year of service. There are also individual entitlements for executive staff in accordance with various Essener Verband benefit plans. Older entitlements among these are employer-funded entitlements to pension benefits, while the more recent pension plans are defined contribution plans in which employees are able to add employee-funded contributions. The more recent entitlements feature a choice between a lump sum payment and an annuity.

Defined benefit plans in France include a collectively negotiated IFC plan that provides for a lump sum payment according to length of service and salary. There is also a final salary plan, closed to new entrants since 1989, for employees taken over from a former state corporation (IRUS plan).

In the United Kingdom, post-2003 new entrants have a defined contribution plan with equal employer and employee contributions at a fixed percentage of basic salary. For entrants up to 2003, the employer maintains two defined benefit plans: the ASD PLC Pension Scheme and the ASD PLC Retirement Benefit Scheme. Under these plans, employees receive pension benefits on reaching retirement age (or in the event of early retirement or death) in an amount based on their last salary before occurrence of the benefit event. Both plans are closed to service accruals after December 31, 2015 (moved to defined contribution plan).

Klöckner & Co operates the plans in the United Kingdom under the regulatory framework of UK law pertaining to pension plans. Benefits are paid to plan participants out of assets managed by trustees. The trustees are responsible for ensuring that the plans are adequately funded to meet current and future benefit obligations.

The pension plans are registered, asset-funded legal entities. Plan assets are administered separately from the employer's assets. If real investment performance is below expectations, the employer's liabilities increase.

The plans' funding targets are set out in the Statement of Funding Principles and are regularly reviewed to assess both the adequacy of plan funding relative to target and the suitability of the investment agreements with a view to the plans' current situation.

The current investment target of the ASD PLC Retirement Benefit Scheme (by far the more material of the two plans) is a return exceeding that on United Kingdom government bonds by about 2% per annum.

The Klöckner & Co Group's Swiss companies and their employees fund pensions through a legally independent pension fund subject to the Swiss Occupational Pensions Act (BVG). The D&A Group pension fund, Pensionskasse der D&A-Gruppe, is a Swiss-law trust domiciled in St. Gallen, Switzerland. It has the purpose of providing old-age, survivors' and disability benefit plans for company employees. These plans are provided by the fund on a mandatory basis under the Swiss Occupational Pensions Act, for which purpose it is listed in the occupational benefit plans register. The Board of Trustees, as the supreme governing body of the pension fund, consists of equal numbers of employee and employer representatives and is responsible for the trust's financial stability and performance. The insurance plan is set out in a charter and provides for benefits that exceed the statutory minimum benefits. Employer and employee contributions are set as a percentage of pensionable earnings and financed by equal contributions. The lifelong retirement pension is determined by the size of the pension balance on retirement multiplied by conversion rates specified in the charter. Employees can alternatively have retirement benefits paid out as a lump sum. Survivors' and spouse's pensions are specified as percentages of pensionable earnings. The pension fund bears the actuarial and investment risk itself. Investing the assets is the responsibility of the pension fund. This sets the investment strategy and oversees the investment process and the asset manager. The investment strategy is periodically reviewed by the Board of Trustees and is specified in such a way that the insured benefits can be paid when due.

Swiss law provides for minimum guaranteed benefits, and the Board of Trustees may adopt restructuring measures in the event of a trust fund deficit (or impending deficit); this may also take place at the employer's expense. The pension arrangement consequently qualifies as a defined benefit plan under IAS 19.

PC-Tech SA, acquired in 2022, provides occupational benefits to its employees through two pension funds, each of which has contracted a full insurance solution with an insurance company to cover insurance and investment risks. The Board of Trustees, as the supreme governing body of the pension funds, consists of equal numbers of employee and employer representatives and is responsible for the trust's financial stability and performance. While the pension funds' pension liability insurance policies remain in force, the insurer is obliged to make up any shortfall in cover within the meaning of the pension law. As the insurer can cancel the pension liability insurance policies, the insured risks can revert to the responsibility of the employer, so that the pension solutions also qualify as defined benefit plans under IAS 19.

In the USA, pension benefits are provided in the form of a defined contribution plan and several defined benefit plans. A 401 (k) plan gives employees the option to pay a set percentage of their basic salary into a fund, thus entitling them to a subsidy from the employer. Employees who joined the Company by December 31, 2013, participate in a defined benefit plan that provides a life annuity equaling a set percentage of eligible salary for each qualifying year of service, or a fixed amount for unionized employees. Alongside the aforesaid regular pension plans in the USA, there is also a retiree welfare plan, likewise closed to new entrants, with post-retirement healthcare benefits for former employees of an acquired company. In general, all of the above are funded plans. Under US law, employers must pay funding contributions to a plan if a special solvency assessment shows funding to fall short of 100%. The only exception is a plan for upper management, which is exclusively financed through provisions. The retiree welfare plan is also financed entirely out of provisions.

In order to reduce risks related to volatility in the funded status of the defined benefit asset-based plans due to changes in discount rates and capital markets, a liability-driven investment strategy has been implemented with assets selected to match the duration of the liabilities. Investment and directives on the payment of employer contributions are integrated into this approach, which has the objective of maintaining and/or improving the plans' actuarial funded status.

The main elements of the investment strategy specified in the directive are as follows:

- Establishment of two portfolios for each plan – a liability-driven portfolio matching the durations of the plan liabilities and a growth-driven portfolio to generate attractive long-term returns, ideally above the discount rate.
- Risk reduction for the investments applying a predefined glide path investment strategy when the plans' actuarial funded status improves.

RISKS ASSOCIATED WITH DEFINED BENEFIT PLANS

The main risk other than normal actuarial risk – including longevity risk and foreign exchange risk – relates to financial risk associated with plan assets.

On the pension liability side, this mostly means inflation risk on plans with salary-linked benefits (notably final salary plans); a marked rise in pay would increase the obligation under these plans. Plans of this kind exist only on a small scale in the Klöckner & Co Group or are largely closed to new entrants.

Regarding increases to pensions currently in payment, there is, with one exception, no pension arrangement within the Klöckner & Co Group that carries an obligation to increase the benefit amount in excess of inflation or in excess of the surplus generated on plan assets. Only for a number of entitlements for executive staff in Germany is there a commitment to increase benefits by 1% a year from retirement regardless of actual inflation.

The return on plan assets in accordance with IAS 19 is assumed on the basis of the discount rate for the defined benefit obligation. If the actual rate of return is below the discount rate, the net liability goes up. For the funded plans, however, notably given the share of plan assets invested in equities, we expect that long-term returns will exceed the discount rate. Nonetheless, short to medium-term fluctuations cannot be ruled out, with a corresponding effect on the net liability.

With the defined contribution plans, the Company pays contributions to private or state pension funds under statutory or contractual obligations. The Company's employee benefit obligations are settled on payment of the contributions. The amount recognized as expense for this purpose in the fiscal year was €10,069 thousand (2022: €11,378 thousand). This does not include employer contributions to the statutory pension insurance scheme. These amounted to €8,268 thousand in Germany (2022: €7,510 thousand).

In the fiscal year, for countries with material pension obligations, the following actuarial assumptions were used in the actuarial calculations performed by third-party actuaries:

2023

in %	Germany	Switzerland	United Kingdom	France	United States
Discount rate	3.20	1.50	4.60	3.20	4.78
Salary trend	3.00	1.00	2.50	4.50	3.50
Pension trend*)	2.20	0.00	2.85	1.25	0.00

*) Germany: 2024: 4.60%, 2025: 3.50%, as of 2026 2.20%

2022

in %	Germany	Switzerland	United Kingdom	France	United States
Discount rate	3.70	2.20	4.85	3.70	4.98
Salary trend	2.90	1.00	2.50	2.20	3.50
Pension trend	2.20	0.00	2.85	1.25	0.00

The discount rates reflect the bond markets' interest rates in the respective jurisdiction for high-quality corporate bonds with corresponding maturities. A uniform discount rate was selected for the eurozone.

The mortality assumptions used for pension accounting in the various countries are as follows:

	2023	2022
Germany	Richttafeln 2018 G von Prof. Dr. Klaus Heubeck	Richttafeln 2018 G von Prof. Dr. Klaus Heubeck
Switzerland	BVG 2020	BVG 2020
United Kingdom	SAPS	SAPS
France	INSEE 17–19; TGH05	INSEE 14–16; TGH05
United States	Private Pension Plan 2012	Private Pension Plan 2012

There are also reimbursement rights – primarily life insurance policies and claims under other insurance policies – used to fund pension obligations. These changed as follows in the fiscal year:

(€ thousand)	2023	2022
Reimbursement rights as of January 1	**2,617**	**3,708**
Expected return	93	31
Actuarial gains (losses)	–1,084	112
Benefits paid	– 263	– 206
Transfers	-	– 1,028
Reimbursement rights as of December 31	**1,363**	**2,617**

The actual loss on reimbursement rights was €990 thousand in the fiscal year (2022: return of €143 thousand).

The net provision changed as follows:

	Defined benefit obligation		Fair value of plan assets		Asset Ceiling		Net provision/assets	
(€ thousand)	2023	2022	2023	2022	2023	2022	2023	2022
As of January 1	916,722	1,172,248	– 1,144,647	– 1,291,432	200,741	-	– 27,184	– 119,184
thereof fully or partly funded	888,807	1,133,785						
Included in statement of income								
Service cost	9,225	16,727	-	-	-	-	9,225	16,727
Interest cost for pension plans/Asset ceiling	30,116	13,301	-	-	4,475	-	34,591	13,301
Interest income from plan assets	-	-	– 35,704	– 13,557	-	-	– 35,704	– 13,557
Administration expenses	-	-	1,922	2,399	-	-	1,922	2,399
Settlements/amendments	– 758	56	-	-	-	-	– 758	56
	38,583	**30,084**	**– 33,782**	**– 11,158**	**4,475**	**-**	**9,276**	**18,926**
Included in other comprehensive income								
Actuarial losses (gains) due to change in demographic assumptions	– 8,312	– 535	-	-	-	-	– 8,312	– 535
Actuarial losses (gains) due to change in financial assumptions	71,638	– 314,773	-	-	-	-	71,638	– 314,773
Experience losses (gains)	15,055	12,846	-	-	-	-	15,055	12,846
Revaluation of plan assets	-	-	– 41,567	189,513	-	-	– 41,567	189,513
Unrecognised asset due to asset ceiling	-	-	-	-	– 58,726	196,743	– 58,726	196,743
Foreign currency exchange rate differences	25,074	37,146	– 37,599	– 41,512	10,042	3,998	– 2,483	– 368
	103,455	**– 265,316**	**– 79,166**	**148,001**	**– 48,684**	**200,741**	**– 24,395**	**83,426**
Other								
Employee contributions	13,236	15,819	– 13,236	– 15,819	-	-	-	-
Employer contributions	-	-	– 12,101	– 9,564	-	-	– 12,101	– 9,564
Benefits paid	– 62,885	– 38,785	58,555	38,221	-	-	– 4,330	– 564
Transfers/Acquisitions	2,235	2,672	-	– 2,896	-	-	2,235	– 224
Reclassification to assets held for sale	– 91,600	-	100,761	-	-	-	9,161	-
	– 139,014	**– 20,294**	**133,979**	**9,942**	**-**	**-**	**– 5,035**	**– 10,352**
As of December 31 (active surplus [–] / passive surplus [+])	**919,746**	**916,722**	**– 1,123,616**	**– 1,144,647**	**156,532**	**200,741**	**– 47,338**	**– 27,184**
thereof included in consolidated statement of other non-financial assets							– 72,187	– 65,196
Provisions for pensions and similar obligations							24,849	38,012
thereof fully or partly funded	904,340	888,807						

The table below shows the analysis of the net provision (asset) by countries:

	December 31, 2023			December 31, 2022		
(€ thousand)	Defined benefit obligation	Fair value of plan assets*)	**Net provision/ assets**	Defined benefit obligation	Fair value of plan assets*)	Net provision/ assets
Germany	171,246	212,690	–41,444	166,330	206,642	–40,312
Austria	1,170	-	1,170	1,158	-	1,158
France	-	-	-	15,186	-	15,186
United Kingdom	-	-	-	74,837	99,313	–24,476
Switzerland	530,823	560,541	–29,718	447,560	447,312	248
USA / Mexico	216,508	193,854	22,654	211,651	190,639	21,012
Total	**919,747**	**967,085**	**–47,338**	**916,722**	**943,906**	**–27,184**

*) Including €156,532 thousand asset ceiling (Switzerland) (2022: €200,741 thousand).

The table below shows how the defined benefit obligation would have been affected by changes in key actuarial assumptions:

(€ thousand)	**2023**	2022
Present value of benefit obligation if		
discount rate would be higher by 1.0%*)	818,322	864,207
discount rate would be lower by 1.0%*)	1,046,535	974,792
the expected salary trend would be higher by 0.5%	922,913	919,181
the expected salary trend would be lower by 0.5%	916,312	913,515
pension increase would be higher by 0.5%	952,111	947,833
pension increase would be lower by 0.5%	914,499	908,189
longevity would be 1 year longer	949,881	946,471

*) 2022: 0.5%

The sensitivities indicated are computed on the basis of the same methods and assumptions as are used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are held constant.

When appraising sensitivities, it should be noted that the change in the present value of the defined benefit obligation resulting from changing multiple actuarial assumptions simultaneously is not necessarily equivalent to the cumulative effect of the individual sensitivities.

The table below disaggregates plan assets into classes of asset:

	December 31, 2023			December 31, 2022		
(€ thousand)	Price quote from active market	No price quote from active market	Total	Price quote from active market	No price quote from active market	Total
Shares	240,822	3,814	244,636	219,615	9,521	229,136
Investment funds	-	-	-	-	-	-
Bonds	188,658	144,305	332,963	195,129	179,010	374,139
Real estate	58,652	215,296	273,948	56,474	186,056	242,530
Other assets	228,451	43,618	272,069	255,648	43,194	298,842
Fair value of plan assets as of December 31	**716,583**	**407,033**	**1,123,616**	**726,866**	**417,781**	**1,144,647**

Plan assets do not include any of the entity's own transferable financial instruments; plan assets that are property occupied by, or other assets used by, the entity totaled €29,869 thousand (2022: €28,237 thousand).

Other assets mainly include the following:

DECEMBER 31, 2023

(€ thousand)	Germany	Switzerland	United States	Total
Mixed fund	117,585	-	-	117,585
Cash and cash equivalents	-	31,472	781	32,253
Commodities	-	38,506	-	38,506
Infrastructure (alternative investments)	-	25,168	-	25,168
Private debt	-	8,257	-	8,257
Hedge funds	-	4,049	-	4,049
Insurance linked securities	-	3,414	-	3,414
Reinsurance claims	41,034	1,803	-	42,837
Other assets	**158,619**	**112,669**	**781**	**272,069**

DECEMBER 31, 2022

(€ thousand)	Germany	Switzerland	United Kingdom	United States	Total
Mixed fund	113,813	-	-	-	113,813
Cash and cash equivalents	-	36,965	40,079	917	77,961
Commodities	-	31,424	-	-	31,424
Infrastructure (alternative investments)	-	20,539	-	-	20,539
Private debt	-	6,738	-	-	6,738
Hedge funds	-	3,304	-	-	3,304
Insurance linked securities	-	2,786	-	-	2,786
Reinsurance claims	40,491	1,786	-	-	42,277
Other assets	**154,304**	**103,542**	**40,079**	**917**	**298,842**

The actual return on plan assets was €73,941 thousand in the fiscal year (2022: €175,956 thousand loss).

Losses relating to experience adjustments in the present value of the defined benefit obligation in the year under review were €15,055 thousand (2022: €12,846 thousand); gains relating to experience adjustments to the fair value of plan assets were €41,567 thousand (2022: losses of €189,513 thousand).

The weighted average duration was 13 years. Employer contributions to plan assets for fiscal year 2024 are expected to amount to €10,672 thousand.

The maturity analysis of benefit payments is as follows:

(€ thousand)	
Future benefit payments	
- due in 2024	62,673
- due in 2025	43,256
- due in 2026	46,642
- due in 2027	44,102
- due in 2028	47,060
- due 2029–2033	230,773

(25) Other provisions and accrued liabilities

Accounting policies
In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and where applicable IAS 19 (Employee Benefits), other provisions allow for all identified obligations and impending risks as well as all uncertain liabilities, provided they are present obligations, it is probable that they will be incurred, and that a reliable estimate can be made of their amount. Provisions are only recognized for legal or constructive obligations to third parties.

Provisions are recognized at the expected settlement amount and not net of any reimbursement rights. The settlement amount also includes any cost increases to be taken into account at the reporting date. Where the effect of the time value of money in connection with settlement of the obligation is material, provisions are discounted at rates that reflect current market assessments of the time value of money and the risks specific to the liability.

Warranty provisions are recognized on the basis of the estimated probability of claims. Provisions are recognized for onerous sale or purchase contracts when the total costs of meeting the obligations under the contract exceed the expected sales.

Provisions for restructuring measures are recognized if there is a detailed restructuring plan and it has been announced to those affected.

Provisions for onerous contracts are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Other provisions changed as follows in the reporting year:

(€ thousand)	As of January 1, 2023	Additions	Accretion/ Discount	Utilization	Reversals	Other changes*)	Assets held for sale	As of December 31, 2023
Other provisions								
Other taxes	4,242	274	-	– 330	– 15	273	-	4,443
Personnel-related obligations								
– early retirement schemes	-	15	-	-	-	-	– 15	-
– anniversary payments	7,062	841	9	– 683	– 1,351	234	– 1,816	4,298
– other	1,561	412	-	– 313	– 9	71	– 1,250	472
Onerous contracts	3,760	2,494	-	– 4,783	– 69	-	-	1,401
Restructuring expenses	13,737	27,256	-	– 6,297	– 4,855	– 1,535	– 17,186	11,119
Pending litigation	2,306	1,445	-	– 357	– 857	2	– 2,261	278
Warranties	2,275	1,580	-	– 127	– 1,751	10	-	1,987
Miscellaneous provisions	34,960	10,030	673	– 3,243	– 1,057	– 7,411	– 12,789	21,163
	69,903	**44,347**	**682**	**– 16,133**	**– 9,964**	**– 8,356**	**– 35,317**	**45,162**
Other accrued liabilities								
Personnel-related obligations	76,947	47,108	-	– 57,874	– 4,607	– 178	– 8,588	52,808
Miscellaneous accrued liabilities	13,924	7,160	-	– 8,310	– 200	1,233	– 2,392	11,415
	90,871	**54,268**	**-**	**– 66,184**	**– 4,807**	**1,055**	**– 10,980**	**64,223**
Other provisions and accrued liabilities	**160,774**	**98,615**	**682**	**– 82,317**	**– 14,771**	**– 7,301**	**– 46,297**	**109,385**

*) Change in scope of consolidation, foreign currency adjustments, reclassification and transfers to/from third parties.

Analysis by maturities:

	December 31, 2023		December 31, 2022	
(€ thousand)	Non-current	Current	Non-current	Current
Other provisions				
Other taxes	-	4,443	-	4,242
Personnel-related obligations				
– anniversary payments	4,298	-	7,062	-
– other	421	51	356	1,204
Onerous contracts	-	1,401	-	3,760
Restructuring expenses	-	11,119	-	13,737
Pending litigation	24	254	38	2,269
Warranties	-	1,987	-	2,275
Miscellaneous provisions	5,478	15,686	7,180	27,780
	10,221	**34,942**	**14,637**	**55,266**
Other accrued liabilities				
Personnel-related obligations	116	52,692	196	76,750
Miscellaneous accrued liabilities	-	11,415	-	13,924
	116	**64,107**	**196**	**90,674**
Other provisions and accrued liabilities	**10,336**	**99,048**	**14,833**	**145,941**

The provisions for other taxes mainly relate to real estate tax.

Personnel-related obligations relate in the amount of €4,298 thousand (2022: €7,062 thousand) to anniversary payments mainly in Switzerland (2022: France and Switzerland). The determination of the provision is based on actuarial calculations with interest rates of 3.2% (2022: 3.7%) and 1.5% (2022: 2.2%). The other provisions for personnel-related obligations mainly relate to additional employee benefits such as parental leave.

The provisions for onerous contracts relate to contractual obligations in which contract fulfillment results in a loss.

The provisions for restructuring relate to obligations resulting from termination benefits granted in redundancy programs in an amount of €11,109 thousand (2022: €13,607 thousand) and other restructuring expenses for site closures in an amount of €10 thousand (2022: €130 thousand) that either result in an outflow of resources in the following year or, to the extent they are material, are recognized as of the reporting date at their discounted settlement amount. The provisions for site closures and social plans were determined on the basis of cost estimates (for example, site ancillary charges still to be paid for closed sites) or derived from experience from comparable social plans.

The provisions for pending litigation cover expenses for various legal proceedings and claims that may result, in particular, in the payment of damages or other cost-intensive measures.

Provisions for warranties are recognized at the time of sale of the goods or provision of the services concerned. The size of the provision is based on the historical development of warranties and an analysis of all possible future warranty events weighted by probability of occurrence.

Miscellaneous provisions relate among other things to provisions for asset retirement obligations and recultivation on leased sites and provisions for environmental remediations on sold sites. The cash outflow from these obligations is determined by the duration of the leases.

Accrued liabilities for employee-related obligations include performance-based remuneration of €43,921 thousand (2022: €62,359 thousand) as well as vacation entitlements and flextime balances in the amount of €5,983 thousand (2022: €10,827 thousand).

The miscellaneous accrued liabilities relate to customer bonuses, discounts, commissions and other bonuses.

(26) Financial liabilities

The details of financial liabilities are as follows:

	December 31, 2023				December 31, 2022			
(€ thousand)	up to 1 year	1-5 years	Over five years	Total	up to 1 year	1-5 years	Over five years	Total
Bonds	-	-	-	-	139,022	-	-	139,022
Liabilities to banks	57,286	633,556	5,800	696,642	21,960	268,179	6,600	296,739
Liabilities under ABS program	97,777	-	-	97,777	159,026	-	-	159,026
Lease liabilities	30,473	71,491	31,202	133,167	38,541	88,610	37,415	164,566
	185,537	**705,048**	**37,002**	**927,587**	**358,549**	**356,789**	**44,015**	**759,353**

Financial liabilities of €12,160 thousand (2022: €19,231 thousand) are secured by liens. Inventories as set out in Note 17 (Inventories) and trade receivables as set out in Note 18 (Trade receivables and contract assets) are also pledged as collateral.

Transaction costs directly attributable to the assumption of financial liabilities in the amount of €2,025 thousand (2022: €3,216 thousand) have been deducted from the liabilities.

Bonds

A €148 million senior unsecured convertible bond issue was placed with non-US institutional investors closing September 8, 2016. Effective July 1, 2022, Klöckner & Co repurchased €7.1 million in convertible bonds. The bonds were then retired, thus reducing the outstanding amount to €141 million. The remaining outstanding amount of €141 million was fully repaid as scheduled in September 2023 from existing financing sources.

The issuer was Klöckner & Co Financial Services S.A., a wholly-owned Luxembourg subsidiary. The bonds were guaranteed by Klöckner & Co SE and were convertible into new or existing shares in Klöckner & Co SE. No bonds were converted by investors prior to the repayment at maturity. Klöckner & Co used the proceeds from the issue for general business purposes.

The coupon on the bonds was set at 2.00% p.a. and the conversion premium at 27.5% over the issue date reference price, corresponding to an initial conversion price of €14.82. In accordance with the bond terms, the conversion price was adjusted to €11.5173 following the dividend payouts in May 2017, May 2018, May 2019, June 2022 and May 2023. The bond had a seven-year term.

For accounting purposes, the convertible bond issue is divided into an equity and a debt component. The equity component at the time of issue was €18 million after deducting transaction costs and accounting for deferred taxes. It was credited to capital reserves.

Liabilities to banks

In a contract amendment in December 2021, the facility amount of the syndicated loan was reduced from €300 million to €250 million and the loan extended on improved terms to January 2025. In April 2023, Klöckner & Co renewed the syndicated loan, with no change in the facility amount, by another year to January 2026. This further improved the maturity profile of Klöckner & Co's Group finances. As before, the facility is provided by a syndicate of eight banks. As of December 31, 2023, the utilization was €155 million.

The financial covenants require that gearing, defined as net financial debt divided by the book value of equity attributable to shareholders of Klöckner & Co SE less goodwill resulting from acquisitions after May 23, 2019, may not exceed 165%. The thus adjusted book value of equity attributable to shareholders of Klöckner & Co SE may not fall below €600 million (minimum equity). Breach of the financial covenants would require repayment of all outstanding amounts. Subsequent drawings would then be possible if the covenants were once again complied with. The Group complied in fiscal year 2023 with all loan terms, including the financial covenants.

The remaining liabilities to banks comprise bilateral borrowings by the country organizations. Most of this is accounted for by the ABL facility at the US country organization. The facility was originally agreed in November 2020 and was increased in March 2022 from USD 330 million (€299 million) to USD 450 million (€407 million). In July 2022, the facility was renewed ahead of schedule on improved terms and with a five-year duration to July 2027. In connection with the acquisition of National Material of Mexico, the facility was increased in December 2022 from USD 450 million to USD 650 million (€588 million) with the same terms and maturity while expanding the banking syndicate from three to four banks. As of December 31, 2023, the utilization was €407 million.

There are also other bilateral borrowings at the country organizations, used among other things to finance net working capital. The bilateral credit facilities totaling approximately €249 million were drawn in the amount of €135 million at the end of 2023.

Liabilities under ABS program

Since July 2005, the Klöckner & Co Group has operated a European ABS program. The size of the program was increased in April 2022 from €220 million to €300 million. In December 2022, Klöckner & Co secured an extension of the program on unchanged terms, with the volume remaining at €300 million. The extension became effective in January 2023 and is for three years until January 2026. The agreed covenants are also based on the statement of financial position and are equivalent to those for the syndicated loan.

Utilization of the program including accumulative interest breaks down as follows:

(€ million)	December 31, 2023	December 31, 2022
– utilization	98	159
– maximum volume	300	300

For further information on the ABS program, see Note 3 (Basis of consolidation and consolidation methods) and Note 18 (Trade receivables and contract assets).

Lease liabilities

Lease liabilities have the following term structure:

(€ thousand)	December 31, 2023	December 31, 2022
Due within one year	35,979	43,284
Due between one and five years	85,981	99,880
Due after five years	39,767	43,839
Future minimum lease payments (nominal value)	**161,727**	**187,003**
Due within one year	5,506	4,743
Due between one and five years	14,490	11,270
Due after five years	8,565	6,424
Interest included in future minimum lease payments	**28,561**	**22,437**
Due within one year	30,473	38,541
Due between one and five years	71,491	88,610
Due after five years	31,202	37,415
Total present value of future minimum lease payments	**133,166**	**164,566**

(27) Trade payables

(€ thousand)	December 31, 2023	December 31, 2022
Trade payables	661,037	745,109
Provisions for pending invoices	15,403	31,462
Trade payables	**676,440**	**776,571**

(28) Other financial and non-financial liabilities

	December 31, 2023		December 31, 2022	
(€ thousand)	Current	Non-current	Current	Non-current
Other financial liabilities	**18,152**	**1,649**	**35,966**	**645**
Negative fair value of derivative financial instruments	888	-	1,748	-
Customers with credit balances	9,150	-	19,797	-
Miscellaneous other financial liabilities	8,114	1,649	14,421	645
Other non-financial liabilities	**7,102**	**-**	**8,156**	**-**
Contract liabilities	4,903	-	2,519	-
Advance payments received	2,199	-	5,637	-
Other non-financial liabilities	**15,786**	**-**	**42,589**	**-**
Value-added tax liabilities	3,821	-	14,453	-
Other tax liabilities	2,516	-	14,888	-
Deferred income	2,193	-	1,987	-
Liabilities to employees	1,591	-	1,551	-
Social security contributions	4,746	-	9,180	-
Miscellaneous other non-financial liabilities	919	-	530	-
Other liabilities	**41,040**	**1,649**	**86,711**	**645**

Amounts of €2,519 thousand and €5,637 thousand included in contract liabilities and advance payments received as of December 31, 2022 were recognized as revenue in fiscal year 2023 (2022: €5,099 thousand and €939 thousand).

Other disclosures

(29) Information on capital management

The Klöckner & Co Group determines its capital requirements in relation to risk. Management of and any adjustment in the capital structure is carried out with due regard to changes in the economic environment. Options for maintaining or adjusting the capital structure include adjusting dividend payments, capital repayments to shareholders, issuing new shares and the sale of assets to reduce liabilities.

Capital is managed on the basis of gearing. The Klöckner & Co Group's target is to maintain gearing below the 165% (2022: 165%) required under the financial covenants in order to be able to continue borrowing on reasonable terms.

Further information about the basis of calculation for gearing and about minimum capital requirements is provided in Note 26 (Financial liabilities).

Gearing – taking into account the IFRS 5 reclassifications (see Note 21) – is determined as follows:

(€ thousand)	December 31, 2023	December 31, 2022	Variance
Financial liabilities	927,587	759,353	168,234
Transaction costs	2,025	3,216	– 1,191
Liquid funds	– 154,903	– 179,068	24,165
Net financial debt (before deduction of transaction cost)	**774,709**	**583,501**	**191,208**
Consolidated shareholders' equity	1,754,705	1,968,256	– 213,551
Non-controlling interests	– 7,010	– 11,834	4,824
Goodwill from business combinations subsequent to May 23, 2019	– 45,182	– 1,225	– 43,957
Adjusted shareholders' equity	**1,702,513**	**1,955,197**	**– 252,684**
Gearing	**46 %**	**30 %**	**15.7%p**

(30) Financial instruments

Accounting policies
The Group's financial assets primarily consist of cash and cash equivalents, trade receivables and derivative financial instruments with positive fair values. The Group's financial liabilities include bonds, liabilities to banks, trade payables, lease liabilities and derivative financial instruments with negative fair values.

The Klöckner & Co Group recognizes all regular way contracts as of the settlement date, regardless of their classification. For derivative financial instruments classified as held for trading, the Group applies trade date accounting.

The fair value option provided by IFRS 9 (Financial Instruments) is not applied.

Financial instruments are measured on initial recognition at fair value, less transaction costs if applicable. Trade receivables are measured at the transaction price. Transaction costs directly attributable to the acquisition or issue of a financial instrument are included in the carrying amount except in the case of financial instruments at fair value through profit or loss. Subsequent measurement of financial assets is carried out using the categories under IFRS 9 (Financial Instruments) according to business model and contractual cash flow characteristics. This results in measurement at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income. Financial liabilities are measured at amortized cost or at fair value through profit or loss.

a) Non-derivative financial assets and financial liabilities and equity instruments issued by Klöckner & Co

Cash and cash equivalents include cash on hand, bank balances and short-term securities with an original maturity of less than three months that are subject only to an insignificant risk of changes in value and are used for short-term liquidity management. They are measured at amortized cost, which in this case is equal to the nominal value. Foreign currency balances are measured at the mid-point rate at the reporting date. Financial assets at fair value through profit or loss include financial assets initially classified as held for trading. In the Klöckner & Co Group, this classification is applied exclusively to derivative financial instruments that are designated hedging instruments to which hedge accounting is applied. Such assets are presented as other financial assets in the statement of financial position.

Financial assets and financial liabilities are measured at amortized cost using the effective interest method. Also classified in this category are non-current securities that are not quoted in an active market and long-term loans measured at amortized cost.

Equity investments within the scope of IFRS 9 are measured at fair value through profit or loss.

All identifiable risks are accounted for by recognizing appropriate valuation allowances for expected credit losses taking into account any credit insurance. These are determined on the basis of weighted probabilities and applied to financial assets measured at amortized cost or at fair value through other comprehensive income.

The three-stage impairment model is generally applied. A risk allowance is recognized in the amount of the expected 12-month credit losses (Stage 1) or in the amount of the expected lifetime credit losses if the credit risk has increased significantly since initial recognition (Stage 2) or if financial assets are credit-impaired (Stage 3). Financial assets are considered to be credit-impaired if there is objective evidence such as substantial financial difficulty on the part of the obligor, knowledge of an insolvency filing, or overdue status, which is not already assumed on exceeding 30 days past due. In the event that a financial asset is categorized as bad debt, it is written off, including the amount of the valuation allowance.

An equity or debt instrument is classified as a financial liability or as equity according to the substance of the contractual agreement. Equity instruments are recognized in the amount of the issue proceeds less directly attributable transaction costs.

The components of compound financial instruments such as convertible bonds are recognized separately as financial liabilities and equity. At the issue date, the fair value of the liability component is determined by discounting at the market interest rate for comparable financial instruments without conversion rights. Subsequent accounting of the liability component as a financial liability is on an amortized cost basis until conversion or maturity of the bond. Applying the residual method, the remaining difference represents the equity component, which is accounted for in capital reserves with no subsequent adjustment.

Financial liabilities are either classified as liabilities at fair value through profit or loss or as other financial liabilities.

In the Klöckner & Co Group, only derivative financial instruments that are not designated and effective as hedging instruments are recognized as liabilities at fair value through profit or loss. Any negative fair value of such instruments is presented in other financial liabilities.

Other financial liabilities, including borrowings, are initially recognized at fair value less transaction costs. After initial recognition, other financial liabilities are generally measured at amortized cost using the effective interest method.

An exchange between Klöckner & Co SE and a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Subject to qualitative considerations, terms are deemed to be substantially different if the discounted present value of the cash flows under the new terms differs from the discounted present value of the remaining cash flows under the original terms by more than 10%.

b) Derivative financial instruments

The Group uses a variety of derivative financial instruments to manage its exposure to interest, foreign exchange rate and commodity price risks. These include forward exchange transactions, currency swaps, cross-currency swaps, interest rate swaps, interest rate caps and commodity forwards.

Derivatives are initially measured at fair value on inception and subsequently measured at fair value at each reporting date. Any gain or loss from a change in the fair value of a derivative financial instrument that is not a designated and effective cash flow hedge or hedge of a net investment is immediately recognized in operating income. For derivative financial instruments that are designated hedges, the timing of the recognition of gains or losses depends on the type of hedge. The Klöckner & Co Group uses certain derivative financial instruments to hedge recognized assets or liabilities. Certain unrecognized firm commitments are also hedged.

Steel purchase contracts entered into to receive or deliver non-financial items in accordance with own requirements are treated as pending transactions (own use exemption) and not accounted for as derivatives.

If embedded derivatives are identified in contracts, they are examined to establish whether they are closely related to the economic characteristics of the host contract. If not, they are accounted for separately as derivatives.

Forward exchange contracts are used to hedge foreign-currency receivables and liabilities arising from the operating business that are either pending or recognized in the balance sheet and to hedge intercompany loans. They are measured item by item at the forward rate as of the reporting date, and exchange differences arising due to the contracted forward exchange rate are recognized in profit or loss.

Interest exchange amounts from interest rate swaps are recognized in profit or loss at the payment date or on accrual at the reporting date. In all other respects, interest rate swaps, like interest rate caps, are measured at fair value at the reporting date and – unless hedge accounting is applied – changes in their fair value during the reporting period are recognized in profit or loss.

Derivatives held for hedging purposes are classified as non-current assets or liabilities if the remaining term of the hedging relationship is more than twelve months and as current assets or liabilities if the remaining term of the hedging relationship is less than twelve months.

Derivatives not designated in a hedging relationship are classified as current assets or liabilities.

c) Hedge accounting

Hedge accounting is applied in accordance with IFRS 9. The Klöckner & Co Group designates individual derivatives held for hedging purposes either as cash flow hedges or as hedges of foreign net investments, according to volume, term and risk structure.

The relationship between the hedged item and the hedging instrument, including the risk management objectives and the Company's strategy for undertaking the hedge, are documented at the inception of the hedge. At the inception of the hedge and regularly on an ongoing basis, the hedge is assessed and it is documented whether the hedge is highly effective in offsetting changes in the cash flows attributable to the hedged risk or the net investment. Changes in the reserve for fair value adjustments of financial instruments within other comprehensive income are shown in the summary of changes in consolidated equity.

The effective portion of the change in the fair value of derivative financial instruments designated as cash flow or net investment hedges is recognized in equity through other comprehensive income; the ineffective portion is recognized directly in profit or loss. The amounts recognized in other comprehensive income are reclassified to profit or loss in the period in which the hedged item is recognized in profit or loss. In the case of commodity forwards that hedge purchase prices, the amounts are reclassified to inventories (basis adjustment) and, on consumption of the inventories, the effect on earnings is recognized in cost of materials.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or ceases to be effective. Any cumulative gain or loss that has been recognized through other comprehensive income from changes in the fair value of the derivative remains in other comprehensive income and is reclassified to profit or loss when the forecast transaction is recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in other comprehensive income is immediately recognized in profit or loss.

Additional disclosures on financial instruments

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

Financial assets as of December 31, 2023 (€ thousand)	Presented in the Statement of Financial Positions 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	651	651	-	-	-	651	-	651
Participations	Financial assets	32,816	32,816	-	-	-	-	32,816	32,816
Short term deposits (< 3 months)	Cash and cash equivalents	8	8	-	-	-	8	-	8
Other financial assets	Current and non-current other financial assets	-	-	-	-	-	-	4,867	4,867
Not measured at fair value									
Trade receivables and contract assets	Trade receivables and contract assets	719,016	-	-	719,016	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	154,895	-	-	154,895	-	-	-	-
Other financial assets at cost	Current and non-current other financial assets	15,308	-	-	15,308	-	15,308	-	15,308
Other financial assets at cost	Bonus claims to suppliers	53,694	-	-	53,694	-	-	-	-
Total		**976,388**	**33,475**	**-**	**942,913**	**-**	**15,967**	**37,683**	**53,650**

Financial liabilities as of December 31, 2023			Category / Hedge Accounting / Leasing			Fair value			
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3*)	Total
Measured at fair value		-	-	-	-	-	-	-	-
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current financial liabilities	888	888	-	-	-	888	-	888
Derivative financial instruments designated in hedge accounting	Other current and non-current financial liabilities	-	-	-	-	-	-	-	-
Other financial liabilities	Other non-current financial liabilities	1,649	1,649	-	-	-	-	1,649	1,649
Other financial liabilities	Other current financial liabilities	2,016	2,016	-	-	-	-	2,016	2,016
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	794,419	-	-	794,419	-	793,676	-	793,676
Lease liabilities	Current and non-current financial liabilities	133,167	-	-	133,167	-	-	-	-
Trade payables	Trade payables	676,440	-	-	676,440	-	-	-	-
Other financial liabilities at cost	Other current financial liabilities	15,249	-	-	15,249	-	-	-	-
Total		**1,623,828**	**4,553**	**-**	**1,619,275**	**-**	**794,564**	**3,665**	**798,229**

*) No fair value is stated for the remaining amount of other non-current liabilities measured at amortized cost because the fair value is equal to the carrying amount.

Financial assets as of December 31, 2022 (€ thousand)	Presented in the Statement of Financial Positions 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	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other financial assets	1,110	1,110	-	-	-	1,110	-	1,110
Participations	Financial assets	32,664	32,664	-	-	-	-	32,664	32,664
Short term deposits (< 3 months)	Cash and cash equivalents	4,163	4,163	-	-	-	4,163	-	4,163
Not measured at fair value									
Trade receivables and contract assets	Trade receivables and contract assets	897,860	-	-	897,860	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	174,905	-	-	174,905	-	-	-	-
Other financial assets at cost	Current and non-current other financial assets	20,396	-	-	20,396	-	20,396	-	20,396
Other financial assets at cost	Bonus claims to suppliers	42,581	-	-	42,581	-	-	-	-
Total		**1,173,679**	**37,937**	**-**	**1,135,742**	**-**	**25,669**	**32,664**	**58,333**

Financial liabilities as of December 31, 2022			Category / Hedge Accounting / Leasing			Fair value			
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3*)	Total
Measured at fair value		**-**	**-**	**-**	**-**	**-**	-	-	-
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current financial liabilities	692	692	-	-	-	692	-	692
Derivative financial instruments designated in hedge accounting	Other current and non-current financial liabilities	1,056	-	1,056	-	-	1,056	-	1,056
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	594,787	-	-	594,787	-	593,447	-	593,447
Lease liabilities	Current and non-current financial liabilities	164,567	-	-	164,567	-	-	-	-
Trade payables	Trade payables	776,571	-	-	776,571	-	-	-	-
Other financial liabilities at cost	Other non-current financial liabilities	645	-	-	645	-	-	645	645
Other financial liabilities at cost	Other current financial liabilities	34,218	-	-	34,218	-	-	-	-
Total		**1,572,536**	**692**	**1,056**	**1,570,788**	**-**	**595,195**	**645**	**595,840**

*) No fair value was disclosed for the remaining amount of other non-current liabilities measured at amortized cost because the fair value corresponds to the carrying amount.

Measurement of the fair value of the equity investments in the amount of €32,816 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 fiscal year, an increase of €3,325 thousand (2022: €5,567 thousand) is attributable to capital measures and an decrease of €3,622 thousand (2022: increase of €4,710 thousand) to changes in fair value. Fair value is measured on the basis of available financial information, such as transaction prices for financing rounds or business plans to the extent that this information is reliable, or, as an approximation, as cost, which is considered an appropriate estimate of fair value as no more suitable information is available. A review is carried out on a quarterly basis using all information available on the equity investments to establish whether cost is still representative of fair value. This would no longer be the case, for example, in the event of a change in the economic environment, a significant change in the market in which the equity investments are active or other events relevant to measurement. As cost is the sole input factor for fair value, a percentage change in cost results in an equal change in fair value. The estimated fair value would increase (decrease) with any increase (decrease) in cost. Given the size of the investment amount, even a 10% increase in cost would not have a material impact on fair value.

On December 22, 2023, Klöckner & Co acquired a put option for its disposal group (see also Note 21) with a term of approximately one month. This is a financial derivative for which the value and volatility of the underlying is derived on the basis of a management estimate (level 3). As the put right itself was acquired free of charge, the calculated acquisition date fair value is recognized as an accrual. The accrual is recognized in profit or loss. There was no significant change in the value of the instrument as of the reporting date. The financial derivative was measured using a Black-Scholes-Merton model in which the exercise price at the inception date corresponds to the value of the disposal group. The volatility was estimated from the historical volatility for Klöckner & Co. The value is €5 million; at a 10% higher (lower) value of the underlying it would be €2 million (€9 million) and at 10% higher (lower) volatility it would be €5 million (€4 million).

The fair values of non-current financial liabilities are determined on the basis of risk-adjusted discounted cash flows.

In the case of current financial assets (mostly other assets), fair values are largely identical to carrying amounts. The fair values of financial liabilities reflect the current market situation for the respective financial instruments as of December 31, 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.

Changes in hierarchy levels are taken into account at the end of the period in which the change took place. There were no transfers between hierarchy levels during the reporting year.

The Level 3 fair value of miscellaneous other non-current liabilities includes an earn-out clause from the acquisition of Sol Components LLC, Sacramento, USA, under which a subsequent purchase price adjustment of a maximum of USD 3.0 million was agreed subject to the achievement of specified sales targets as of December 31, 2024. If the specified targets are not achieved, management can extend the period by mutual agreement. The fair value of the earn-out clause was measured using a discount rate of 8.1% and amounts to USD 1.8 million (€1.6 million).

Also included is contingent consideration of CHF 1.3 million (€1.4 million) for the acquisition of the shares in Müller Wüst AG, Aarau, Switzerland, which will fall due in the following four years. As a qualitative component of the contingent consideration, the sellers will receive a maximum amount of CHF 150 thousand (€162 thousand) per year for the years 2024, 2025 and 2026 – a total of CHF 450 thousand (€485 thousand) – if certain milestones are achieved. The quantitative component of the consideration amounts to CHF 850 thousand (€918 thousand) and is dependent on cumulative net sales for the years 2024 to 2026 and the EBITDA margin in 2026.

The fair value also includes a purchase price liability from the acquisition of PC-Tech SA, Penthalaz, Switzerland, in the amount of €540 thousand (2022: €502 thousand), of which €432 thousand has a term of less than one year. The estimated fair value would decrease if the agreed EBITDA were not met.

They also include a put liability from the acquisition of ODS Belgium B.V., Essen, Belgium. 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. These liabilities totaled €137 thousand in the fiscal year (2022: €137 thousand). IFRS 13.97 applies.

Derivative financial instruments

The Klöckner & Co Group is exposed to interest, currency and commodity price risk in its operating business. This risk is hedged using derivative financial instruments.

The Group exclusively uses market instruments with sufficient market liquidity. Derivative financial instruments are entered into and managed in compliance with internal directives governing the scope of action, responsibilities and controls. According to these directives, the use of derivative financial instruments is a primary responsibility of the Corporate Treasury department of Klöckner & Co SE, which manages and monitors the use of such instruments. Such transactions are only entered into with credit institutions with impeccable ratings. Derivative financial instruments are not allowed to be used for speculative purposes and may only be used to hedge risks associated with hedged items.

Derivative financial instruments are accounted for at fair value in accordance with IFRS 9. Hedge accounting is applied in accordance with IFRS 9.

Derivatives are initially measured at fair value on inception and subsequently measured at fair value at each reporting date. Any gain or loss from a change in the fair value of a derivative financial instrument that is not a designated and effective cash flow hedge or hedge of a net investment is immediately recognized in profit or loss. For derivative financial instruments that are designated hedges, the timing of the recognition of gains or losses depends on the type of hedge and its effectiveness. The Klöckner & Co Group uses certain derivative financial instruments to hedge recognized assets or liabilities. Certain unrecognized firm commitments are also hedged.

Forward exchange transactions are measured item by item at the forward rate as of the reporting date, and exchange differences arising due to the contracted forward exchange rate are recognized in profit or loss.

Commodity forwards are designated in cash flow hedge accounting and classified into planned and pending procurement transactions. Two potential causes of ineffectiveness are over-hedging and divergence between the derivative's underlying and the hedged steel price component from the reference price formula. Any ineffectiveness is accounted for in cost of materials

The notional amounts and fair values of the derivative financial instruments in interest rate and currency hedges as of the reporting date and risks of price fluctuations in procurement transactions are as follows:

(€ million)	December 31, 2023			December 31, 2022		
	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	127.0	-	-	136.3	-	-
Commodity futures	-	-	-	-	3.9	984.0

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)	December 31, 2023		December 31, 2022	
	Fair value		Fair value	
	Forward exchange transactions	Commodity futures	Forward exchange transactions	Commodity futures
Not designated in hedge accounting	– 0.2	-	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 financial assets and liabilities; commodity forwards are presented in other current financial liabilities. The fair value of the continuing operations amounts to a negative €0.2 million and the fair value of discontinued operations is a negative €0.1 million.

The amounts relating to items designated as hedged items were as follows:

	December 31, 2023	December 31, 2022
(€ million)	Change in value for calculation of hedge ineffectiveness	Change in value for calculation of hedge ineffectiveness
Commodity futures	-	-

The fair values of the derivative financial instruments are determined on the basis of quantitative finance methods using standard banking models. Counterparty risk as of the measurement date is taken into account in the determination of fair values. Where market prices exist, these correspond to the price a third party would pay for the rights or obligations arising from the financial instruments. The fair values are the market values of the derivative financial instruments, irrespective of any offsetting changes in the value of hedged items.

Forward exchange contracts with a notional amount of €127 million (2022: €136 million) have a remaining maturity of less than one year. These include a notional amount of €58 million (2022: €41 million) for the hedging of intra-Group loans. The nominal value of the forward exchange contracts for the entire Klöckner & Co Group (including discontinued operations) amounts to €142 million, of which €127 million relates to continuing operations.

Commodity forwards with a notional amount of €0.0 million (2022: €3.9 million) expired in fiscal year 2023.

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.

No sensitivity analysis was performed as of December 31, 2023, as the commodity forwards expired in fiscal year 2023. On the basis of financial liabilities as of December 31, 2022, a 10% fall in the price level in each case would have had a negative effect in the amount of approximately €0.3 million; this would have been accounted for in equity, in the cash flow hedge reserve.

Derivatives that constitute a financial asset or a financial liability where the right of set-off is contingent on breach of contract or insolvency of one of the counterparties do not meet, or only partly meet, the criteria for offsetting in the consolidated statement of financial position under IAS 32.

The table below in accordance with IFRS 7.13C discloses the gross and net amounts of the financial instruments that are subject to master netting arrangements:

2023 *(€ thousand)*	Gross amounts in balance sheet	thereof subject to offsetting according to master netting agreements	Net amounts according to master netting agreements
Financial assets			
Current and non-current other financial assets			
- Forward exchange transactions	651	– 130	521
Financial liabilities			
Current and non-current other financial liabilities			
- Forward exchange transactions	– 888	130	– 758

2022 *(€ thousand)*	Gross amounts in balance sheet	thereof subject to offsetting according to master netting agreements	Net amounts according to master netting agreements
Financial assets			
Current and non-current other financial assets			
- Forward exchange transactions	1,110	– 474	636
Financial liabilities			
Current and non-current other financial liabilities			
- Forward exchange transactions	– 692	474	– 218
- Commodity futures	– 1,056	-	– 1,056

(31) Financial risk management

IFRS 7 requires an entity to provide disclosure that enables users of financial statements to evaluate the nature and the extent of risks arising from financial instruments. These risks encompass credit risk, market risk (interest rates, exchange rates and commodity prices) and liquidity risk. For a description of the methods, processes, responsibilities and objectives of the risk management system, please refer to the information provided in the Group management report under heading 5.3 (Risks and opportunities).

Credit risk

The Company is exposed to credit risk mainly in its operating business. A credit risk is defined as an unexpected loss on financial assets, such as if a customer is unable to meet its obligations when due. Operating receivables are locally monitored on an ongoing basis. Credit risk is taken into account by valuation allowances.

The maximum exposure to credit risk is reflected by the carrying amounts of financial assets in the statement of financial position. The Klöckner & Co Group addresses credit risk with its own credit management and by taking out trade credit insurance. In the fiscal year, €155 million (2022: €335 million) of trade receivables were covered by credit insurance. In the discontinued operations, €109 million of trade receivables were covered by credit insurance in the fiscal year.

Trade receivables

Prospective customers are credit-checked against an in-house risk board before order acceptance. Additionally, there is an active receivables management system incorporating trade credit insurance. The broadly diversified receivables pool is also used for financing purposes an ABS program in Europe and an ABL facility in the USA.

In addition to local monitoring by each subsidiary, Klöckner & Co SE also monitors significant credit risk at Group management level in order to better control specific individual risks and any cumulative risk.

There is no risk concentration at Group level as trade receivables relate to large numbers of customers from a variety of sectors and regions. Klöckner & Co applies the simplified approach to trade receivables and contract assets, recognizing the lifetime expected credit losses on inception. Determination of expected credit losses under the simplified approach is performed at Klöckner & Co in risk groups using historic credit loss rates. The assignment to risk groups is made on the basis of shared credit risk characteristics. For Klöckner & Co, these include a customer's geographical location and the past due status of contract assets.

Future-oriented information is incorporated by adjusting historic credit loss rates with scaling factors. These are based on gross domestic product (GDP) growth rates in each region. Due to the structure of the receivables portfolio, the impact of this was small (under €0.3 million).

Contract assets relate to work in progress that has not yet been invoiced and generally have the same risk characteristics as trade receivables for the same types of contract. Klöckner & Co has therefore concluded that the expected credit loss rates on trade receivables not past due are a suitable approximation of loss rates for contract assets.

Individual valuation allowances are recognized under the simplified approach when one or more events have occurred that have a detrimental impact on the debtor's creditworthiness. Such events include payment delays, imminent insolvency or the granting of concessions to the debtor on account of payment difficulties. Trade receivables and contract assets are written off if recovery is no longer probable. This is the case, for example, if a debtor becomes insolvent.

(€ thousand)	2023	2022
Writedowns as of January 1 under IFRS 9	**8,250**	**7,954**
Utilisation	– 3,760	– 754
Additions	467	852
Exchange rate differences	– 8	198
Writedowns as of December 31	**4,949**	**8,250**

The change in the valuation allowance is mainly due to the increase/decrease in the gross carrying amount of trade receivables/contract assets that are credit-impaired. Valuation allowances for discontinued operations amounted to €2,593 thousand as of the reporting date.

The table below contains information on credit risk and expected credit losses on trade receivables and contract assets. The gross carrying amount of receivables of the discontinued operations amounts to €109,481 thousand, with valuation allowances of €2,593 thousand and a carrying amount of €106,888 thousand. The expected credit losses of the discontinued operations amount to €189 thousand (with average default rates of 0.006% to 0.174%).

2023	Gross trade receivables (€ thousand)	Average default rates (in %)	Expected credit loss (€ thousand)
Germany/Austria	161,977	0.017–0.041	52
Switzerland	91,681	0.007	6
USA	362,082	0.051	181
Other	73,993	0.006-0.016	4
Total	**723,965**	**0.006–0.051**	**243**
Writedowns	– 4,949		
Carrying amount trade receivables	**719,016**		

2022	Gross trade receivables (€ thousand)	Average default rates (in %)	Expected credit loss (€ thousand)
Germany/Austria	184,845	0.029–0.032	85
Switzerland	113,637	0.017	16
United Kingdom	48,326	0.125	60
France	78,867	0.159	166
USA	419,702	0.047	197
The Netherlands	49,203	0.010	1
Other	9,895	0.029–0.141	28
Total	**904,475**	**0.010–0.159**	**553**
Writedowns	– 8,250		
Carrying amount trade receivables	**896,225**		

In addition to the expected credit losses, valuation allowances were recognized in the amount of €4,706 thousand (2022: €7,697 thousand) for incurred losses on trade receivables. The discontinued operations include valuation allowances of €2,404 thousand for incurred losses on trade receivables.

Cash and cash equivalents and other financial assets

As part of liquidity management, Klöckner & Co SE deposits cash and cash equivalents exclusively with the Group’s core banks, which hold immaculate ratings. Their credit standing is also regularly monitored against credit default swaps (CDS).

Cash consists of bank balances and short-term deposits in the form of call and time deposits. The maximum investment period is 90 days.

On the basis of the limited investment period, the banks’ credit ratings and current CDS premiums, cash and cash equivalents have low default risk. No material impairment losses were therefore recognized on cash and cash equivalents in fiscal year 2023.

The other financial assets are mainly bonus claims to suppliers. Bonus claims are immediately offset against the next deliveries and their credit risk is assessed as immaterial.

Disclosures on liquidity risk

Liquidity requirements are continuously budgeted by the Klöckner & Co Group and monitored by the Corporate Treasury Department to ensure appropriate levels of liquidity for the Group.

In total, the Group has credit facilities (including leases) in the amount of approximately €1.5 billion (2022: €1.7 billion). Financial liabilities plus transaction costs came to €929 million (2022: €759 million). This corresponds to approximately 61% of the credit facilities (2022: 46%).

In a contract amendment in December 2021, the facility amount of the syndicated loan was reduced from €300 million to €250 million and the loan renewed on improved terms until January 2025. In April 2023, Klöckner & Co renewed the syndicated loan, with no change in the facility amount, by another year to January 2026. In July 2021, the bilateral credit lines in Switzerland were likewise extended ahead of term to March 2025. The credit lines were increased in size from CHF 130 million to CHF 160 million. The European ABS program was renewed in December 2022 effective January 2023 to January 2026. The size of the program is €300 million. The US country organization's ABL facility was most recently extended in July 2022 to July 2027 and increased in December 2022 from USD 450 million to USD 650 million.

The Russian war of aggression against Ukraine and the Middle East conflict have had no impact on liquidity risk to date.

December 31, 2023		Cash outflows			
(€ thousand)		Less than one year	1– 5 years	More than 5 years	Total
Bank loans, ABL	Nominal values	-	407,240	-	407,240
Bank loans, Other	Nominal values	56,374	227,952	5,863	290,189
ABL	Interest	26,396	53,643	-	80,039
Other	Interest	15,961	10,003	476	26,440
	Total	**98,731**	**698,838**	**6,339**	**803,908**
ABS	Nominal values	98,014	-	-	98,014
	Interest	6,102	5,388	-	11,490
	Total	**104,116**	**5,388**	**-**	**109,504**
Lease liabilities	Nominal values	30,473	71,491	31,202	133,166
	Interest	5,506	14,490	8,565	28,561
	Total	**35,979**	**85,981**	**39,767**	**161,727**
Total financial liabilities		**238,826**	**790,207**	**46,106**	**1,075,139**
Cash outflows from derivative financial instruments designated in interest hedging relationships		**-**	**-**	**-**	**-**

December 31, 2022 (€ thousand)		Cash outflows: Less than one year	1–5 years	More than 5 years	Total
Bonds	Nominal values	140,700	-	-	140,700
	Interest	2,814	-	-	2,814
	Total	**143,514**	**-**	**-**	**143,514**
Bank loans, ABL	Nominal values	-	154,697	-	154,697
Bank loans, Other	Nominal values	21,960	116,552	6,600	145,112
ABL	Interest	10,309	27,311	-	37,620
Other	Interest	7,813	13,109	638	21,560
	Total	**40,082**	**311,669**	**7,238**	**358,989**
ABS	Nominal values	158,825	-	-	158,825
	Interest	23,442	-	-	23,442
	Total	**182,267**	**-**	**-**	**182,267**
Lease liabilities	Nominal values	38,541	88,610	37,415	164,566
	Interest	4,743	11,270	6,424	22,437
	Total	**43,284**	**99,880**	**43,839**	**187,003**
Total financial liabilities		**409,147**	**411,549**	**51,077**	**871,773**
Cash outflows from derivative financial instruments designated in interest hedging relationships		**-**	**-**	**-**	**-**

The table includes all instruments for which contractual payments are agreed as of the reporting date; budgeted payments for new liabilities to be assumed in the future are not included. Variable interest on financial instruments is determined on the basis of the forward yield curve immediately before the reporting date. For drawings on the revolving credit facility, it was assumed that the level of drawings as of the reporting date will be maintained for the remaining term of the facility.

Net gains or losses by category

Net gains or losses in the assets at amortized cost measurement category are presented in the table below. In the discontinued operations, this measurement category shows a net loss of €1,534 thousand. For the presentation of net interest income, please refer to Note 13 (Financial result).

(€ thousand)	December 31, 2023	December 31, 2022
Exchange rate differences	5,837	1,383
Valuation allowance	– 2,326	– 2,242
Subtotal	**3,511**	**– 859**
Net income credit insurance	77	– 2,030
Net result	**3,588**	**– 2,889**

There was a net loss of €0 thousand (2022: €0 thousand) in the equity instruments at fair value through other comprehensive income (OCI) category.

The net gain or loss in the other financial liabilities category relates to currency translation. In the fiscal year, there was a net loss of €2,175 thousand (2022: €1,105 thousand). In the discontinued operations, the measurement category shows a net gain of €30 thousand.

Financial assets measured at fair value total €651 thousand (2022: €1,110 thousand). The negative net effect on earnings (other effects recognized in profit or loss) amounts to €787 thousand (2022: positive net effect of €636 thousand). Further information about income from long-term equity investments measured at fair value is provided in Note 12 (Income from investments).

There are €888 thousand (2022: €1,748 thousand) in financial liabilities measured at fair value and €1,619,275 thousand (2022: €1,570,788 thousand) in financial liabilities measured at amortized cost. This resulted in net income effects of €335 thousand (2022: net loss of €1,112 thousand) (other effects recognized in profit or loss). In the discontinued operations, this measurement category shows a net loss of €73 thousand.

Disclosures on interest rate risk

Klöckner & Co is exposed to interest rate changes due to the use of financial instruments. The hedging policy is geared to risk arising from interest rate changes on variable-rate financial liabilities. The Klöckner & Co Group faces interest rate risk exposure on its central financing instruments in the eurozone (syndicated loan; European ABS) and on local borrowings, notably in the US (ABL) and in Switzerland (bilateral credit lines). There is additional interest rate risk exposure on short-term deposits of liquid funds at banks. The Corporate Treasury Department monitors and controls interest rate risk on financial liabilities.

As part of central Group financing, the Group's borrowing needs are primarily met with a diversified portfolio of financing instruments. These mainly comprise the working capital instruments (syndicated loan; European ABS; US ABL). The working capital instruments are variable-rate financial instruments, generally with flexible drawing provisions.

Taking into account local borrowings in the amount of €26 million and lease liabilities in the amount of €133 million, €159 million or approximately 17% of financial liabilities before transaction costs were fixed-rate as of December 31, 2023 (2022: €326 million or approximately 43%).

Interest rate risk exposures and opportunities are presented using sensitivity analyses in accordance with IFRS 7. These show how interest income and expense and equity as of the reporting date are affected by changes in market interest rates. Interest rate risk is measured as cash flow risk.

Scenario-based sensitivity analysis is used to show the effects on Klöckner & Co's profit or loss of a parallel shift in yield curves in the relevant currencies. The cash flow effect of the shift in the yield curve relates solely to interest expense and income for the following reporting period.

On the basis of financial liabilities as of December 31, 2023, an increase in market interest rates on each of the relevant currencies by 100 basis points would have a negative effect on the financial result in the amount of approximately €7.7 million (2022: €4.4 million) for an analysis period of one year.

	2023	2022
(€ million)	**100 bp**	100 bp
EUR	2.8	1.7
USD	4.1	1.6
GBP	0.2	0.3
CHF	0.6	0.8
Total	**7.7**	**4.4**

A rising interest rate scenario creates upside potential for the accumulated holdings of liquidity. Assuming a one-year investment period, an increase in market interest rates by 100 basis points would have a positive effect in the amount of €1.6 million (2022: €1.8 million).

	2023	2022
(€ million)	**100 bp**	100 bp
EUR	0.3	0.5
USD	1.2	0.9
GBP	0.0	0.1
CHF	0.1	0.3
Total	**1.6**	**1.8**

Conversely, we expect that a fall in market interest rates by 100 basis points would result in the aforesaid effects in the opposite direction.

Disclosures on currency risk

Within our risk strategy, only transaction risk and risk on intra-Group borrowings are subject to our hedging policy. Our hedging activities do not target translation risk relating to the translation of income and expenses into our Group currency. Currency risk therefore arises from borrowing, intra-Group dividend payments, acquisitions and operating activities.

The Klöckner & Co Group operates central foreign currency management. Domestic and foreign subsidiaries are required to identify currency risk and to hedge it through the Corporate Treasury Department or, within set limits, individually with banks. The hedges cover currency risk on recognized sales and purchases as well as on firm sale and purchase commitments. With regard to currency risk on firm sale commitments, the hedging strategy takes into account the compensatory effects of operating measures and market changes (natural hedges).

At the reporting date, the Klöckner & Co Group did not have any material exposure to currency risks arising from its operating activities or acquisitions.

In financing, currency risk arose on foreign currency loans provided by Klöckner & Co SE to subsidiaries. These loans are granted to finance Group companies as part of central Group financing and are fully hedged. As of the reporting date, there were pound sterling loans of this kind totaling €58 million (2022: €41 million). The intra-Group loans, including ongoing interest payments, have been hedged with forward contracts and currency swaps.

Currency transactions at our subsidiaries in Germany, the USA, the Netherlands, Switzerland, the UK and Brazil amounted to €84 million at the year-end, of which €15 million related to discontinued operations. These relate to forward exchange contracts and currency swaps entered into to hedge customer and supplier payments.

Our currency swaps had a negative fair value as of the reporting date of €0.2 million (2022: positive fair value of €0.4 million).

Commodity price risk
Due to its business model, the company is dependent on steel, the price of which is highly volatile due to cyclical demand and speculation. To limit the price risk on expected future net requirements, Klöckner & Co enters into contracts with suppliers for future physical delivery.

In addition, cash-settled OTC steel forwards are used, which are entered into at the US country organization in coordination with Corporate Treasury and result in a settlement payment based on a market index. Forward positions vary according to expected production volumes and price movements during the year.

Commodity forwards are designated in cash-flow hedge accounting and classified into planned and firm commitment procurement transactions. Two potential causes of ineffectiveness are over-hedging and divergence between the derivative's underlying and the reference price formula. Any ineffectiveness is accounted for in cost of materials.

Due to the existing contract volumes as of December 31, 2023 (December 31, 2022: nil), there are no material sensitivities on these positions. Commodity price risks and opportunities for steel are presented using sensitivity analyses in accordance with IFRS 7. These show how equity as of the reporting date is affected by changes in prices. Commodity price risk is measured as cash flow risk.

Scenario-based sensitivity analysis is used to show the effects on Klöckner & Co of a parallel shift in price curves.

(32) Litigation, contingent liabilities and commitments

Contingent liabilities are possible obligations which arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They also include present obligations that arise from past events but are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Unless the possibility of any outflow in settlement is remote, a description of the nature of the contingent liability is disclosed.

The Klöckner & Co Group is not involved in any litigation or arbitration proceedings that could have a material impact on the Group's financial situation. Notwithstanding extensive compliance measures, however, isolated compliance violations and legacy cases cannot be ruled out.

There are also guarantees that are given on divestments and property disposals. Such guarantees cover customary representations and warranties as well as environmental and tax contingencies.

Other commitments arise from purchase obligations; these amounted as of December 31, 2023, to €29.1 million (2022: €14.3 million).

In addition, there are contingent liabilities for pension obligations in the amount of €4.7 million as of December 31, 2023 (2022: €4.6 million) for which there is no recourse and whose future probability of occurrence the Management Board judged as unlikely as of the reporting date.

(33) Related party transactions

Klöckner & Co SE is a dependent company of SWOCTEM GmbH, Haiger, within the meaning of Section 312 of the German Stock Corporation Act. The majority shareholder of SWOCTEM GmbH is Prof. Dr. E.h. Friedhelm Loh, who is to be regarded as a controlling party of Klöckner & Co. SE due to his shareholding in SWOCTEM. Pursuant to Section 312 (1) of the German Stock Corporation Act, the Management Board of Klöckner & Co SE has therefore prepared a report on relations with affiliated companies. Please see the concluding statement to the report in section 4.1 of the combined management report for fiscal year 2023.

Related parties within the meaning of IAS 24 therefore include SWOCTEM GmbH, entities related to it and entities which are controlled, jointly controlled or significantly influenced by Prof. Dr. E.h. Friedhelm Loh or his close family members or in which key management positions are held by these persons. In the reporting year, the Group supplied these companies with goods to the value of €4,669 thousand (2022: €4,641 thousand) and purchased goods to the value of €260 thousand (2022: €0 thousand) and services to the value of €0 thousand (2022: €56 thousand). All transactions took place at arm's length. There were receivables of €309 thousand (2022: €215 thousand) and liabilities of €0 thousand (2022: €13 thousand) as of the reporting date.

The Management Board, the Supervisory Board and their close family members are also classified as related parties within the meaning of IAS 24. With the exception of the above disclosures concerning Prof. Dr. E. h. Friedhelm Loh, transactions with members of the Management Board and Supervisory Board are restricted in the reporting period to transactions in their capacity as members of the Management Board or Supervisory Board as set out below. The members of the Management Board are Guido Kerkhoff, Dr. Oliver Falk, John Ganem and, until September 30, 2023, Bernhard Weiß. The members of the Supervisory Board are Prof. Dr. Dieter H. Vogel, Dr. Ralph Heck, Prof. Dr. Tobias Kollmann, Prof. Dr. E. h. Friedhelm Loh, Uwe Röhrhoff and Ute Wolf.

Remuneration for Management Board members consists of non-performance-related and performance-related components. The non-performance-related components consist of a monthly fixed salary, retirement provision and ancillary benefits. The performance-related remuneration is granted in the form of a variable target bonus, which is made up of a short-term (cash) and a long-term (personal investment) component. This personal investment component requires the purchase of shares in Klöckner & Co SE at the grant date and is subject to a four-year lock-up period. The figure of €1,799 thousand (2022: €2,771 thousand) stated for share-based remuneration relates to the fair value of the Management Board's personal investment component to be paid out in shares for the fiscal year and corresponds to the entitlement granted. A provision of €1,199 thousand (2022: €4,610 thousand) is recognized at the reporting date for the portion of performance-related remuneration granted to the Management Board as the cash component.

Supervisory Board remuneration comprises basic remuneration, attendance fees, expenses and the value added tax payable on the remuneration components. As of December 31, 2023, there was a provision for basic remuneration for the Supervisory Board in the amount of €647 thousand (2022: €501 thousand).

The components of the remuneration system for the Management Board and the Supervisory Board are set out in detail with disclosures for individual members in the remuneration report. The table below shows total compensation of members of the Management Board and of the Supervisory Board of Klöckner & Co SE – differing from the disclosures of remuneration granted and owed contained in the remuneration report – pursuant to the stipulations of German commercial law:

(€ thousand)	2023	2022
Management Board		
Fixed components	2,228	2,214
Bonuses	2,998	4,616
Other remunerations	875	718
Total pursuant to Section 314 No. 6a of the German Commercial Code (HGB) – Management Board	**6,101**	**7,548**
Supervisory Board		
Fixed components	647	501
Total pursuant to Section 314 No. 6a of the German Commercial Code (HGB) – Supervisory Board	**647**	**501**

The following table illustrates the remuneration in accordance with IAS 24 (Related Party Disclosure) for the Management Board and the Supervisory Board:

(€ thousand)	2023	2022
Short-term benefits (IAS 24.17 a)		
- Management Board	4,371	4,777
- Supervisory Board	647	501
Termination benefits (IAS 24.17 d)	754	-
Share-based payments long term incentive variable bonus Executive Board (IAS 24.17 e)	1,799	2,771
Service cost for pension obligations (IAS 24.17 e)	-	63
Total remunerations IFRS	**7,571**	**8,112**

There are pension provisions of €6,789 thousand (2022: €6,478 thousand) for members of the Management Board as of the reporting date.

Pursuant to Section 314 No. 6 b) of the German Commercial Code (HGB), total remuneration paid to former members of the Management Board was €1,604 thousand in the reporting year (2022: €853 thousand). In fiscal year 2023, this included a severance payment of €754 thousand (prior year: €0 thousand) on termination of a Management Board member's service on the Management Board. In addition, there are pension provisions in the amount of €21,377 thousand (2022: €20,001 thousand) for former members of the Management Board.

As of December 31, 2023, as in the prior year, no loans or advances had been granted to members of the Management Board or Supervisory Board; likewise, as in the prior year, no commitments had been assumed into in favor of members of the Management Board or Supervisory Board. None of the balances are secured.

Furthermore, all Group companies listed in the annex to the notes to the consolidated financial statements of the parent company of Klöckner & Co. SE are also classified as related parties within the meaning of IAS 24. All transactions with related parties included in the consolidated financial statements have been eliminated in the consolidation entries. Transactions with associates or non-consolidated subsidiaries generally resulted from normal trading in goods and services. In the reporting year, the Group supplied these companies with goods to the value of €6 thousand (2022: €6 thousand) and services to the value of €0 thousand (2022: €20 thousand) and purchased goods to the value of €897 thousand (2022: €1,071 thousand). All transactions took place at arm's length. There were receivables of €0 thousand (2022: €1 thousand) and liabilities of €0 thousand (2022: €113 thousand) as of the reporting date.

Without exception, the transactions between the Group companies and related parties are attributable to ordinary activities and were conducted on an arm's length basis.

(34) Notes to the consolidated statement of cash flows

The consolidated statement of cash flows is presented in accordance with IAS 7 (Statement of Cash Flows). It is of central importance in assessing the cash flows of the Klöckner & Co Group.

The changes in the items of the statement of financial position that provide the basis for the statement of cash flows cannot be directly reconciled to the statement of financial position due to the effects of currency translation and changes in the scope of consolidation, which are eliminated in preparing the statement of cash flows.

Cash and cash equivalents (including €0 million (2022: €4 million) in short-term securities) came to €155 million at the year-end 2023 (2022: €179 million).

Cash flow from operating activities

Cash flow from operating activities was €287 million in the fiscal year (2022: €360 million). The main drivers of cash flow from operating activities are operating income (EBITDA) and changes in net working capital. The additional release of funds in net working capital net of exchange rate effects and changes in the scope of consolidation were as follows:

	Variance	
(€ thousand)	**2023/2022**	2022/2021
Inventories	– 168,739	– 157,679
Trade receivables	– 128,322	– 23,556
Contract assets	12,894	4,128
Commissions, discounts and rebate receivables	13,366	– 11,178
Trade payables	19,847	90,887
Contract liabilities	–2,397	2,568
Advance payments received	2,219	–3,606
Net working capital	**– 251,132**	**– 98,436**

Cash flow from investing activities
Cash outflows of €92 million from capital expenditure on property, plant and equipment, intangible assets and financial assets and of €348 million for the acquisition of consolidated subsidiaries were offset by a total of €9 million in cash inflows from disposal of property, plant and equipment and financial assets. The net outcome was a cash outflow of €432 million (2022: €34 million). Of the capital expenditure on fixed assets, €16 million (2022: €27 million) was taxonomy-eligible.

Cash flow from financing activities
The positive €125 million (2022: negative €235 million) cash flow from financing activities includes a cash outflow of €40 million for dividend payments to shareholders of Klöckner & Co SE, €6 million for dividend payments to non-controlling shareholders of Klöckner & Co SE and €30 million for lease liability repayments in accordance with IFRS 16. The €1 million (2022: €6 million) payments for derivatives in financing activities relate to the settlement of currency transactions with banks (currency swaps) used to hedge intercompany loans.

The Klöckner & Co Group's business activities constantly generate short-term cash inflows. These are generally used within one month to repay working capital facilities.

Financial liabilities changed as follows:

(€ thousand)	Bonds	Liabilities to bank	Liabilities under ABS program	Liabilities from leases	Total
Balance as of January 1, 2022	**142,050**	**330,214**	**188,931**	**155,900**	**817,095**
Changes from financing cash flows					
Borrowings	-	326,209	80,263	-	406,472
Repayment of financial liabilities	– 7,100	– 381,940	– 107,977	– 29,067	– 526,084
Changes from financing cash flows	**– 7,100**	**– 55,731**	**– 27,714**	**– 29,067**	**– 119,612**
Changes arising from obtaining or losing contol of subsidiaries or other businesses	-	165	-	1,418	1,583
The effect of changes in foreign exchange rates	-	19,607	– 2,191	4,162	21,578
Change in fair value	107	-	-	-	107
Other changes liability-related					
Changes in bank overdraft	-	619	-	-	619
New leases				46,048	46,048
Early terminated leases	-	-	-	– 253	– 253
Interest expense	6,774	21,400	4,264	2,829	35,267
Interest paid	– 2,809	– 20,757	– 4,264	– 2,829	– 30,659
Interest received	-	1,341	-	-	1,341
Changes from discontinued operations	-	– 119	-	– 13,641	– 13,760
Total liability-related other changes	**3,965**	**2,484**	**-**	**32,154**	**38,603**
Balance as of December 31, 2022	**139,022**	**296,739**	**159,026**	**164,567**	**759,354**
Balance as of January 1, 2023	**139,022**	**296,739**	**159,026**	**164,567**	**759,354**
Changes from financing cash flows					
Repayment of Convertible Bond	– 139,022	-	-	-	– 139,022
Borrowings	-	678,287	4,910	-	683,198
Repayment of financial liabilities	-	– 276,257	– 66,855	– 29,624	– 372,737
Changes from financing cash flows	**– 139,022**	**402,030**	**– 61,945**	**– 29,624**	**171,439**
Changes arising from obtaining or losing contol of subsidiaries or other businesses	-	-	-	2,512	2,512
The effect of changes in foreign exchange rates	-	– 6,072	696	– 1,163	– 6,539
Other changes liability-related					
New leases	-	-	-	58,610	58,610
Early terminated leases	-	-	-	– 2,650	– 2,650
Interest expense	4,492	30,473	8,625	3,758	47,348
Interest paid	– 4,492	– 26,515	– 8,625	– 3,758	– 43,390
Interest received	-	1,306	-	-	1,306
Changes from discontinued operations	-	– 1,319	-	– 59,085	– 60,404
Total liability-related other changes	**-**	**3,945**	**-**	**– 3,125**	**820**
Balance as of December 31, 2023	**-**	**696,642**	**97,777**	**133,167**	**927,587**

(35) Segment reporting

Reporting of operating segments in accordance with IFRS 8 is based on the internal organization and reporting structure. The Klöckner & Co Group is organized by regions. The reporting structure covers all companies domiciled in these regions. Central functions not assigned to a segment and consolidation adjustments are reported separately.

The Kloeckner Metals US segment was renamed Kloeckner Metals Americas in the current fiscal year. The Kloeckner Metals Americas segment covers the activities in the USA, Mexico and Brazil as before.

The segments use the same significant accounting policies as described in Note 5 (Significant accounting policies), except in the case of intra-group transactions (especially profit distributions and impairments on consolidated affiliated companies), which are eliminated within the individual segments.

The classification of the CGUs France, United Kingdom, Netherlands and Belgium as discontinued operations results in a reclassification of the figures in the balance sheet and income statement to assets and liabilities held for sale. The following segment reporting only shows the figures for continuing operations with the exception of the result from discontinued operations. In addition to continuing operations, the Group employed 763 (2022: 934) employees in the Kloeckner Metals EU segment and 595 (2022: 657) employees in the Kloeckner Metals Non-EU segment, which are allocated to discontinued operations.

(€ thousand)	Kloeckner Metals Americas 2023	Kloeckner Metals Americas 2022	Kloeckner Metals EU 2023	Kloeckner Metals EU 2022	Kloeckner Metals Non-EU 2023	Kloeckner Metals Non-EU 2022	Total Segments 2023	Total Segments 2022
Shipments (Tto)	2,521,613	2,238,832	1,230,000	1,432,130	495,990	522,376	4,247,603	4,193,338
External sales	3,830,978	4,427,086	1,984,934	2,604,401	1,140,695	1,305,153	6,956,607	8,336,640
Sales from other segments	-	-	864	10,482	356	2,182	1,220	12,664
Gross profit	664,871	662,311	207,959	356,556	284,546	308,485	1,157,376	1,327,352
Gross profit margin (%)	17.4	15 .0	10.5	13.7	24.9	23.6	16.6	15.9
Segment result (EBITDA)	186,412	193,355	– 29,048	110,151	50,136	118,584	207,500	422,090
EBITDA before material special effects	186,412	194,471	– 29,029	107,132	50,136	68,234	207,519	369,837
Income from participation	-	-	-	-	-	148	-	148
Earnings before interest and taxes (EBIT)	125,165	138,940	– 56,842	91,403	17,889	88,319	86,212	318,662
Scheduled depreciation on intangible assets and property, plant and equipment	– 61,247	– 54,415	– 20,652	– 18,409	– 32,248	– 30,265	– 114,147	– 103,089
Impairment losses on intangible assets and property, plant and equipment	-	-	– 7,141	– 339	-	-	– 7,141	– 339
Reversal of impairments on intangible assets and property, plant and equipment	513	-	8	-	-	-	521	-
Interest revenue	1,045	846	2,436	4,202	88	250	3,569	5,298
Interest expense	– 23,805	– 19,201	– 26,773	– 15,888	– 3,034	– 1,135	– 53,612	– 36,224
Income before taxes	102,405	120,586	– 81,179	79,718	14,943	87,583	36,169	287,887
Income taxes	– 25,795	– 32,708	– 1,509	4,934	– 2,313	– 14,162	– 29,617	– 41,936
Other non-cash income/expenses	– 3,217	-	273	38	632	1,325	– 2,312	1,363
Net income from continuing operations	76,610	87,877	– 82,688	84,652	12,630	73,420	6,552	245,949
Net income from discontinued operations	-	-	– 107,905	21,523	– 105,111	1,338	– 213,016	22,861
Capital expenditure for intangible assets, property, plant and equipment and financial investments	41,073	30,467	34,792	17,802	31,570	17,523	107,435	65,792
Cash flow from operating activities from continuing operations	251,276	315,849	– 44,802	29,690	88,446	38,755	294,920	384,294
Cash flow from operating activities from discontinued operations	-	-	6,825	3,124	4,485	19,014	11,310	22,138

(€ thousand)	Kloeckner Metals Americas Dec. 31, 2023	Kloeckner Metals Americas Dec. 31, 2022	Kloeckner Metals EU Dec. 31, 2023	Kloeckner Metals EU Dec. 31, 2022	Kloeckner Metals Non-EU Dec. 31, 2023	Kloeckner Metals Non-EU Dec. 31, 2022	Total Segments Dec. 31, 2023	Total Segments Dec. 31, 2022
Net working capital	703,223	698,050	511,678	715,247	272,961	369,280	1,487,862	1,782,577
Employees at year-end (headcount)	2,918	2,206	1,684	1,705	1,512	1,540	6,114	5,451

	Holding and other Group companies		Consolidation		Total	
	2023	2022	2023	2022	2023	2022
	-	-	-	-	4,247,603	4,193,338
	-	445	-	-	6,956,607	8,337,085
	-	-	– 1,220	– 12,664	-	-
	-	445	– 116	– 97	1,157,260	1,327,700
	-	-	-	-	17	16
	– 2,034	3,865	– 15,025	– 18,940	190,441	407,015
	– 2,034	3,865	– 15,024	– 18,940	190,461	354,762
	– 3,555	5,378	-	-	– 3,555	5,526
	– 5,428	– 1,092	– 15,024	– 18,941	65,760	298,629
	– 3,393	– 4,891	-	-	– 117,540	– 107,980
	-	– 66	-	-	– 7,141	– 405
	-	-	-	-	521	-
	35,389	21,320	– 36,133	– 25,025	2,825	1,593
	– 23,073	– 20,014	27,709	20,605	– 48,976	– 35,633
	3,333	5,592	– 23,447	– 23,364	16,055	270,115
	13,292	– 15,067	-	-	– 16,325	– 57,003
	– 8	– 123	-	-	– 2,320	1,240
	16,625	– 9,474	– 23,447	– 23,363	– 270	213,112
	-	-	23,484	23,363	– 189,532	46,224
	6,785	6,469	– 22,246	-	91,974	72,261
	11,289	– 1,374	– 19,437	– 23,257	286,772	359,663
	-	-	23,484	23,364	34,794	45,502

	Holding and other Group companies		Consolidation		Total	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
	1,174	6,633	-	-	1,489,036	1,789,210
	261	262	-	-	6,375	5,713

For the breakdown of sales by customer location and type of transaction, please see Note 7 (Sales).

EBITDA, as a key performance indicator, is defined as earnings before interest, taxes, depreciation, amortization, impairments and reversals of impairments of intangible assets and property, plant and equipment. The material special effects adjusted out of EBITDA are shown in Note 6 (Special items affecting the results).

Net working capital comprises inventories and trade receivables, including contract assets and supplier bonus receivables, less trade payables, including contract liabilities and advance payments received.

Non-cash income and expenses mainly relate to changes in fair values of derivative financial instruments.

Non-current assets by country

Intangible assets and property, plant and equipment are broken down by country as follows:

(€ thousand)	**2023**	2022
USA	309,610	257,532
Mexico	165,930	18,462
Switzerland	334,640	311,321
Germany	142,622	145,576
France*)	-	44,440
United Kingdom*)	-	71,314
The Netherlands*)	-	16,627
Other countries	15,096	18,450
Total	**967,898**	**883,722**

*) The France, United Kingdom and Netherlands regions were reclassified as "assets held for sale" in the course of the impending sale and written off to a carrying amount of €14.4 million.

(36) Subsequent events

On 22 December 2023, Klöckner & Co SE received an irrevocable offer from Hierros Añon S.A., Spain, to acquire the CGUs France, United Kingdom, Netherlands and Belgium from the Kloeckner Metals EU and Kloeckner Metals Non-EU segments. After completing the necessary information and consultation procedures with the relevant employee representatives, Klöckner & Co SE signed the agreement to sell these steel distribution activities on 15 February 2024. All closing conditions were met on 28 February 2024. The closing of the transaction is expected to take place within the first quarter of 2024.

After the end of the 2023 financial year, in February 2024, Klöckner & Co increased the facility amount of the syndicated loan from €250 million to €400 million. This serves to strengthen our financial flexibility. All other contract provisions, including the conditions and term, remain unchanged.

(37) Fees and services of the auditor of the consolidated financial statements

The auditor of the individual and consolidated financial statements of Klöckner & Co SE in the reporting year is PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf. The audit opinion is signed by Wirtschaftsprüferin (German Public Auditor) Antje Schlotter (from fiscal year 2023) and Wirtschaftsprüferin (German Public Auditor) Verena Polzer (from fiscal year 2023).

The following fees were incurred for services performed by the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, and companies of the worldwide PwC network in the fiscal year:

	2023	
(€ thousand)	Total	thereof PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Audit of financial statements	3,112	1,443
Other assurance services	38	25
	3,150	**1,468**

The following fees were recognized as expense for services performed by the auditor KPMG AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, and companies of the worldwide KPMG network in the prior year:

	2022	
(€ thousand)	Total	thereof KPMG AG Wirtschaftsprüfungsgesellschaft
Audit of financial statements	2,868	1,016
Other assurance services	96	47
	2,964	**1,063**

The fees for the audit of financial statements mainly relate to the audit of the consolidated financial statements in accordance with IFRS and the audits performed by the auditors of the separate financial statements of the consolidated companies and the review of the 2023 half-year financial report.

The fees for other assurance services relate to other statutory or contractual audits.

The fees for tax consulting services in the prior year related to individual case consulting and ongoing consulting in connection with tax returns and advice on other national and international tax issues.

(38) Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporations Act (AktG)

The Management Board and the Supervisory Board submitted the Declaration of Conformity in accordance with Section 161 AktG on December 8, 2023 and made it permanently publicly available to shareholders on the Klöckner & Co SE website.

Duisburg, March 5, 2024

Klöckner & Co SE
MANAGEMENT BOARD

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD
(CEO)

Dr. Oliver Falk
MEMBER OF THE MANAGEMENT BOARD
(CFO)

John Ganem
MENMBER OF THE MANAGEMENT BOARD
(CEO AMERICAS)

Declaration of the Management Board

Statement by the Management Board on the consolidated financial statements and the Group management report

To the best of our knowledge, and in accordance with International Financial Reporting Standards (IFRS), the consolidated financial statements give a true and fair view of the results of operations, financial position and net assets of the Group, and the Group management report, which has been combined with the management report for the Company, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Duisburg, March 5, 2024

Klöckner & Co SE

MANAGEMENT BOARD

Guido Kerkhoff

CHAIRMAN OF THE MANAGEMENT BOARD (CEO)

Dr. Oliver Falk

MEMBER OF THE MANAGEMENT BOARD (CFO)

John Ganem

MENMBER OF THE MANAGEMENT BOARD (CEO AMERICAS)

Independent Auditor's Report

To Klöckner & Co SE, Duisburg, Germany

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

AUDIT OPINIONS

We have audited the consolidated financial statements of Klöckner & Co SE, Duisburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Klöckner & Co SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- In our opinion, on the basis of the knowledge obtained in the audit the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS FOR AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of intangible assets and property, plant and equipment

2. Recoverability of goodwill

Our presentation of these key audit matters has been structured in each case as follows:

a) Matter and issue

b) Audit approach and findings

c) Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of intangible assets and property, plant and equipment

a) In the Company's consolidated financial statements intangible assets (excluding goodwill) amounting in total to €128.5 million (3.3% of total assets) and property, plant and equipment amounting in total to €760.5 million (19.7% of total asstes) are reported. Intangible assets (excluding goodwill) and property, plant and equipment were tested for impairment as at the balance sheet date in accordance with IAS 36. The carrying amount of the relevant cash-generating units is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. This is based on external expert opinions and external sources on standard land values. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that the cash-generating units Becker and Germany recognised impairment losses on property, plant and equipment totalling €2.1 million after taking into account the fair value less costs to sell and the cash-generating unit Brazil recognised a reversal of impairment losses on property, plant and equipment totalling €0.5 million.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b) As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

c) The Company's disclosures on intangible assets (excluding goodwill) and property, plant and equipment are contained in sections 16 (a) and 16 (b) of the notes.

2. Recoverability of goodwill

a) In the Company's consolidated financial statements goodwill amounting in total to €78.9 million (2.0 % of total assets) is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined, after taking into account the fair value less costs to sell, that impairment losses amounting in total to €6.2 million were recognized at the cash-generating unit Becker Stahl-Service GmbH of which impairment losses amounting in total to €5 million were recognized on goodwill.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b) As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company.

   Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

c) The Company's disclosures on goodwill are contained in section 16 (a) of the notes.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

– the group statement on corporate governance pursuant to § 289f and § 315d HGB included in section "7. Corporate Governance Statement",

– the information contained in the Group management report that is marked as unaudited.

The other information comprises further

– the non-financial group statement to comply with §§ 315b to 315c HGB included in section "Non-Financial Statement" of the group management report

– the remuneration report pursuant to § 162 AktG for which the Supervisory Board is also responsible

– all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORTREPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

The executive directors and the supervisory board are further responsible for the preparation of the remuneration report, including the related disclosures, which is included in a separate section of the group management report and complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

– Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

– Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 ABS. 3A HGB

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the electronic file “Kloeckner & Co SE_Konzernabschluss 31.12.2023.zip” and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

BASIS FOR THE ASSURANCE OPINION

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 17 May 2023. We were engaged by the supervisory board on 7 December 2023. We have been the group auditor of the Klöckner & Co SE, Duisburg, without interruption since the financial year 2023.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER - USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

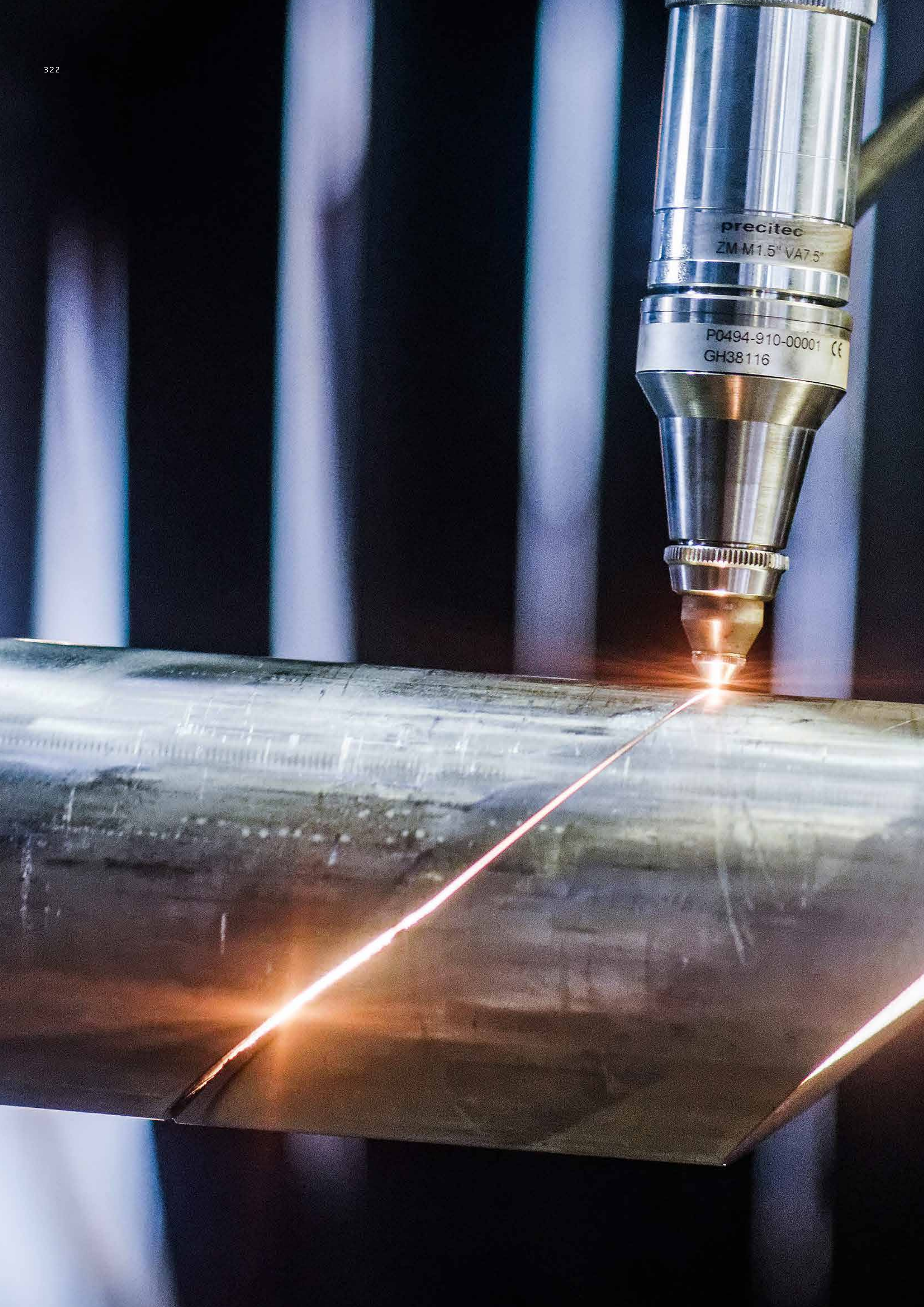
The German Public Auditor responsible for the engagement is Antje Schlotter.

Düsseldorf, March 5, 2024

PricewaterhouseCoopers GmbH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Antje Schlotter
WIRTSCHAFTSPRÜFERIN
(GERMAN PUBLIC AUDITOR)

ppa. Verena Polzer
WIRTSCHAFTSPRÜFERIN
(GERMAN PUBLIC AUDITOR)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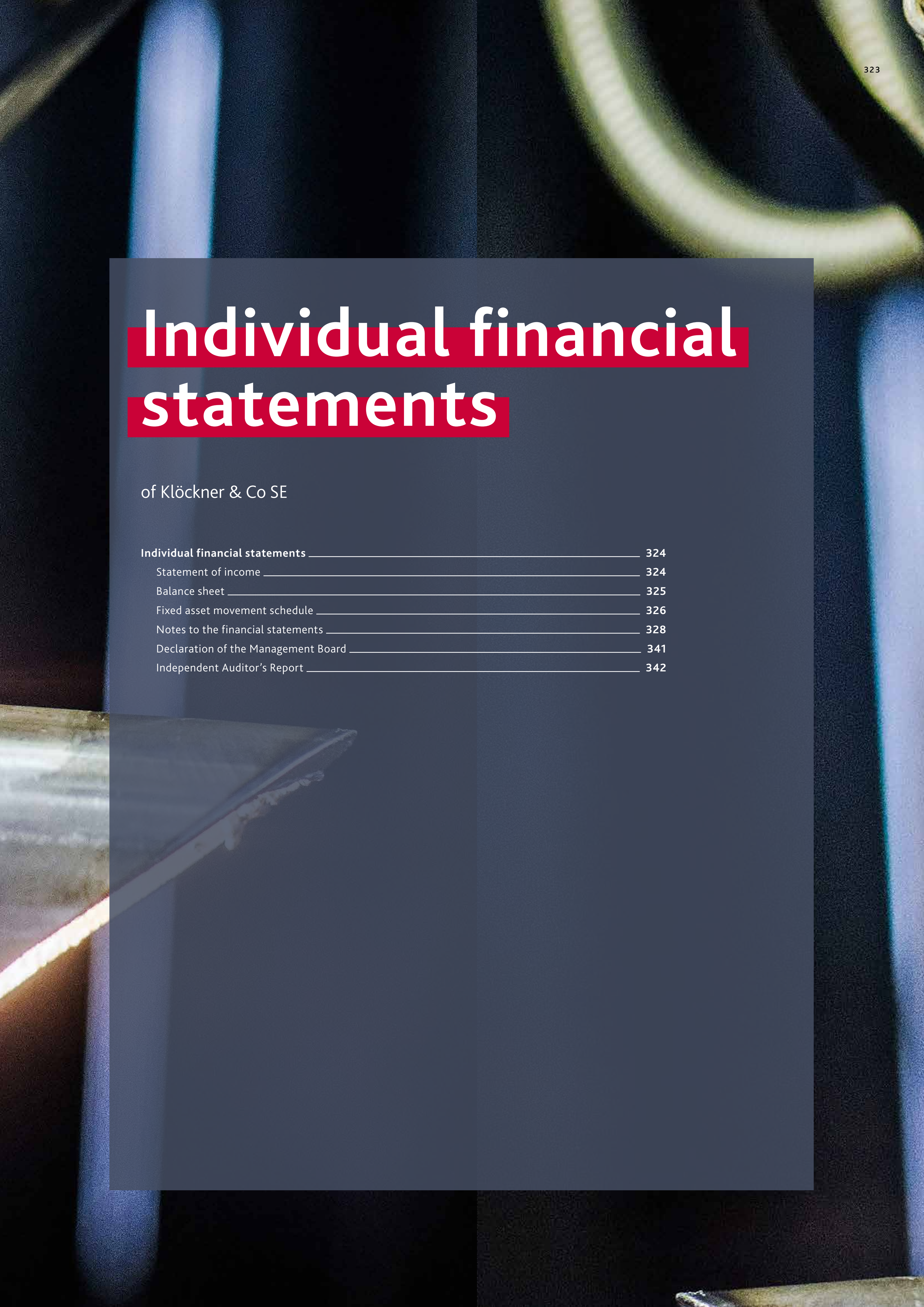

Individual financial statements

of Klöckner & Co SE

Individual financial statements 324

Statement of income 324

Balance sheet 325

Fixed asset movement schedule 326

Notes to the financial statements 328

Declaration of the Management Board 341

Independent Auditor's Report 342

Individual financial statements

Statement of income

for the 12-month period ending December 31, 2023

(€ thousand)	2023	2022
Sales	41,954	52,494
Other operating income	3,446	3,825
Cost of purchased services	– 5,511	– 9,167
Personnel expenses	– 21,283	– 30,364
Depreciation of intangible assets and property, plant and equipment	– 470	– 522
Other operating expenses	– 51,487	– 22,249
Income from participations	143,409	53,143
Income from profit transfer agreements	30	56,533
Income from long-term loans	-	90
Other interest and similar income	31,221	13,582
Impairment of investments	– 204,073	– 15,221
Expenses from loss transfer agreements	– 60,412	– 1,560
Interest and similar expenses	– 11,270	– 17,664
Result before taxes	**– 134,445**	**82,917**
Income taxes	114	– 9,596
Net income	**– 134,331**	**73,321**
Unappropriated profits carried forward	73,321	188,156
Dividends	– 39,900	– 99,750
Appropriation to other revenue reserves	– 33,421	– 88,406
Withdrawals from other revenue reserves	154,281	-
Unappropriated profits	**19,950**	**73,321**

Balance sheet

as of December 31, 2023

ASSETS

(€ thousand)	December 31, 2023	December 31, 2022
Intangible assets	-	120
Property, plant and equipment	898	1,154
Non-current investments	873,539	1,073,611
Fixed assets	**874,437**	**1,074,884**
Trade receivables	14	3
Receivables from affiliated companies	438,652	388,844
Other assets	5,324	2,816
Cash and cash equivalents	175	20,124
Current assets	**444,165**	**411,786**
Prepaid expenses	1,096	1,895
Pension plan surplus	7,929	-
Total assets	**1,327,626**	**1,488,565**

EQUITY AND LIABILITIES

(€ thousand)	December 31, 2023	December 31, 2022
Equity		
Subscribed capital	249,375	249,375
Capital reserves	585,776	585,776
Other revenue reserves	225,052	345,912
Unappropriated profits	19,950	73,321
Equity	**1,080,153**	**1,254,384**
Provisions for pensions and similar obligations after offsetting with plan assets	-	630
Provisions for taxes	6,842	7,400
Other provisions	18,597	17,933
Bonds	-	140,700
Liabilities to banks	180,715	25,145
Trade payables	963	1,005
Liabilities to affiliated companies	39,733	38,631
Other liabilities	623	2,736
Deferred income	-	1
Total equity and liabilities	**1,327,626**	**1,488,565**

Movements in intangible assets, property, plant and equipment and non-current investments

as of December 31, 2023 (annex to the Notes)

	Intangible assets	Property, plant and equipment			Non-current investments	Fixed assets
(€ thousand)	Software	Buildings	Other equipment, operating and office equipment	Prepayments	Investments in affiliated companies	Total
Acquisition and manufacturing costs as of Jan. 01, 2023	**1,571**	**1,715**	**1,719**	**23**	**1,381,304**	**1,386,332**
Additions	-	10	84	-	4,001	4,095
Attribution	-	23	-	– 23	-	-
Disposals	– 23	-	– 26	-	-	– 49
Acquisition and manufacturing costs as of Dec. 31, 2023	**1,548**	**1,747**	**1,777**	**-**	**1,385,305**	**1,390,378**
Accumulated depreciation as of Jan. 01, 2023	**– 1,451**	**– 1,120**	**– 1,183**	**-**	**– 307,693**	**– 311,447**
Additions	– 120	– 241	– 109	-	– 204,073	– 204,543
Disposal depreciation	23	-	26	-	-	49
Accumulated depreciation as of Dec. 31, 2023	**– 1,548**	**– 1,361**	**– 1,266**	**-**	**– 511,766**	**– 515,941**
Fixed assets, net as of Dec. 31, 2023	**-**	**387**	**511**	**-**	**873,539**	**874,437**

	Intangible assets	Property, plant and equipment			Non-current investments	Fixed assets
(€ thousand)	Software	Buildings	Other equipment, operating and office equipment	Prepayments	Investments in affiliated companies	Total
Acquisition and manufacturing costs as of Jan. 01, 2022	**1,589**	**1,792**	**1,793**	**-**	**1,377,104**	**1,382,278**
Additions	-	-	108	23	4,200	4,331
Disposals	– 18	– 77	– 182	-	-	– 277
Acquisition and manufacturing costs as of Dec. 31, 2022	**1,571**	**1,715**	**1,719**	**23**	**1,381,304**	**1,386,332**
Accumulated depreciation as of Jan. 01, 2022	**– 1,325**	**– 921**	**– 1,227**	**-**	**– 292,472**	**– 295,945**
Additions	– 144	– 241	– 137	-	– 15,221	– 15,743
Disposal depreciation	18	42	181	-	-	241
Accumulated depreciation as of Dec. 31, 2022	**– 1,451**	**– 1,120**	**– 1,183**	**-**	**– 307,693**	**– 311,447**
Fixed assets, net as of Dec. 31, 2022	**120**	**595**	**536**	**23**	**1,073,611**	**1,074,884**

Notes to the financial statements

for the 12-month period ending December 31, 2023

General information

Klöckner & Co SE is the parent company of the Klöckner & Co Group and is domiciled in Duisburg. It is entered in the commercial register of Duisburg Local Court under HRB 20486.

Klöckner & Co SE is in charge of operating management of the Klöckner & Co Group. It directly holds the ownership interests in most management companies heading the Group's national and international country organizations, as well as in individual country operating companies themselves.

Since the initial public offering on June 28, 2006, Klöckner & Co SE's shares have been listed on the Frankfurt Stock Exchange's Regulated Market (Prime Standard).

The annual financial statements and the consolidated financial statements are published in the Federal Gazette.

Accounting policies

The financial statements for the fiscal year January 1 to December 31, 2023 are prepared in accordance with the stipulations applying for large corporations in the German Commercial Code (HGB) and in accordance with the German Stock Corporation Act (AktG).

Klöckner & Co SE prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The presentation of the financial statements is in accordance with Sections 266–277 HGB.

Assets

Acquired intangible assets and property, plant and equipment are normally carried at cost less accumulated amortization and depreciation recognized in accordance with commercial law. The option of recognizing self-generated intangible assets is not used. Moveable depreciable assets are depreciated on a straight-line basis. Minor assets are expensed in the year of purchase or production. If the attributable value of a depreciable asset is diminished as of the reporting date, a write-down for impairment is recognized. Other operating and office equipment is depreciated over between three and 13 years.

Financial assets are accounted for at cost of purchase and in case of other-than-temporary impairment at their lower attributable cost. For material investments in affiliated companies, attributable value is determined using the disounted-cashflow-approach. The cash flows used in the disounted-cashflow-approach are based on budgets for each affiliate for the next four years, extrapolated using long-term growth rate assumptions. They are discounted at a discount rate derived from the yield on a risk-equivalent alternative investment.

Receivables and other assets are normally measured at cost. Specific valuation allowances are established to account for identifiable risks. Foreign currency receivables are translated at the midpoint spot rate at the reporting date. Section 253 (1) sentence 1 and Section 252 (1) 4 HGB are not applied if the remaining maturity is less than one year.

Equity and liabilities

Provisions for pensions are measured using the projected unit credit method (analogous to IAS 19). In accordance with the requirements under the Accounting Law Modernization Act (BilMoG), the parameters for valuation were 3.0% (2022: 2.9%) for salary increases and 4.60% (2022: 4.50%) for pension increases. The biometric parameters are based on the Prof. Dr. Klaus Heubeck 2018 G tables (2022: Prof. Dr. Klaus Heubeck 2018 G tables). The obligation is discounted at the average market rate based on an assumed remaining maturity of 15 years as regularly published by the German Bundesbank. Ten years are assumed for calculation of the average discount rate. At the reporting date, this is 1.83% (2022: 1.78%). Ring-fenced assets that exclusively serve the purpose of meeting pension obligations are offset against the corresponding liability. To meet pension obligations, assets are held in trust under a contractual trust arrangement (CTA). The assets are measured at fair value. The fair value is based on the market values of the asset management companies at the reporting date. The plan assets are offset against the benefit obligation. Any net plan liability is accounted for in provisions. Any excess of plan assets over plan liabilities is presented in assets as a pension plan surplus.

Other provisions account for all identifiable obligations and emerging risks. They are recognized at their settlement amount estimated with the due care and diligence of a prudent businessman. Provisions with a remaining maturity of more than one year are discounted to the reporting date. The discount rate is the past seven-year average market interest rate for congruent maturities as published by the German Bundesbank.

Liabilities are normally stated at their settlement amount. Foreign currency liabilities with a remaining maturity of up to one year are normally translated at the midpoint spot rate at the reporting date. Foreign currency liabilities with longer maturities are translated at the invoice date exchange rate or, if higher, the average spot exchange rate at the reporting date.

Derivative financial instruments are accounted for at fair value, determined on the basis of banks' quoted prices or by quantitative finance methods using standard banking models. Where market prices exist, these correspond to the price a third party would pay for the rights or obligations arising from the financial instruments. The fair values are the market values of the derivative financial instruments, irrespective of any offsetting changes in the value of hedged items. Positive fair values are presented in other assets and negative fair values in other liabilities.

In accordance with Section 254 HGB, financial instruments that match the volume and timing of risks on a hedged item are accounted for in a unit with the hedged item. Under application of the net hedge presentation method, they are estimated according to the value on the date of issue. Changes in value in respect of the hedged risk are not recognized on the balance sheet or in the statement of income.

Statement of income

The statement of income is prepared using the nature of expense method of analysis (Section 275 (2) HGB).

Expense from the unwinding of the discount on pension obligations is accounted for in net interest income.

Fixed assets

Changes in fixed assets in the reporting year are presented in the statement of movements in intangible assets, property, plant and equipment and non-current investments.

Additions to intangible assets relate in their entirety to purchased software.

On February 15, 2024, Klöckner & Co SE accepted an irrevocable offer from the Spanish company Hierros Añon S.A. to sell its steel distribution business in France, the United Kingdom, the Netherlands and Belgium. The closing of the purchase agreement is subject to customary regulatory approvals and closing conditions and is expected in the first half of 2024. With this transaction, Klöckner is continuing its strategic realignment, reducing the share of the low-margin and cyclical commodity distribution business and will focus more strongly on businesses with higher processing and value-added depth. The Supervisory Board has already given its approval to accept the offer as of December 31, 2023. Due to the intention to sell, impairments totaling €162,115 thousand were recognized on the carrying amounts of the investments held for sale in Belgium (Kloeckner Metals Belgium N.V., Harelbeke, Belgium), France (Kloeckner Metals France Holding S.A.S., Aubervilliers, France), the Netherlands (ODS B.V., Rotterdam, Netherlands) and the United Kingdom (Kloeckner Metals UK Holdings Limited, Leeds, United Kingdom).

In addition, impairments were recognized in the reporting year in an amount of €32,803 thousand for Kloeckner Metals Germany, Duisburg, Germany, and €5,155 thousand (2022: €1,854 thousand) for Kloeckner Metals Brasil Ltda., São Paulo, Brazil

A €4,000 thousand (2022: €4,200 thousand) capital increase was carried out at XOM Materials GmbH, Berlin, Germany, on which an impairment loss was immediately recognized in the full amount (2022: impairment loss of 4,200 thousand, the full carrying amount of the investment).

A listing of all equity investments is presented in the appendix.

Receivables and other assets

(€ thousand)	2023	2022
Trade receivables	14	3
Receivables from affiliated companies	438,652	388,844
Other assets	5,324	2,816
	443,990	**391,663**

Receivables from affiliated companies relate to European cash pooling, profit distributions, profit transfer agreements, financial services, clearing and short-term loans. As at the balance sheet date, there were receivables from the units held for sale in the amount of €87 million, of which €29 million were impaired as they will not be taken over in full by the buyer

All receivables have a maturity of less than one year.

Other assets totaling €1,000 thousand (2022: €2,553 thousand) have a remaining maturity of more than one year and mainly relate to non-pledged pension liability insurance.

Pension plan surplus

Pension obligations in Germany were fully funded by establishing and paying €122 million into a contractual trust arrangement (CTA) in fiscal year 2021. Offsetting the €128,272 thousand settlement amount of the pension obligations against plan assets – comprising the contractual trust arrangement (CTA) and pension liability insurance – with a fair value of €136,201 thousand leaves a surplus of plan assets of €7,929 thousand as of December 31, 2023.

The development of the prior-year figures is shown in the following table and under "Provisions for pensions and similar obligations."

(€ thousand)	**2023**	2022
Settlement amount of obligations from pension commitments	128,272	135,223
Fair value of the security assets/reinsurance policy invested with the CTA	136,201	134,592
Excess of assets over pension obligations (excess of plan assets over pension liabilities)	**7,929**	**-**
Accrued pension and similar obligations	**-**	**630**
Acquisition costs of the security assets invested with the CTA	108,447	114,000
Acquisition cost of reinsurance	28,656	29,556

The amount resulting from the change in the average interest rate that is not allowed to be distributed to shareholders in accordance with Section 253 HGB was €1,274 thousand as of December 31, 2023 (2022: €5,948 thousand).

The expense in the reporting year from the unwinding of the discount on pension obligations was €2,324 thousand; the gain on remeasuring plan assets at fair value amounted to €8,638 thousand (2022: loss of €7,157 thousand).

Provisions for pensions and similar obligations

As of December 31, 2023 reporting date, pension obligations totaled €128,272 thousand. The development of the settlement amount of the pension obligations and of the fair value of the guaranteed assets invested with the CTA and of the pension liability insurance resulted in a surplus of assets over pension obligations (surplus of plan assets).

In the prior year, offsetting the settlement amount of the pension obligations against the plan assets under the pension liability insurance resulted in the recognition of a provision for pensions and similar obligations pension in the amount of €630 thousand. Please see the information under “Pension plan surplus”.

Equity

The Company’s share capital is €249,375,000, as in the prior year, and is divided into 99,750,000 shares. Each share notionally corresponds to €2.50 of the share capital.

By Annual General Meeting resolution of June 1, 2022, the Management Board is authorized to acquire, by or before May 31, 2027, treasury stock of up to 10% of the Company’s share capital in issue at the time of adoption of the resolution by the Annual General Meeting on June 1, 2022 or, if lower, the Company’s share capital in issue at the time of exercise of the authorization. The Management Board was additionally authorized to acquire treasury stock using derivatives (put options, call options or forward contracts). The authorization may be utilized in whole or in part, on one or more occasions, by the Company, by Group companies or by third parties acting on the Company’s account or on the account of Group companies. The authorization may be used for any legally permissible purpose. Trading with treasury stock is prohibited. No use has been made of the authorization so far.

Revenue reserves are not subject to any restriction on distribution to shareholders within the meaning of Section 268 (8) HGB. The amount resulting from the change in the discount rate for retirement benefit obligations that is not allowed to be distributed to shareholders under Section 253 (6) HGB is €1,274 thousand (2022: €5,948 thousand).

The Management Board and Supervisory Board propose that an amount of €19,950 thousand should be distributed to shareholders as dividend from Klöckner & Co SE’s unappropriated profits for fiscal year 2023. At 99,750,000 eligible no-par-value shares, the dividend proposal corresponds to a dividend of €0.20 per share.

Other provisions

Other provisions consist of:

(€ thousand)	**2023**	2022
Personnel expenses	10,287	10,384
Outstanding invoices	5,772	4,703
Miscellaneous other provisions	2,537	2,846
	18,597	**17,933**

Liabilities

	December 31, 2023			December 31, 2022		
(€ thousand)	**up to 1 year**	**1–5 years**	**Total**	up to 1 year	1–5 years	Total
Bonds	-	-	-	140,700	-	140,700
Liabilities to banks	66,946	113,769	180,715	145	25,000	25,145
Trade payables	963	-	963	1,005	-	1,005
Liabilities to group companies	39,733	-	39,733	38,631	-	38,631
Miscellaneous liabilities	623	-	623	2,736	-	2,736
Liabilities	**108,265**	**113,769**	**222,034**	**183,217**	**25,000**	**208,217**

The convertible bond issued in 2016 with an outstanding amount of €140,700 thousand was fully repaid as scheduled in September 2023 from existing financing sources.

Liabilities to banks include €927 thousand in interest payable on the syndicated loan. The liabilities under the syndicated credit facility, which as of December 31, 2023, was drawn in the amount of €155,100 thousand (2022: €25,000 thousand), are uncollateralized.

Other liabilities include:

(€ thousand)	**2023**	2022
Tax liabilities	532	2,524
Miscellaneous other liabilities	91	212
Other liabilities	**623**	**2,736**

Derivative financial instruments

The nominal values and fair values of the derivative financial instruments as of December 31, 2023 are as follows:

(€ million)	Nominal values	Fair values
Forward exchange transactions	58	0

Klöckner & Co SE manages central financing for the Klöckner & Co Group. Klöckner & Co SE is exposed to currency risk arising from the financial instruments. This arises from foreign currency loans that are granted to finance Group companies as part of central Group financing and are fully hedged. Derivative financial instruments are entered into for this purpose.

The forward exchange contract relates to an intra-Group loan to the British country organization in the amount of GBP 50 million.

Derivative financial instruments used to hedge cash flow risks and matching hedged items can be accounted for as a unit if a clear hedging relationship is demonstrated. Such a hedging relationship exists in the form of microhedges for six forward exchange contracts with a maximum maturity of three months. In these cases, the hedged items are recognized at the contractually agreed hedged rates and the derivative financial instruments are not recognized separately.

As a fundamental rule, Klöckner & Co SE only enters into derivative financial instruments that are in a hedging relationship with a hedged item. Changes in value and cash flows fully cancel each other out due to matching terms and parameters in the hedged item and the hedge.

The following methods are used to determine fair (market) value:

Currency hedges
The fair value of forward exchange contracts is calculated on the basis of the average spot exchange rate at the reporting date, taking into account forward premiums and discounts for the respective remaining maturity of the contract relative to the contracted forward rate. Counterparty risk is taken into account in discounting.

Commitments

Obligations fall due in the following year due to multiple-year tenancies and leases in the amount of €1,851 thousand (December 31, 2022: €1,829 thousand). The total amount of these obligations is €13,054 thousand (December 31, 2022: €4,645 thousand).

Sales

Sales consist of goods or services provided to subsidiaries and relate to the following:

(€ thousand)	2023	2022
Group services rendered/rights of use granted	37,674	44,756
Service fees ABS program	2,154	4,615
Insurance	1,159	1,056
Rental income	669	1,117
Other income	298	949
Sales	**41,954**	**52,493**

Other operating income

Other operating income includes income attributable to prior periods of €813 thousand (2022: €814 thousand).

Personnel expenses

(€ thousand)	2023	2022
Wages and salaries	18,261	17,937
Social security contributions	1,184	971
Retirement benefit cost	1,835	11,451
Welfare	3	5
	21,283	**30,364**

Personnel expenses in the prior year included expenses of €2,553 thousand for severance and furlough expenses. The remaining decrease in wages and salaries is mainly due to lower retirement benefit cost and lower earnings-based bonus expenses compared to the prior year.

Average number of employees over the year:

	2023	2022
Salaried employees	69	67
Wage earners	1	1
	70	**68**

The principles of the compensation system for the Management Board and the Supervisory Board are set out in detail with disclosures for individual members in the remuneration report, which is an integral part of the Annual Report. The table below shows total compensation of members of the Management Board of Klöckner & Co SE – differing from the disclosures of compensation granted and allocated contained in the remuneration report – pursuant to the stipulations of German commercial law:

(€ thousand)	2023	2022
Fixed components	1,799	1,795
Bonuses	2,729	4,367
Other remunerations	645	584
Total remuneration pursuant to Section 285 (9a) HGB	**5,173**	**6,746**

German Commercial Code (HGB)-basis pension provisions for former Management Board members amount to €24,465 thousand (2022: €24,605 thousand). Pension payments to former members of the Management Board in the reporting year amounted to €747 thousand (2022: €747 thousand). In addition, a severance payment of €754 thousand was granted to a Management Board member in the reporting year on termination of service on the Management Board.

Transactions with members of the Management Board are restricted in the reporting period to transactions in their capacity as members of the Management Board as set out above.

Other operating expenses

Remuneration for the Supervisory Board in fiscal year 2023 totaled €647 thousand (2022: €501 thousand).

The auditor of the individual and consolidated financial statements of Klöckner & Co SE is PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf. The audit opinion is signed by Wirtschaftsprüferin (German Public Auditor) Antje Schlotter (from fiscal year 2023) and Wirtschaftsprüferin (German Public Auditor) Verena Polzer (from fiscal year 2023).

The following fees were incurred for services performed in the fiscal year by the auditor PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, and by companies in the worldwide PwC network and are included in other operating expenses:

(€ thousand)	2023 Total	2023 thereof PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Audit of financial statements	1,081	1,081
Other assurance services	38	25
	1,119	**1,106**

The following fees were recorded as expenses for the services provided in the previous year by the auditor KPMG AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, and by companies in the global KPMG network:

(€ thousand)	2022 2023	2022 thereof KPMG AG Wirtschaftsprüfungsgesellschaft
Audit of financial statements	828	828
Other assurance services	60	38
	888	**866**

The fees for the audit of financial statements mainly relate to the audit of the consolidated financial statements in accordance with IFRS and the audits performed by the auditors of the separate financial statements of the consolidated companies and the review of the 2023 half-year financial report.

The fees for other assurance services relate to other statutory or contractual audits.

Income from investments

(€ thousand)	2023	2022
Income from participations	143,409	53,143
Income from profit transfer agreements	30	56,533
Expenses from loss transfer agreements	– 60,412	– 1,560
Income from investments	**83,027**	**108,116**

Income from investments relates to dividends from Debrunner Koenig AG, St. Gallen, Switzerland, and Kloeckner Metals Corporation, Delaware, United States of America (2022: Debrunner Koenig AG, St. Gallen, Switzerland, and Kloeckner Metals Belgium, Harelbeke, Belgium).

The income from profit transfer agreements relates to agreements with kloeckner.i GmbH, Berlin, Germany.

In addition, losses were assumed in the reporting year for Becker Stahl-Service GmbH, Duisburg, Germany, Klöckner & Co Center of Excellence GmbH, Duisburg, Germany, and kloeckner.v GmbH, Berlin, Germany.

Net interest income

(€ thousand)	2023	2022
Income from long-term loans		
– affiliated companies	-	-
– income from long-term loans	-	90
Other interest and similar income		
– affiliated companies	24,908	13,064
– other interest and similar income	6,314	518
Interest and similar expenses		
– affiliated companies	– 5,146	– 3,220
– interest on provisions	-	– 9,501
– other interest and similar expenses	– 6,124	– 4,943
	19,952	**– 3,992**

Interest income from affiliated companies results from Group financing. The increase in interest income is due to the increase in interest rates and the increase in financial receivables from affiliated companies.

The interest expense on provisions exclusively relates to pension provisions.

Taxes

Taxes exclusively relate to taxes on income and affect the result from ordinary activities in their full amount.

The determination of deferred taxes resulted in a net deferred tax asset. In accordance with Section 274 (1) sentence 2 HGB, the Company elected not to recognize the net deferred tax asset. The tax expense consequently does not contain any deferred taxes. The net deferred tax asset not recognized amounts to €24,034 thousand (2022: €24,238 thousand) comprising deductible temporary differences in the amount of €24,813 thousand (2022: €24,561 thousand) less taxable temporary differences in the amount of €779 thousand (2022: €323 thousand). There are additionally tax loss carryforwards for which deferred tax assets could in principle be recognized and which would increase the amount of the net deferred tax asset not recognized.

Deductible temporary differences primarily originate from provisions for pensions, social plan provisions and provisions for onerous contracts. Deferred taxes were determined on the basis of a combined tax rate of 32.1% (2022: 31.8%) for corporate income tax, solidarity surcharge and trade tax.

Contingent liabilities

The contingent liabilities of Klöckner & Co SE exclusively comprise guarantees in the amount of €24,387 thousand (2022: €19,691 thousand) relating to domestic and foreign Group company loans and to guarantees and credit support granted to secure the financing of affiliated companies.

We will ensure that all Group companies concerned are in a position to meet their obligations in their course of their activities. As such, we do not expect that the guarantees will be called in.

Subsequent events

On 22 December 2023, Klöckner & Co SE received an irrevocable offer from Hierros Añon S.A., Spain, to acquire the CGUs France, United Kingdom, Netherlands and Belgium from the Kloeckner Metals EU and Kloeckner Metals Non-EU segments. After completing the necessary information and consultation procedures with the relevant employee representatives, Klöckner & Co SE signed the agreement to sell these steel distribution activities on 15 February 2024. All closing conditions were met on 28 February 2024. The closing of the transaction is expected to take place within the first quarter of 2024.

After the end of the 2023 financial year, in February 2024, Klöckner & Co increased the facility amount of the syndicated loan from €250 million to €400 million. This serves to strengthen our financial flexibility. All other contract provisions, including the conditions and term, remain unchanged.

Other disclosures

Information pursuant to Section160 (1) No. 8 of the German Stock Corporation Act (AktG)
Pursuant to Article 61 of the SE Regulation in conjunction with Section 160 (1) No. 8 AktG, information must be provided on the existence of shareholdings notified to the Company pursuant to Section 33 (1) or 33 (2) of the Securities Trading Act (WpHG).

Notifications of shareholdings in Klöckner & Co SE provided to us under Sections 40, 33 WpHG that still apply and have not become obsolete by later notification of a shortfall below a threshold are set out in the annex to these Notes. Any shortfall below a threshold during the course of the reporting year is shown in the table contained in the annex. The table also includes any notifications under Section 40 and 33 WpHG made beyond the reporting year up to February 23, 2024. In cases where an investor's shareholdings have multiply reached, exceeded or fallen below the aforementioned thresholds, in general only the most recent notification leading to a threshold being exceeded, fallen below or reached is stated. Any notifications made under a prior version of WpHG are listed as notified, stating the applicable former version of the WpHG. It is pointed out that the stated percentage shareholding and number of voting rights may be out of date. An up-to-date listing of voting rights notifications can be found on the Klöckner & Co SE website at https://www.kloeckner.com/en/investors/legal-announcements/voting-rights/

The listing pursuant to Section 160 (1) 8 AktG is annexed to these Notes.

Governing bodies
A list of the members of the Management Board and the Supervisory Board is attached as an appendix.

Declaration of Conformity
The Management Board and the Supervisory Board submitted the Declaration of Conformity in accordance with Section 161 AktG on December 8, 2023 and made it permanently publicly available to shareholders on the Klöckner & Co SE website.

Duisburg, March 5, 2024

Klöckner & Co SE
MANAGEMENT BOARD

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD
(CEO)

Dr. Oliver Falk
MEMBER OF THE MANAGEMENT BOARD
(CFO)

John Ganem
MENMBER OF THE MANAGEMENT BOARD
(CEO AMERICAS)

Declaration of the Management Board

To the best of our knowledge and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Klöckner & Co SE, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Duisburg, March 5, 2024

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Independent Auditor's Report

To Klöckner & Co SE, Duisburg, Germany

Report on the Audit of the Financial Statements and the Management Report

AUDIT OPINIONS

We have audited the annual financial statements of Klöckner & Co SE, Duisburg, which comprise the balance sheet as at 31 December 2023, and the statement of profit and loss for the financial year from 1 January to 31 December 2023 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Klöckner & Co SE, which is combined with the group management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German Legally Required Accounting Principles and

– the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the „Other Information“ section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1. Measurement of shares in affiliated companies

Our presentation of this key audit matter has been structured as follows:

a) Matter and issue

b) Audit approach and findings

c) Reference to further information

Hereinafter we present the key audit matter:

1. **Measurement of shares in affiliated companies**

a) In the annual financial statements of the Company shares in affiliated companies amounting to €873.5 million (65.8% of total assets) are reported under the "non-current investments" balance sheet item.

Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The fair values are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial investment. On the basis of the values determined and supplementary documentation, write-downs amounting in total to €204.1 million were required for the financial year.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities and financial performance, this matter was of particular significance in the context of our audit.

b) As part of our audit, we assessed the methodology used for the purposes of the valuation , among other things. In particular, we assessed whether the fair values had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors'detailed explanations regarding the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied and assessed the calculation model.

In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies.

c) The Company's disclosures relating to the financial investment are contained section “Fixed Assets” of the notes to the financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

– the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Coroporate Governance Statement" of the management report

– the information contained in the management report that is marked as unaudited

The other information comprises further:

– the non-financial statement to comply with §§ 315b to 315c HGB included in section "Non-Financial Statement" of the management report

– the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible

– all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

– is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 ABS. 3A HGB

ASSURANCE OPINION

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file "Kloeckner & Co SE_Einzelabschluss 31.12.2023.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

BASIS FOR THE ASSURANCE OPINION

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF-documents as part of the financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the annual general meeting on 17 May 2023. We were engaged by the supervisory board on 7 December 2023. We have been the auditor of the Klöckner & Co SE, Duisburg, without interruption since the financial year 2023.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER - USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB” and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Antje Schlotter.

Düsseldorf, March 5, 2024

PricewaterhouseCoopers GmbH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Antje Schlotter
WIRTSCHAFTSPRÜFERIN
(GERMAN PUBLIC AUDITOR)

ppa. Verena Polzer
WIRTSCHAFTSPRÜFERIN
(GERMAN PUBLIC AUDITOR)

Annex to the notes to the financial statements and notes to the consolidated financial statements of Klöckner&Co SE

Subsidiary listing according to Sections 285 No. 11/313 para 2 German Commercial Code (HGB)

No.	Entity	Interest in percent
1	Klöckner & Co SE, Duisburg/Germany	-
I.	**Consolidated affiliated companies**	
2	Klöckner & Co Center of Excellence GmbH, Duisburg/Germany	100.00
3	kloeckner.i GmbH, Berlin/Germany	100.00
4	kloeckner.v GmbH, Berlin/Germany	100.00
5	Klöckner & Co Financial Services S.A., Luxembourg/Luxembourg	100.00
6	XOM Materials GmbH, Berlin/Germany	100.00
7	XOM Materials Operations Inc., Delaware/USA	100.00
8	Kloeckner Metals Germany GmbH, Duisburg/Germany	100.00
9	Klöckner Stahl und Metall Ges.m.b.H., Wien/Austria	100.00
10	Kloeckner Metals Austria GmbH & Co KG, Wien/Austria	51.00
11	ODS B.V., Rotterdam/The Netherlands	100.00
12	O-D-S Transport B.V., Barendrecht/The Netherlands	100.00
13	ODS Metering Systems B.V., Rotterdam/The Netherlands	100.00
14	ODS Belgium B.V., Essen/Belgium	80.00
15	ODS Metering Systems Asia Pacific Pte. Ltd., Singapore/Singapore	100.00
16	ODS Middle East FZE, Dubai/UAE	100.00
17	ODS Saudi Co. LLC, City of Dammam/Saudi Arabia	85.00
18	ODS do Brasil Sistemas de Medicao Ltda., Campinas, State of Sao Paulo/Brazil	100.00
19	ODS for Maintenance, City of Dammam/Saudi Arabia	100.00
20	Kloeckner Metals Belgium N.V., Harelbeke/Belgium	100.00
21	Kloeckner Metals UK Holdings Limited, Leeds/United Kingdom	100.00
22	ASD Limited, Leeds/United Kingdom	100.00
23	ASD Westok Limited, Leeds/United Kingdom	100.00
24	Kloeckner Metals France Holding S.A.S., Aubervilliers/France	99.58
25	Kloeckner Metals France S.A.S., Aubervilliers/France	100.00
26	Reynolds European S.A.S., Aubervilliers/France	100.00
27	AT2T Acier Transforme Targe Tournier S.A.S., La Grand-Croix/France	100.00
28	KDI Davum S.A.S., Le Port, La Réunion/France	100.00
29	KDI Finance S.A.S., Aubervilliers/France	100.00
30	KDI Immobilier S.A.S., Aubervilliers/France	100.00
31	Becker Stahl-Service GmbH, Duisburg/Germany	100.00
32	Becker Aluminium-Service GmbH, Duisburg/Germany	100.00
33	Becker Stainless GmbH, Bönen/Germany	100.00
34	Umformtechnik Stendal GmbH, Stendal/Germany	100.00
35	Becker Stainless Center GmbH, Süßen/Germany	100.00

1) IFRS HBII amounts.

Held by entity no.	Currency	Equity in Euro[1]	Net income in Euro[1]		Sales in Euro[1]
-		-	-		-
1	EUR	1,067,214	503,136		-
1	EUR	2,732,648	938,359		-
1	EUR	7,360,323	– 3,629,582		-
1	EUR	4,110,649	175,558		-
1	EUR	– 286,567	– 5,027,289		-
6	EUR	-	– 12,612		-
1	EUR	89,906,656	– 11,637,666		802,211,095
8	EUR	9,965,754	5,951,506		-
9	EUR	12,977,312	2,137,599		146,010,138
1	EUR	1,325,747	– 13,191,141		172,499,166
11	EUR	-	-		-
11	EUR	14,659,082	256,224		45,639,807
13	EUR	914,439	– 380,716		4,551,793
13	EUR	246,192	– 7,857		-
13	EUR	8,234,483	322,500		7,321,654
13	EUR	3,125,035	1,114,686		8,537,316
13	EUR	11,084,611	406,429		19,282,059
17	EUR	24,133	-		-
1	EUR	8,368,578	– 2,997,051		57,049,840
1	EUR	71,323,680	– 10,385,699		-
21	EUR	96,808,816	– 16,108,161		220,875,566
21	EUR	1,209,071	– 1,486,704		15,209,396
1	EUR	140,490,519	– 47,898,716		-
24	EUR	3,256,895	– 46,572,540		260,885,023
24	EUR	14,824,837	810,066		42,358,391
25	EUR	13,970,534	– 329,318		42,519,408
25	EUR	– 3,811,017	– 1,983,017		9,453,002
25	EUR	221,821	3,120		-
25	EUR	89,242,641	7,667,704		-
1	EUR	108,915,741	– 5,102,287		743,535,615
31	EUR	493,080	747,703		145,098,755
31	EUR	650,939	20,345		-
31	EUR	4,222,189	-		27,891,909
33	EUR	1,296,278	– 840,027		142,412,954

Subsidiary listing according to Sections 285 No. 11/313 para 2 German Commercial Code (HGB)

No.	Entity	Interest in percent
36	Debrunner Koenig AG, St. Gallen/Schwitzerland	100.00
37	BEWETEC AG, St. Gallen/Schwitzerland	100.00
38	Debrunner Acifer AG, St. Gallen/Schwitzerland	100.00
39	Debrunner Acifer Bewehrungen AG, St. Gallen/Schwitzerland	100.00
40	Debrunner Metallservice AG, St. Gallen/Schwitzerland	100.00
41	Müller Wüst AG, Aarau/Schwitzerland	100.00
42	PC-Tech S.A., Penthalaz/Schwitzerland	100.00
43	Klöckner USA Holding Inc., Delaware/USA	100.00
44	Kloeckner Metals Corporation, Delaware/USA	100.00
45	California Steel and Tube LLC, Delaware/USA	100.00
46	International Machinery Sales, Inc., South Carolina/USA	100.00
47	Kloeckner Metals P.R., Inc., Delaware/USA	100.00
48	Kloeckner Metals Relief Fund, Inc., Delaware/USA	100.00
49	Kloeckner Metals Service Center de Mexico, S. de R.L. de C.V., Monterrey, Nuevo Leon/Mexico	99.97
		0.03
50	Kloeckner Metals de Mexico S.A. de C.V., Monterrey, Nuevo Leon/Mexico	100.00
51	Kloeckner Specialty Metals de Mexico, S. de R.L. de C.V., San Nicolas de los Garza, Nuevo Leon/Mexico	100.00
52	Naflex, S. de R.L. de C.V., San Nicolas de los Garza, Nuevo Leon/Mexico	100.00
53	NMML Asia, Limited, N/A/Hong Kong	100.00
54	Kloeckner Metals Brasil Ltda., Sao Paulo/Brazil	100.00

The following companies make use of the exemption provision of Section 264 para 3 and Section 264 b German Commercial Code (HGB):

- Klöckner & Co Center of Excellence GmbH, Duisburg/Germany
- kloeckner.i GmbH, Berlin/Germany
- kloeckner.v GmbH, Berlin/Germany
- Kloeckner Metals Germany GmbH, Duisburg/Germany
- Becker Stahl-Service GmbH, Duisburg/Germany
- Becker Aluminium-Service GmbH, Duisburg/Germany
- Becker Stainless GmbH, Bönen/Germany
- Umformtechnik Stendal GmbH, Stendal/Germany
- Becker Stainless Center GmbH, Süßen/Germany

Held by entity no.	Currency	Equity in Euro[1]	Net income in Euro[1]		Sales in Euro[1]
1	EUR	246,355,506	53,741,008		-
36	EUR	113,228,833	6,011,428		206,097,751
36	EUR	283,459,564	3,643,855		661,034,789
36	EUR	49,649,508	3,900,864		185,529,017
36	EUR	24,186,105	– 2,284,082		121,165,794
36	EUR	3,513,240	– 46,676		604,222
36	EUR	4,903,396	260,280		4,581,955
1	EUR	120,983,319	– 6,906		-
43	EUR	823,388,200	75,004,923		3,321,515,077
44	EUR	29,675,636	2,649,165		35,308,561
44	EUR	39,482,288	– 564,747		3,204,868
44	EUR	1,566,009	204,479		1,428,485
44	EUR	156,051	37,139		-
44	EUR	300,541,827	2,174,535		224,729,437
43	EUR	-	-		-
44	EUR	38,147,926	1,453,359		180,372,485
49	EUR	48,469,579	– 2,071,883		31,717,766
49	EUR	1,284,048	– 63,226		2,003,356
51	EUR	1,834,628	941,960		-
1	EUR	4,918,557	– 3,148,584		41,835,478

Subsidiary listing according to Sections 285 No. 11/313 para 2 German Commercial Code (HGB)

No.	Entity	Interest in percent
II.	**Non-consolidated affiliated companies**	
55	ASD GP Limited, Edinburgh/United Kingdom	100.00
56	ASD RBS Trustee Limited, Leeds/United Kingdom	100.00
57	ASD RBS Scottish Limited Partnership, Edinburgh/United Kingdom	50.00
		50.00
58	Umformtechnik Stendal UTS s.r.o., Skalica/Slovakia	100.00
III.	**Associates**	
59	Birs-Stahl AG, Birsfelden/Switzerland	50.00

	Held by entity no.	Currency	Equity in Euro[1]	Net income in Euro[1]		Sales in Euro[1]
	22	EUR	1	-		-
	22	EUR	1	-		-
	22	EUR	34,308,203	-		-
	56	EUR	-	-		-
	34	EUR	98,725	34,129	2)	42,864
	38	EUR	1,245,206	8,329	2)	1,389,012

2) Based on report as of December 31, 2022.

Listing pursuant to Section 160 (1) No. 8 of the German Stock Corporations Act (AktG)

For further information on the ownership structure of Klöckner & Co SE and all publications by Klöckner & Co SE on notifications of shareholdings in the reporting year, together with later notifications, please see the Klöckner & Co SE website (at https://www.kloeckner.com/en/investors/shares.html and https://www.kloeckner.com/en/investors/legal-announcements/voting-rights.html).

		Total positions		
Notifier	Date on which threshold was crossed or reached Reason for notification	% of voting rights attached to shares (absolute) Attribution provision of WpHG (Sec. 33, 34 WpHG)	% of voting rights through instruments (absolute) (Sec. 38 WpHG)	Total of both in % (absolute) (Sec. 39 WpHG)
Union Investment Privatfonds GmbH Frankfurt am Main, Germany	March 20, 2023 Acquisition/disposal of shares with voting rights	2.85% (2,845,000) indirect (Sec. 34 WpHG)	0%	2.85%[1]
Rossmann Beteiligungs GmbH Burgwedel, Germany	May 11, 2023 Acquisition/disposal of instruments	1.46% (1,451,807) direct (Sec. 33 WpHG)	0.70% (700,000) Sec. 38 (1) no. 1 : 0.70% (700,000)	2.16% [1]
Amiral Gestion Paris, France	December 1, 2023 Acquisition/disposal of shares with voting rights	3.11% (3,100,864) direct (Sec. 33 WpHG)	0%	3.11% [1]
Prof. Dr. -Ing. E.h. Friedhelm Loh	April 28, 2023 Acquisition/disposal of instruments	41.53% (41,428,687) indirect (Sec. 34 WpHG)	0%	41.53%[1]
		Names of shareholder(s) holding directly 3% or more voting rights: SWOCTEM GmbH, Rudolf-Loh-Straße 1, 35708 Haiger. For the full chain of undertakings stated in the notification, please see our publication of February 5, 2024 pursuant to Section 40 (1) WpHG.		
Claas Edmund Daun	February 1, 2024 Acquisition/disposal of shares with voting rights	2.11% (2,100,000) indirect (Sec. 34 WpHG)	0%	2.11%[1]
		For the full chain of undertakings stated in the notification, please see our publication of February 6, 2024 pursuant to Section 40 (1) WpHG.		

1) "Total number of voting rights pursuant to Sec. 41 WpHG: 99,750,000"

Additional information concerning the consolidated and individual financial statements

Additional information concerning the consolidated and individual financial statements

Attachment to the additional information

Information on additional mandates of the members of the Management Board of Klöckner & Co SE (Section 285 no. 10 German Commercial Code (HGB – Handelsgesetzbuch)

Guido Kerkhoff

CHAIRMAN OF THE MANAGEMENT BOARD

Group mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- Klöckner USA Holding Inc., Wilmington/USA, Chairman of the Board of Directors
- Kloeckner Metals Germany GmbH, Duisburg, Chairman of the Supervisory Board
- ODS B.V., Rotterdam/The Netherlands, Chairman of the Supervisory Board (since October 1, 2023)
- ODS Metering Systems B.V., Rotterdam/The Netherlands, Chairman of the Supervisory Board

Other mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- None

Dr. Oliver Falk

MEMBER OF THE MANAGEMENT BOARD, CFO

Group mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- Klöckner USA Holding Inc., Wilmington/USA, Member of the Board of Directors
- Kloeckner Metals Germany GmbH, Duisburg, Member of the Supervisory Board
- ODS B.V., Rotterdam/The Netherlands, Member of the Supervisory Board
- ODS Metering Systems B.V., Rotterdam/The Netherlands, Member of the Supervisory Board

Other mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

- None

John Ganem

MEMBER OF THE MANAGEMENT BOARD

Group mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

– Kloeckner Metals Relief Fund Inc., Wilmington/USA, Member of the Board of Directors

Other mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

– None

Bernhard Weiß

MEMBER OF THE MANAGEMENT BOARD

Group mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

– ODS B.V., Rotterdam/The Netherlands, Chairman of the Supervisory Board (until September 30, 2023)

Other mandates in legally required Supervisory Boards and comparable domestic and foreign corporate bodies

– None

Additional mandates of the members of the Supervisory Board of Klöckner & Co SE (Section 285 no. 10 HGB)

Prof. Dr. Dieter H. Vogel, Chairman

MANAGING PARTNER, CASSIOPEIA GMBH, DÜSSELDORF, GERMANY

- denkwerk GmbH, Member of the Advisory Board[2)]
- HSBC Continental Europe S.A., branch Germany, Member of the Advisory Board[2)]

Dr. Ralph Heck, Deputy Chairman

DIRECTOR EMERITUS MCKINSEY & COMPANY, MEGGEN, SWITZERLAND AND CHAIRMAN OF THE MANAGEMENT BOARD OF BERTELSMANN STIFTUNG, GÜTERSLOH, GERMANY

- Adolf Würth GmbH & Co. KG, Member of the Advisory Board[2)]
- Formel D GmbH, Chairman of the Advisory Board[2)]

Prof. Dr. Tobias Kollmann

CHAIR OF DIGITAL BUSINESS AND DIGITAL ENTREPRENEURSHIP AT THE UNIVERSITY OF DUISBURG-ESSEN, GERMANY

- COMECO GmbH & Co KG, Deputy Chairman of the Supervisory Board[2)] (until June 30, 2023)

Prof. Dr.-Ing. E.h. Friedhelm Loh

ENTREPRENEUR, OWNER AND CHAIRMAN OF FRIEDHELM LOH STIFTUNG & CO. KG, HAIGER, GERMANY

– None

Uwe Röhrhoff

INDEPENDENT CONSULTANT AND MEMBER OF SEVERAL SUPERVISORY BOARDS

- EPL Limited, Independent Director, Chairman of the Nomination and Remuneration Committee[2)] (until September 5, 2023)
- Constantia Flexibles Holding GmbH, Member of the Supervisory Board[2)] (until January 4, 2024)
- Constantia Flexibles GmbH, Member of the Supervisory Board[2)] (since February 22, 2024)
- PGP Glass Private Limited, Non Executive Director[2)]
- BTO Tenere Cayman GP LLC, Member of the Board of Dircetors[2)]

Ute Wolf

INDEPENDENT CONSULTANT AND MEMBER OF SEVERAL SUPERVISORY BOARDS

- DWS Group GmbH & Co. KGaA, Chairwoman of the Audit Committee[1)]
- Pensionskasse Degussa VVaG, Member of the Supervisory Board[1)] (until March 31, 2023)
- Infineon Technologies AG, Member of the Supervisory Board[1)] (since April 19, 2023)
- MTU Aero Engines AG, Member of the Supervisory Board[1)] (since May 11, 2023)
- Borussia Dortmund Geschäftsführungs-GmbH, Member of the Council of economic affairs[2)]

1) Membership in legally required Supervisory Boards as defined by Section 125 German Stock Corporations Act (AktG).
2) Membership in similar corporate Supervisory Bodies in Germany and abroad as defined by Section 125 German Stock Corporations Act (AktG).

Disclaimer

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

Rounding
There may be rounding differences with respect to the percentages and figures in this report.

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

This English version of the Annual Report is a courtesy translation of the original German version; in the event of variances, the German version shall prevail over the English translation.

Evaluating statements
Evaluating statements are unified and are presented as follows:

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

Contact/Imprint

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www.kloeckner.com

FINANCIAL CALENDAR 2024

March 13, 2024	**Annual Financial Statements 2023** Financial statement press conference Conference Call with analysts
May 7, 2024	**Q1 quarterly statement 2024** Conference Call with journalists Conference Call with analysts
May 23, 2024	**Annual General Meeting 2024**
August 1, 2024	**Half-yearly financial report 2024** Conference Call with journalists Conference Call with analysts
November 6, 2024	**Q3 quarterly statement 2024** Conference Call with journalists Conference Call with analysts

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