Q2

Interim Report

as of June 30, 2022

klöckner & co

Your partner for a
sustainable tomorrow

Interim Group Management Report

Klöckner & Co Group Figures

for the six-month period ending June 30, 2022

Shipments and income statement		Q2 2022	Q2 2021	Variance	HY1 2022	HY1 2021	Variance
Shipments	Tto	1,226	1,295	– 69	2,484	2,582	– 98
Sales	€ million	2,580	1,847	733	5,018	3,373	1,645
Gross profit	€ million	508	525	– 17	990	913	77
Gross profit margin	%	19.7	28.4	– 8.7%p	19.7	27.1	– 7.4%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	223	270	– 47	477	411	66
EBITDA before material special effects	€ million	222	271	– 49	423	401	22
EBITDA margin	%	8.6	14.6	– 6.0%p	9.5	12.2	– 2.7%p
EBITDA margin before material special effects	%	8.6	14.7	– 6.1%p	8.4	11.9	– 3.5%p
Earnings before interest and taxes (EBIT)	€ million	191	240	– 49	415	351	64
Earnings before taxes (EBT)	€ million	188	246	– 58	404	351	53
EBT before material special effects	€ million	187	246	– 59	350	340	10
Net income	€ million	151	215	– 64	323	301	22
Net income attributable to shareholders of Klöckner & Co SE	€ million	149	212	– 63	317	297	20
Earnings per share (basic)	€	1.50	2.13	– 0.63	3.18	2.98	0.20
Earnings per share (diluted)	€	1.36	1.88	– 0.52	2.88	2.66	0.22

Cash flow statement		Q2 2022	Q2 2021	Variance	HY1 2022	HY1 2021	Variance
Cash flow from operating activities	€ million	262	74	188	1	91	– 90
Cash flow from investing activities	€ million	– 20	– 16	– 4	19	– 27	46
Free cash flow*)	€ million	242	58	184	20	65	– 45

Balance sheet		June 30, 2022	Dec. 31, 2021	June 30, 2021	Variance June 30, 2022 vs. Dec. 31, 2021	Variance June 30, 2022 vs. June 30, 2021
Net Working Capital**)	€ million	2,239	1,813	1,282	426	957
Net financial debt	€ million	903	762	303	141	600
Gearing***)	%	43.9	42.1	21.7	1.9%p	22.3%p
Equity	€ million	2,078	1,827	1,410	251	668
Equity ratio	%	44.5	47.1	43.5	– 2.6%p	1.1%p
Total assets	€ million	4,665	3,878	3,244	787	1,421

Employees		June 30, 2022	Dec. 31, 2021	June 30, 2021	Variance June 30, 2022 vs. Dec. 31, 2021	Variance June 30, 2022 vs. June 30, 2021
Employees as of the end of the reporting period		7,228	7,153	7,083	75	145

*) Free cash flow = Cash flow from operating activities plus cash flow from investing activities.
**) Net working capital = Inventories + trade receivables + contract assets + supplier bonus receivables ./. trade liabilities ./. contract liabilities ./. advance payments received.
***) Gearing = Net financial debt / (Consolidated equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2019).

Interim Group Management Report

Key developments in the first six months of 2022 and outlook

- Strongest operating income in a first half-year since IPO in 2006
- EBITDA before material special effects of €423 million in first half of 2022, compared with €401 million in the prior-year period. Including material special effects, EBITDA for the first six months was €477 million
- Second-quarter EBITDA before material special effects of €222 million, within the €180-240 million guidance range
- Very strong net income of €151 million in second quarter and €323 million in first half year
- Shipments of 2.5 million tons slightly down on prior-year period (by 3.8%)
- Sales of €5.0 billion up very considerably (by 48.8%) year-on-year due to price factors
- Proportion of Group sales via digital channels at 45% in second quarter of 2022 (Q2 2021: 45%)
- EBITDA of over €500 million before material special effects expected for full year
- Strong and significantly positive cash flow from operating activities expected for full year 2022

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

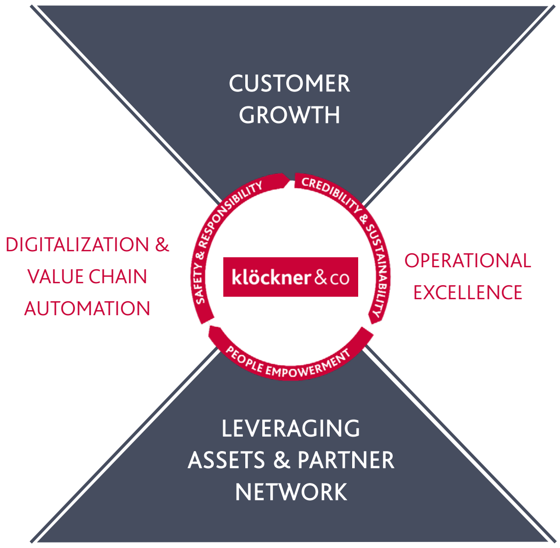
Our strategy – “Klöckner & Co 2025: Leveraging Strengths”

[In our “Klöckner & Co 2025: Leveraging Strengths” strategy presented in 2021, we essentially distinguish between 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.

The market environment in the steel distribution business is very complex and challenging. It is characterized by high market fragmentation, lagging digitalization and increasing demand for customized solutions. But this also presents diverse opportunities and potential for those who are willing to lead the way. After spending recent years tackling these challenges, Klöckner & Co has amassed special capabilities and expertise. Our digital transformation is far advanced, and optimizing our procurement structure has enabled us to implement data-driven decision making and strengthen international collaboration. Moreover, Klöckner & Co, together with its sub-brands, is known for high quality and enjoys an excellent reputation internationally. We have launched a radical and comprehensive cultural change within the Company. Building on this foundation, we are taking Klöckner & Co to the next level on the way to becoming a digital one-stop-shop platform.

We aim to generate added value for all of our Company's stakeholders. Customers and business partners 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 digital one-stop-shop platform for steel, other materials, equipment and processing services in Europe and America, merge the digital and the physical sides of our business more closely together and make even better use of our internal and external networks. Inefficiencies in low-margin steel and metal distribution are still primarily caused by linear supply chains and lack of transparency. By integrating third parties into our platform while digitalizing and automating core processes as the next step in Klöckner & Co's evolution, we will be able to eliminate existing inefficiencies in the value chain and significantly lower variable costs.



Customer Growth
We always aspire to exceed our customers' expectations and maximize their benefit. By focusing uncompromisingly on their needs, we aim to achieve the highest customer satisfaction in the industry. This requires an extension of our product and service portfolio and larger regional coverage. With our integrated platform structure, we aim to become a one-stop shop with a fast-track, best-in-class user experience. That will 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 & Partner Network
Beyond integrating existing partners into internal processes along the value chain to achieve efficiency gains, we aim to optimize our internal network and asset utilization by increasing international collaboration. We also plan to take new partners on board with complementary products and competencies to complement Klöckner & Co's core portfolio.

Digitalization & Value Chain Automation
Building on our pioneering role in the steel industry, we are further exploiting the significant potential of digitalization – and are now extending it to 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 unparalleled levels along the entire value chain. Our goal is "zero touch," meaning value generation with minimum manual effort. In the reporting period, our proprietary AI solution Kloeckner Assistant already handled over €780 million (2021: €454 million) in sales. This is now a key tool in the automated processing of quotations and orders.

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

Corporate values

Our values form the foundation for our strategy: We are committed to staff empowerment, safety, responsibility, credibility and sustainability. These values determine our decisions and actions every day, both internally and externally. A motivating style of leadership, empowering people and fostering a culture of innovation through self-determination, talent development and incentivization are the basis for this. They allow us to advance our innovative capacity, explore opportunities and create new business value. We continuously improve our organization, becoming more agile and adaptable to thrive in an environment of continuous change.

We exercise responsibility in issues relating to the environment, safety and society. 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.

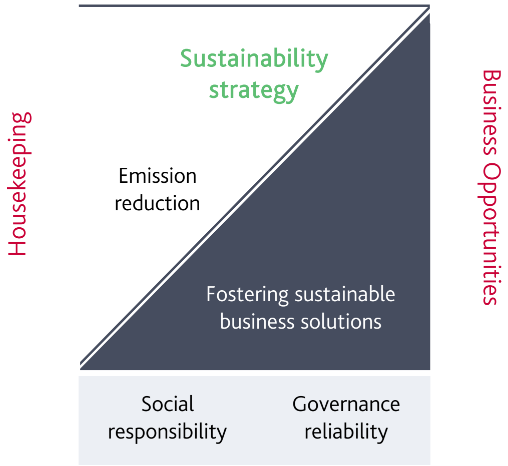
The beginning of 2022 also saw us develop a purpose statement. “Purpose” means the reason for a company's existence, its raison d'être or the description of what the company does to create value for its stakeholders. Klöckner & Co's purpose statement is as follows:

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

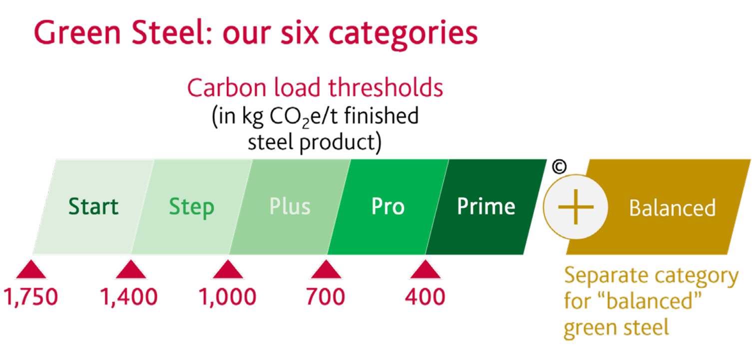
With the initiatives that form our “Klöckner & Co 2025: Leveraging Strengths” strategy, we will merge the digital with the physical business and take them to the next level. By 2025, Klöckner & Co will be the leading digital one-stop-shop platform for steel, other materials, equipment and processing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

Sustainability strategy

Sustainability is at the center of our "Leveraging Strengths" strategy. We approach sustainability from a cross-cutting environmental, social and governance (ESG) perspective and integrate it into our strategic planning. Social responsibility and reliable corporate governance are integral elements here alongside the environmental dimension.



On the basis of our Group strategy, we are working on creating a comprehensive portfolio of sustainable products and services, thus establishing ourselves as pioneers of a sustainable steel industry. In expanding our sustainable products and service portfolio, we are seizing the strategic opportunity to integrate the new, attractive business area of sustainable services into our business model. We see our sustainability transformation as an opportunity that opens up unique avenues for growth – not just in ten years' time, but in the present as well. To provide our customers with optimum support in establishing sustainable value chains, we have introduced a categorization for green and CO_2-reduced steel. This allows customers to reliably, transparently and easily see the carbon footprint of a product purchased from Klöckner & Co. The categorization is rooted in international, science-based standards and categorizes low-carbon steel according to the certified emissions generated along the entire value chain, from raw material extraction to production. Numerous partnerships will enable us to offer our customers green and low-carbon steel in various categories of the scale – and from as early as this year. Klöckner & Co aims for the two lowest-carbon-footprint categories to account for over 30% of its entire range by 2025 and 50% by 2030. We have additionally expanded our portfolio by further developing our comprehensive Sustainability Advisory Services. Our specially qualified green steel experts and our over 700 trained sales employees throughout the Group now advise customers on green products and services.



In addition to the strategic opportunities we see in the sustainable transformation of the steel industry, we are delivering on our responsibility to reduce our own emissions as well as those in our upstream and downstream supply chains, and are resolutely showing the way forward in this regard. As part of this, we have designated the reduction of carbon emissions as a non-financial target for variable remuneration of the Management Board, the entire first management level below the Group Management Board and additional executives at levels two and three. We are the first company in the world to achieve recognition of our net zero carbon targets by the Science Based Targets initiative (SBTi) – the most ambitious and relevant emission reduction framework – as science-based in the regular validation process in accordance with the latest standards. Klöckner & Co has thus committed to reducing emissions in the entire value chain to net zero by 2050. Our path to net zero is based on the following science-based near- and long-term carbon reduction targets:

Near-term reduction targets
50% reduction in emissions under direct influence (Scopes 1, 2 and some in Scope 3) by 2030
30% reduction in emissions not under direct influence (Scope 3) by 2030

Long-term reduction targets
Reduction in emissions under direct influence (Scopes 1, 2 and some in Scope 3) to net zero by 2040
Reduction in emissions not under direct influence (Scope 3) to net zero by 2050

Our focus is on carbon-reduction measures. However, it is not possible at present to avoid all emissions along the entire supply chain. Consequently, we will compensate the currently unavoidable Scope 1 and 2 emissions by investing in high-quality climate projects. This means we are already carbon-neutral today.]

Economic environment

Macroeconomic situation

The economic environment in the first half of 2022 was heavily influenced by the effects of the Russian invasion of Ukraine. Until the onset of the war, the global economic recovery initially continued. However, the Omicron virus variant in particular slowed this recovery. Against the backdrop of the catastrophic humanitarian impacts of the war, the economy became noticeably bleaker with the beginning of the Russian invasion of Ukraine, and the repercussions of the conflict led to a slowdown in global growth. In addition, supply shortages relating to the war have further increased the pressure on already strained global supply chains. Sanctions against Russia and export bans imposed by Russia itself hit trade in goods and services, driving sharp rises in the prices of commodities – notably crude oil and natural gas, but also a number of input materials – with negative effects for manufacturing and energy-intensive industries. In parallel to the war, extensive lockdowns of key Chinese production centers as part of the country's zero-COVID strategy early in the first half of the year created further shortages in the already overstretched global supply chains. Sustained price pressure across the board gave a significant boost to inflation in many countries, with negative impacts on businesses and consumers. The Federal Reserve, the European Central Bank and other international central banks responded with drastic increases in base rates and a reduction in purchases of government bonds in order to curb the inflationary trend.

Eurozone GDP grew by 3.3% in the second quarter of 2022 compared with the prior-year quarter. The economic trend was initially positive at the start of the year, mainly driven by catch-up effects after the lifting of COVID-19 restrictions, although the spread of the Omicron variant prevented a faster recovery. As the first half year progressed, however, economic confidence was hit by the onset of the war in Ukraine. Many Eurozone economies were directly affected due to the close trade links with Russia and Ukraine, supply chain interdependencies and in particular heavy reliance on Russian oil and gas. As a result, the conflict negatively impacted the Eurozone economy in the form of rising inflation rates, mainly because of higher energy prices. Shortages of intermediate products such as semiconductors also had a particularly severe impact on European carmakers.

US GDP grew by 2.2% compared with the second quarter of 2021. Initial effects of stimulus programs, a gradual easing of supply chain shortages and robust manufacturing all supported the economy. United States manufacturing activity and employment also benefited from improved mobility accompanied by rising investment and consumer spending. Any direct supply chain disruption due to the war between Russia and Ukraine was largely contained, although pressure from the sharp rise in US inflation dampened growth.

China's economy, on the other hand, showed virtually no growth in the second quarter of 2022. GDP in China grew by just 0.4% year-on-year. The extensive spread of the Omicron variant and the country's strict zero-COVID strategy led to recurring mobility restrictions as a result of local lockdowns, which together with weak employment growth in urban areas held back private consumption. Foreign demand was weaker because of the war in Ukraine, although export industry was able to recover once lockdowns were lifted towards the end of the reporting period. Growth of real estate investment has also slowed significantly.

Development of GDP (in percent)	Q2 2022 vs. Q2 2021
Europe*)	**3.3**
Germany	1.6
United Kingdom	2.6
France	3.7
Belgium	2.7
Netherlands	3.3
Switzerland	2.8
China	0.4
USA	**2.2**
Brazil	2.1

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

Industry-specific situation

The Russian invasion of Ukraine and its consequences – including sanctions and a worsening of production conditions due to higher energy and raw material prices and ongoing supply chain disruptions – had an impact on the global steel market. Before the conflict, Russia and Ukraine together accounted for around 5% of global steel output and were major exporters. The conflict caused a temporary sharp rise in steel prices before a correction finally set in during the second quarter. According to the World Steel Association, global crude steel output fell by 5.5% year-on-year to some 949.4 million tons in the first half of 2022. Production contracted by 6.2% in the EU and 2.2% in the USA. Chinese production decreased by a substantial 6.5%. According to analysts' estimates, steel producers worldwide were operating at 75% capacity at the end of June.

Trend in key customer industries

CONSTRUCTION INDUSTRY

According to Oxford Economics, the Eurozone construction industry grew moderately by around 3% in the reporting period despite the Russian invasion of Ukraine. Growth was held back by the consequences of the war, comprising further disruption to already overstretched supply chains, to which European countries were heavily exposed due to their geographical proximity to the conflict zone, and rising raw material prices. In the USA, the construction sector contracted by around 5% year-on-year due to sharp rises in the prices of key raw materials and construction materials and an ongoing labor shortage. Towards the end of the reporting period, initial positive impetus came from funding provided under the infrastructure program.

MACHINERY AND MECHANICAL ENGINEERING

Before the Russian invasion of Ukraine, companies in the Eurozone machinery and mechanical engineering sector had high output expectations. Industry sentiment took a hit as the situation escalated, however. Higher input prices due to the conflict caused a deterioration in the investment environment and slowed growth. Oxford Economics estimates for the Eurozone that the sector grew in the reporting period by around 2% year-on-year. The machinery and mechanical engineering sector in the USA was able to benefit in the reporting period from positive conditions due to state support measures. As a result, driven by a continued strong order intake, the industry grew significantly by around 7% in the first half of the year.

AUTOMOTIVE INDUSTRY

International automotive markets notably continued to be negatively impacted in the reporting period by the global semiconductor shortage. The automotive industry was additionally hit by supply chain problems triggered by the Ukraine conflict. As a result, according to the German Association of the Automotive Industry (VDA), unit sales in the European automotive industry fell by around 14% year-on-year in the first six months of 2022. Unit sales in the USA were approximately 18% down year-on-year. In China, the automotive market grew by around 4%. The supply chain situation improved towards the end of the first half year. Production in Germany, for example, increased by 19% in June compared to the same month of the prior year.

Results of operations, financial position and net assets

The key figures for the results of operations, financial position and net assets in the second quarter and the first half of 2022 are set out in the following. Further information can be taken from Note 4 (Special items affecting the results) in the notes to the condensed interim financial statements.

KEY FIGURES RESULTS OF OPERATIONS

(€ million)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Shipments (Tto)	1,226	1,295	2,484	2,582
Sales	2,580	1,847	5,018	3,373
Gross profit*)	508	525	990	913
Gross profit margin (%)	19.7	28.4	19.7	27.1
EBITDA**)	223	270	477	411
EBITDA margin (%)***)	8.6	14.6	9.5	12.2
EBITDA before material special effects	222	271	423	401

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

OTHER KEY FIGURES

(€ million)	June 30, 2022	June 30, 2021	December 31, 2021
Net working capital*)	2,239	1,282	1,813
Net financial debt**)	903	303	762
Gearing ***)	44%	22%	42%

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

Shipments and sales

SHIPMENTS BY SEGMENTS

(Tto)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Kloeckner Metals US	588	633	1,174	1,252
Kloeckner Metals EU	454	451	936	936
Kloeckner Metals Non-EU	184	211	374	394
Group shipments	**1,226**	**1,295**	**2,484**	**2,582**

With the steel sector still affected by supply shortages and resulting price increases, shipments in the first half of 2022 totaled 2.5 million tons, marking a decrease of 3.8% relative to the prior-year period. In light of the ongoing strong price trend, we pursued a consistent margin-over-volume strategy through much of the reporting period.

SALES BY SEGMENTS

(€ million)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Kloeckner Metals US	1,216	845	2,364	1,507
Kloeckner Metals EU	913	646	1,808	1,231
Kloeckner Metals Non-EU	452	356	846	635
Group sales	**2,580**	**1,847**	**5,018**	**3,373**

As a result of the high price level in the first half-year relative to the prior-year period – especially in the USA, but also in Europe – sales increased considerably from €3.4 billion to €5.0 billion (an increase of 48.8%). The rise in sales was even more pronounced due to positive exchange rate effects, especially in relation to the US dollar. On a currency-adjusted basis, the sales increase in the first half-year came to 40.9%.

Earnings

(€ million)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Sales	2,580	1,847	5,018	3,373
Gross profit	508	525	990	913
Gross profit margin (in %)	19.7	28.4	19.7	27.1
OPEX*)	– 285	– 255	– 513	– 502
EBITDA	223	270	477	411
EBITDA before material special effects**)	222	271	423	401
EBIT	191	240	415	351
EBT	188	246	404	351
Net income	**151**	**215**	**323**	**301**

*) OPEX = Own work capitalized plus other operating income less personnel expenses less other operating expenses.

**) Material special effects: 2022: Income from sales of sites in Switzerland (€50 million), France (€5 million), subsequent cost project Surtsey in USA (€1 million); 2021 – Income from sales of sites in the USA (€2 million) and Germany (€10 million), follow-on expenses from the Surtsey project in Germany (€1 million), in France (€1 million) and in the UK (€1 million).

Gross profit, at €990 million, was likewise significantly higher with an increase of €77 million (currency-adjusted €29 million) on the €913 million prior-year figure. The main reason for the year-on-year improvement was the extremely positive price dynamic. As procurement prices increased more strongly than selling prices, the gross profit margin decreased from 27.1% in the prior year to 19.7%.

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

OPEX

(€ million)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Own work capitalized	-	-	-	1
Other operating income	9	6	71	23
Personnel expenses	– 156	– 151	– 307	– 301
Other operating expenses	– 138	– 110	– 277	– 226
OPEX	**– 285**	**– 255**	**– 513**	**– 502**

Comparability of OPEX with the prior year is possible only to a very limited extent due to special effects and also the stronger US dollar. Other operating income in the reporting period thus includes €50 million in non-recurring income from the sale of a site in Switzerland and €5 million for the sale of two sites in France, whereas the figure for the first half of 2021 included €10 million in income from the sale of a site in Germany and €2 million from the sale of three sites in the USA.

Personnel expenses increased moderately by €6 million (or 2%) year-on-year due to a slight rise in the number of employees and because of inflation. In total, exchange rate effects impacted personnel expenses by €15 million, although this was largely offset by lower bonus expenses and the absence of restructuring expenses compared to the prior year.

Other operating expenses increased in the first half of 2022 by €51 million to €277 million. The increase mainly related to higher logistics and packaging costs, tools and operating supplies. It should also be noted that other operating expenses are influenced in the amount of €12 million by exchange rate effects in relation to the US dollar. On a currency-adjusted basis, the increase was €39 million.

In total, OPEX went up from €502 million in the prior-year period to €513 million, €26 million of which was currency-related.

Group operating income (EBITDA) came to €477 million in the first half of 2022, compared to €411 million in the prior-year period.

EBITDA BY SEGMENTS (ADJUSTED FOR MATERIAL SPECIAL EFFECTS)

(€ million)	**Q2 2022**	Q2 2021	**HY1 2022**	HY1 2021
Kloeckner Metals US	80	134	152	209
Kloeckner Metals EU	90	91	191	143
Kloeckner Metals Non-EU	48	40	77	54
Holding and other Group companies	4	6	3	– 5
Adjusted EBITDA of the Klöckner & Co Group	**222**	**271**	**423**	**401**
Net adjustments	1	– 1	54	10
EBITDA	**223**	**270**	**477**	**411**

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

Adjustments in 2021:
Income from sales of sites in the USA (€2 million) and Germany (€10 million).
Follow-on expenses from the Surtsey project in Germany (€1 million), France (€1 million) and the UK (€1 million).

Klöckner & Co once again recorded an outstanding quarterly operating result in the second quarter, with EBITDA of €222 million before material special effects. With half-year earnings of €423 million, compared with €401 million in 2021, the Company generated the best half-year earnings before material special effects since the IPO in 2006.

Adjusted operating income in the Kloeckner Metals EU segment showed particularly healthy growth, increasing from €143 million to €191 million. With shipments constant, we benefited in this segment from disproportionately large price increases in conjunction with disciplined net working capital management. Our biggest earnings increase was in Germany with EBITDA considerably higher than in the prior year.

Operating income before material special effects in the Kloeckner Metals US segment fell in the first half-year to €152 million, compared with €209 million in the prior year. The decrease resulted from consistent implementation of the margin-over-volume strategy, customers temporarily postponing purchases in phases of falling steel prices and, not least, higher apparent demand in the prior-year period. Due to the disproportionately large increase in purchase prices and the resulting smaller gross profit margins, EBITDA after special effects totaled €151 million.

EBITDA before material special effects in the Kloeckner Metals Non-EU segment continued to rise, increasing from €54 million in the prior-year period to €77 million in the reporting period. With reinforcing steel in short supply, the price increases in the segment led to a slight, 5% fall in shipments, but this was offset by the continued consistent application of the margin-over-volume strategy. The sale of a property in Switzerland resulted in a material special effect of €50 million, putting EBITDA after special effects at €126 million.

RECONCILIATION TO NET INCOME

(€ million)	HY1 2022	HY1 2021
EBITDA	**477**	**411**
Depreciation, amortization and impairments	– 62	– 60
EBIT	**415**	**351**
Income from investments	4	4
Financial result	– 15	– 4
EBT	**404**	**351**
Income taxes	– 81	– 50
Net income	**323**	**301**

Due to increased capital expenditure, depreciation, amortization and impairments, at €62 million, were slightly higher than the prior-year figure of €60 million.

EBIT in the reporting period was consequently €415 million, compared with €351 million in the prior-year period.

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

The prior-year financial expenses include interest income of €8 million from a non-recurring gain on remeasurement of the convertible bond. In addition, average debt in the first half of 2022 was considerably higher due to the price-driven increase in net working capital, as a result of which financial expenses in the first half of 2022 amounted to €15 million, compared to €4 million in the first half of the prior year.

Nearly all operating segments generated positive income before taxes in the first half of 2022. The positive pretax income resulted in an income tax expense of €81 million for the first half of 2022 (H1 2021: tax expense of €50 million).

In total, net income was in positive figures at €323 million, versus net income of €301 million in the comparative period.

Basic earnings per share came to €3.18 compared with €2.98 in the prior year.

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

(€ million)	June 30, 2022	December 31, 2021
Non-current assets	1,052	1,099
Current assets		
Inventories	2,006	1,716
Trade receivables*)	1,301	941
Other current assets	80	64
Liquid funds	225	58
Total assets	**4,665**	**3,878**
Equity	2,078	1,827
Non-current liabilities		
Provisions for pensions	41	50
Financial liabilities	682	556
Other non–current liabilities	59	81
Current liabilities		
Financial liabilities	444	261
Trade payables**)	1,068	844
Other current liabilities	292	258
Total equity and liabilities	**4,665**	**3,878**

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

Total assets were €4,665 million as of June 30, 2022, marking an increase of approximately 20% on the prior year-end.

Non-current assets amounted to €1,052 million, €47 million below the level as of December 31, 2021 (€1,099 million). The decrease mainly relates, in the amount of €84 million, to the change in the surplus of plan assets over the defined benefit obligation in the Swiss pension plan and, in the opposite direction, in the amount of €44 million, to the recognition of property, plant and equipment. Mainly due to depreciation and amortization, there was a decrease in intangible assets (by €4 million). In property, plant and equipment, additions of €40 million from investing activities and of €28 million from new leases recognized in accordance with IFRS 16 were offset by depreciation totaling €50 million.

Equity went up from €1,827 million to €2,078 million. This was due to the strong net income of €323 million. Despite the increase in total assets, the equity ratio was consequently very solid at 45% (December 31, 2021: 47%).

Net working capital changed as follows:

NET WORKING CAPITAL

(€ million)	June 30, 2022	June 30, 2021	December 31, 2021
Inventories	2,006	1,104	1,716
Trade receivables	1,227	903	843
Contract assets	60	31	42
Supplier bonus receivables	14	26	56
Trade payables*)	– 1,068	– 783	– 844
Net Working Capital	**2,239**	**1,282**	**1,813**

*) Including contract liabilities and advance payments received.

Partly as a result of the ongoing extremely strict net working capital management, working capital increased despite the substantially higher price level by just €426 million over the year-end figure.

Liquidity amounted to €225 million, compared with €58 million as of December 31, 2021.

STABLE FINANCING WITH IMPROVED MATURITY PROFILE

The Klöckner & Co Group continues to possess a diversified financing portfolio with a total volume of €1.3 billion (excluding leases). Following the increase in the US ABL facility (USD 450 million) in March 2022 and the European ABS program (€300 million) in April 2022, we renewed the US ABL facility ahead of term after the end of the reporting period.

In July 2022, Klöckner & Co together with the US core banks extended the ABL facility in the amount of USD 450 million until July 2027. The facility is secured by inventories and customer receivables at the US country organization and is primarily used for working capital financing in US dollars. Reflecting the strong operating performance, improved terms and conditions were obtained at the same juncture.

This measure made it possible to further improve the Group's maturity profile. Taking into account the renewal of the US ABL facility, the volume-weighted remaining term to maturity of the core instruments at the reporting date is approximately 3.0 years.

NET FINANCIAL DEBT

(€ million)	June 30, 2022	June 30, 2021	December 31, 2021
Net financial debt	903	303	762
Gearing*)	**44%**	**22%**	**42%**

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

The main reason for the increase in net financial debt by €600 million relative to the prior-year period and by €141 million relative to December 31, 2021 is the price-driven increase in net working capital. In addition, €36 million in outflows of funds were recorded in the first half of 2022 due to higher income tax payments because of the improved earnings, and due to €100 million in dividend payments.

Due to higher discount rates, the pension provisions of €41 million were lower than at the prior year-end (€50 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Cash flow from operating activities	262	74	1	91
Cash flow from investing activities	– 20	– 16	19	– 27
Free cash flow	**242**	**58**	**20**	**65**
Cash flow from financing activities	– 104	– 54	140	– 102

Primarily due to the strict net working capital management and strong operating income, a positive operating cash flow of €262 million in the second quarter and €1 million in the first half of 2022 was generated despite the price-driven increase in working capital. In the comparative period, the cash inflow from operating activities was €74 million in the second quarter of 2021 and €91 million in the first half of 2021.

€47 million in payments for capital expenditure were partly offset by €66 million in receipts from divestments to yield a total cash inflow from investing activities of €19 million (H1 2021: cash outflow of €27 million).

This resulted in a free cash flow of €242 million in the second quarter of 2022 and of €20 million in the first half of 2022, compared to €58 million in the second quarter of the prior year and €65 million in the first half of the prior year.

As a result of the strong operating income, the dividend of €100 million could be paid out in the second quarter of 2022 without additional borrowing. Due to the higher net financial debt, cash flow from financing activities amounted to €140 million in the first half of 2022 (H1 2021: cash outflow of €102 million).

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

According to estimates by the International Monetary Fund (IMF), the global economy will grow by 3.2% in 2022. An expected further easing of global pandemic restrictions is likely to have a positive impact on economic growth. Supply chain problems are also expected to be resolved over the course of the year. However, supply shortages are likely to persist in certain sectors for some time. Due to uncertainty about the course of the Ukraine conflict and its repercussions – such as potential energy shortages and price increases – the heightened general economic risk level continues to apply for the second half of the year. The resulting insecurity could further hit business and consumer confidence. Inflation is also likely to remain at a high level for a prolonged period. This could further increase the pressure on central banks to take additional monetary policy countermeasures, which would place a further burden on the economy. Further virus outbreaks, with the possibility of new lockdowns, could also cause new bottlenecks in global supply chains and slow consumer spending.

IMF forecasts that the eurozone Economy will grow by 2.6% in 2022. Generally speaking, economic activity should continue to recover following the easing of pandemic restrictions. However, developments in the Eurozone will crucially depend on how the conflict in Ukraine and its direct consequences unfold. In this context, high inflation rates, energy shortages and the European Central Bank's shifting monetary policy stance pose a risk to economic growth.

In the USA, IMF expects that the economy will grow by 2.3% in 2022. The stimulus programs and the gradual easing of supply chain limitations are expected to have a positive impact on economic growth. Increasing mobility is also likely to fundamentally support consumer spending. However, strong inflationary pressures pose a substantial risk and could add to the burdens on consumers and producers. The tight labor market is also expected to persist.

According to estimates by IMF, the Chinese economy will grow by 3.3% in 2022, which is a small increase compared to recent years. However, further government support measures are expected to ensure that domestic consumption and manufacturing hold stable. In view of China's zero-COVID strategy, further COVID-19 outbreaks remain a major risk both for consumer spending and for international supply chains. The slowdown in world trade and the rise in global energy and commodity prices could potentially act as a further brake on growth.

Expected development of GDP (in percent)	2022e
Europe*)	**2.6**
Germany	1.2
United Kingdom	3.2
France	2.3
Belgium	2.3
Netherlands	2.9
Switzerland	2.5
China	3.3
USA	**2.3**
Brazil	1.7

Source: IMF, Bloomberg.
*) Eurozone.

Expected steel sector trend

The World Steel Association forecasts that global steel demand will remain constant relative to the prior year at 1,840.2 million tons in the full year 2022. For the European Union together with the United Kingdom, the Association expects a slight decline in steel demand by 1.3%, whereas an increase of 2.9% is expected for the USMCA (the North American free trade zone). South and Central America are expected to see a 4.4% decrease, while steel demand in China is forecast to remain constant compared to the prior year.

Expected trend in our core customer sectors

CONSTRUCTION INDUSTRY

Oxford Economics estimates that the Eurozone construction industry will grow by 3% in 2022. The Next Generation EU fund promotes new construction, among other things with a focus on sustainability projects. Due to the geographical proximity to the conflict, however, supply chain disruptions and increased prices of construction materials as a consequence of the Russian invasion of Ukraine could have relatively strong negative impacts on the Eurozone construction sector. For the USA, Oxford Economics expects a slowdown in residential construction due to rising mortgage interest rates as a result of interest rate hikes by the US Federal Reserve and of higher purchase prices for real estate. In total, according to estimates by Oxford Economics, the US construction industry is expected to contract by around 1%.

MACHINERY AND MECHANICAL ENGINEERING

According to Oxford Economics, machinery and mechanical engineering will grow in the Eurozone by around 1% in 2022 despite the rising prices and in some cases exacerbated supply chain problems as a result of the Russian invasion of Ukraine. In the USA, by contrast, Oxford Economics expects that the machinery and mechanical engineering sector will see significant growth of around 7%, driven by strong order intakes and helped along by the adopted economic stimulus measures. Rising energy and input prices could have a dampening effect on growth.

AUTOMOTIVE INDUSTRY

According to the German Association of the Automotive Industry (VDA), the global passenger car market will shrink by around 1% in 2022. This means that the market volume remains below the level reached before the COVID-19 pandemic. The Ukraine conflict and new lockdowns in China initially exacerbated existing product shortages along supply chains. In addition, the automotive market may be impacted by rising prices and worsening borrowing terms due to higher base rates in the USA and Europe. Conversely, the semiconductor shortage is expected to ease in the second half of the year. For the European automotive industry, the VDA expects unit sales to remain flat overall relative to the prior year, whereas growth of 1% is expected for the USA. With regard to the Chinese automotive industry, the VDA expects that unit sales will fall by 2% year-on-year.

Current assessment of opportunities and risks

The information provided in the Opportunities and Risks section on pages 66 to 84 of the Annual Report 2021 generally continues to apply. Market risks continue to dominate. For Klöckner & Co, market risk is mostly determined by trends in demand and prices. The present market situation is characterized by significantly falling market prices and subdued customer demand. In addition, energy is in shorter supply and energy prices have risen significantly as a result. As many other products such as operation materials and services such as transportation have also become significantly more expensive, there has been a sharp rise in inflation. This is further compounded by the economic impacts of the Ukraine war and by the ongoing supply chain problems. The expected increase in negotiated wages will further add to the burden on the cost side. Central banks have now also responded with restrictive monetary policy and in particular sharp interest rate hikes, which in turn mean higher borrowing costs. Rising interest rates on sovereign bonds issued by heavily indebted countries and growing interest rate differentials with other European countries such as Germany may lead to a similar situation to that seen during the euro crisis. Economists fear that inflation could remain at a relatively high level for a prolonged period.

The sharp rises in steel prices, primarily in the first quarter, have also raised the borrowing requirement because of the substantial increase in net working capital. However, the higher net cash debt resulting from this in particular, and also from the funding of pension obligations and from dividend payments, is only temporary. The reduction in net working capital started in the second quarter and further continued in a market environment of falling steel prices should result in a significantly positive cash flow from operating activities in the second half-year. Expansion of the existing financing instruments in the first half of the year further enhances the available financial latitude.

For a detailed description of the risk management system in the Klöckner & Co Group, please see pages 67 et seq. of the Annual Report 2021.

Major opportunities are presented above all by our strategy, "Klöckner & Co 2025: Leveraging Strengths", the implementation of which will take Klöckner & Co to the next level in its transformation into a one-stop-shop platform. We aim to intensify Klöckner & Co's platform-based focus, merge the digital and the physical sides of our business more closely together and make better use of our internal and external networks. Inefficiencies in low-margin steel and metal distribution are still primarily caused by linear supply chains and lack of transparency. By integrating third parties into our platform structure while digitalizing and automating core processes as the next step in Klöckner & Co's evolution, we will be able to eliminate existing inefficiencies in the value chain and significantly lower variable costs. In this way, we aim to generate added value for all of our Company's stakeholders. A further key element of our strategy is the implementation of our sustainability strategy. We unlock growth opportunities with sustainable products and services – for example with an extensive range of green steel products that we categorize simply and clearly so that customers have reliable information about the carbon footprint of our product portfolio and can order the desired product in line with their own preferences.

Further opportunities consist in a milder than expected further course of the pandemic due to vaccines adapted to new variants, drugs, successful containment and ultimately a transition to an endemic state. A rise in consumer spending based on accumulated household savings from pent-up demand following the pandemic could deliver added stimulus for economic growth in the USA and also in Europe, and could likewise lead to a global easing of supply chains. Both of these developments would lower inflation and allow the Federal Reserve and other central banks to take a less aggressive monetary policy stance, thereby avoiding a recession. Increasing implementation of major infrastructure investment in the USA and also in Europe can also provide significant growth impetus for the economy.

Trade disputes have currently been pushed into the background by the Ukraine war and the associated significant increase in geopolitical risks. Alongside the COVID-19 pandemic, the war is a further major supply shock to the global economy, driving up commodity prices and slowing real income and spending growth. A further escalation in Ukraine could lead to additional, significant economic disruption and stagflationary impetus. An intensification of the conflict between China and Taiwan would also be conceivable, resulting in sanctions and hence major repercussions for the global economy. This could create lasting obstacles to global trade and thus lower global economic growth. Cyber risks could also continue to increase.

The perceived risk of recession in the USA as a result of the very restrictive monetary policy with large interest rate steps is gaining an increasingly broad base and is also not ruled out by the Federal Reserve. A possible US recession would also significantly reduce global growth prospects, especially in our European core markets. In Europe, government measures such as tax relief have helped contain some of the impact of the Ukraine war. However, poorer growth prospects combined with a long-lasting reduction or halt in energy supplies from Russia could also tip Europe into recession.

The now over two-year-old COVID-19 pandemic also continues to make for uncertainty surrounding global economic growth. While the lockdowns in many Chinese cities imposed under China's zero-COVID strategy in response to the spread of the Omicron variant have now largely been lifted, travel restrictions and universal testing remain in place in order to quickly detect and contain new outbreaks. The restrictive management of the pandemic in China is negatively impacting growth in 2022 and remains a risk factor. Despite a very high vaccination rate, Portugal is currently experiencing a dynamic wave of the pandemic due to a new Omicron sub-type that is also increasingly spreading to other European countries and now also in China. No special measures are yet in place in Portugal or in Europe as a whole, but a significant worsening of the pandemic situation by fall at the latest cannot be ruled out.

In summary, the main risk for Klöckner & Co is the demand and price trend, which will be significantly influenced by the further development of the economy. If inflation stays well above the range targeted by central banks, there is a risk of central banks adopting a more aggressive monetary policy, which could trigger a recession and so negatively impact demand in our cyclically sensitive customer sectors while also exacerbating the current negative steel price trend.

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

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

Group forecast

Global economic development was marked in the first half-year by significantly increased uncertainty and was notably influenced by repercussions of the war in Ukraine, sharply rising inflation rates and measures to contain them, diverse problems in international supply chains, the spread of the Omicron variant and the impacts of lockdowns in Chinese cities. In light of the current macroeconomic trends, we expect that the heightened uncertainty in our key markets will continue in the second half of the year.

Due to the higher average price level, we forecast a considerable increase in sales in fiscal year 2022 compared to the prior year. Despite the ongoing high level of uncertainty, we expect an increasing easing of the problems in supply chains during the second half-year, especially in the automotive industry. Overall, we expect Group shipments to be constant in fiscal year 2022 relative to the prior-year period.

Despite the challenging circumstances, and driven in particular by prices and aided by strict net working capital management, we have once again generated our best operating income for a first half-year since the IPO in 2006. In light of the recently declining steel price dynamics, we will continue to apply consistent inventory management over the remainder of the year. For fiscal year 2022, we now expect strong EBITDA of more than €500 million before material special effects. Additionally, substantial positive material special effects, in the amount of €54 million, have already arisen in the first half of the year.

Despite the higher steel price level, we expect that cash flow from operating activities will be very strong and substantially positive in fiscal year 2022, with a considerable increase on the prior year.

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

	Shipments (Tto)			Sales (€m)		
Forecast by segment	**2021**	Original forecast 2022	Adjusted forecast 2022	**2021**	Original forecast 2022	Adjusted forecast 2022
Kloeckner Metals US	2,399	considerable increase	slight decrease	3,511	considerable increase	considerable increase
Kloeckner Metals EU	1,728	considerable increase	considerable increase	2,584	considerable increase	considerable increase
Kloeckner Metals Non-EU	754	considerable increase	constant	1,345	slight increase	considerable increase
Holding and other Group companies	-			-		
Group	**4,881**	**considerable increase**	**constant**	**7,441**	**considerable increase**	**considerable increase**

	EBITDA before material special effects (€m)			Cash flow from operating activites (€m)		
	2021	Original forecast 2022	Adjusted forecast 2022	2021	Original forecast 2022	Adjusted forecast 2022
Kloeckner Metals US	456	considerable decrease	considerable decrease	– 64	considerable increase	considerable increase
Kloeckner Metals EU	294	considerable decrease	considerable decrease	– 36	considerable increase	considerable increase
Kloeckner Metals Non-EU	107	considerable decrease	slight increase	– 46	considerable increase	considerable increase
Holding and other Group companies	– 8			– 160		
Group	**848**	**considerable decrease**	**considerable decrease**	**– 306**	**considerable increase**	**considerable increase**

"Stable" corresponds to a change of +/– 0-1%, "slight" to a change of +/– >1-5% and "considerable" to a change of +/– >5%.
Due to the global impact of the war in Ukraine and the continuing effects of the COVID-19 pandemic, the estimates required for the preparation of the half-year financial report are subject to significantly greater uncertainties than usual in some areas.

Duisburg, August 3, 2022

Klöckner & Co SE

The Management Board

Klöckner & Co Share

Klöckner & Co share: Key data

ISIN DE000KC01000 – German Securities Code (WKN) KC0100

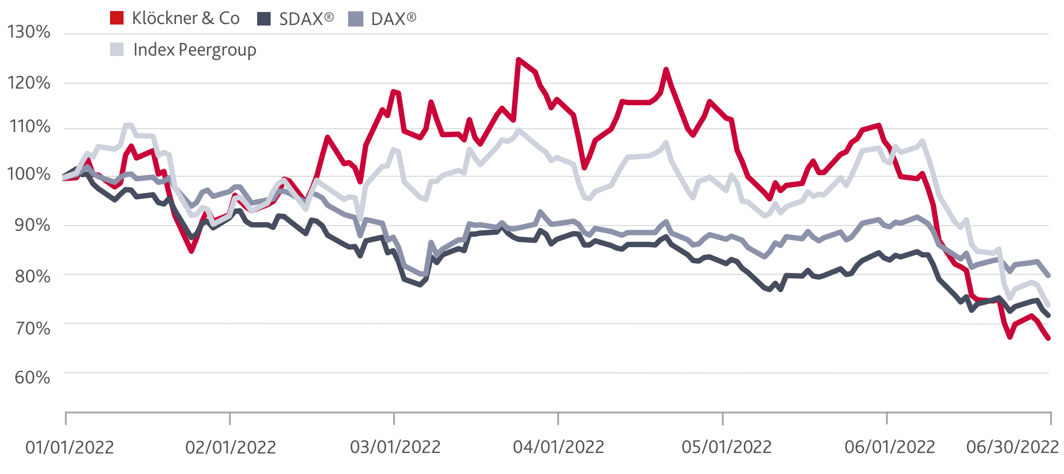
Stock exchange symbol: KCO
Bloomberg: KCO GY
Reuters Xetra: KCOGn.DE
Listed in SDAX®

SHARE PRICE PERFORMANCE

The international capital market environment was marked by high volatility in the first half of the year, notably due to the Ukraine conflict and the shift in monetary policy by central banks. Klöckner & Co shares lost around 32% compared to the year-end 2021 closing price of €10.72 and ended trading on June 30 at €7.27, which was also the low for the reporting period. The share price reached its highest level at €13.30 on March 25.

Over the same period, the DAX® and SDAX® indices lost around 20% and 28% respectively. The peer group index, which tracks the performance of companies that are comparable with Klöckner & Co, lost around 26% in the reporting period (alongside thyssenkrupp, Salzgitter, Arcelor Mittal, Voestalpine and Swiss Steel, the peer group index also includes Reliance, Olympic Steel and Ryerson).

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



During the second quarter, the average trading volume in Klöckner & Co shares increased to around €6.0 million per day, slightly higher than in the first quarter (around €5.9 million per day). Klöckner & Co shares ranked 128th by trading volume and 94th by free float market capitalization in Deutsche Börse AG's ranking in June.

KEY DATA – KLÖCKNER & CO SHARE

		Q2 2022	Q2 2021	HY1 2022	HY1 2021
Share Capital	€	249,375,000	249,375,000	249,375,000	249,375,000
Number of shares	in shares	99,750,000	99,750,000	99,750,000	99,750,000
Closing price (Xetra, Close)	€	7.27	11.54	7.27	11.54
Market capitalization	€ million	725	1,151	725	1,151
High (Xetra, Close)	€	13.09	13.26	13.30	13.26
Low (Xetra, Close)	€	7.27	10.72	7.27	7.51
Average daily trading volume	in shares	557,949	483,500	549,521	473,844

ANNUAL GENERAL MEETING

The 16th Annual General Meeting of Klöckner & Co SE was held on June 1, 2022. For the third time in succession, the Annual General Meeting was held as a virtual meeting, without the physical presence of shareholders or their proxy holders (with the exception of proxy holders nominated by the Company). This decision was made by the Management Board with the approval of the Supervisory Board in view of the still ongoing impacts of the COVID-19 pandemic and to protect all parties involved against health risks. All shareholders were able to register for the Annual General Meeting, vote, submit questions to the Company in advance and follow a livestream of the entire meeting via the online service on the Klöckner & Co SE website, www.kloeckner.com. The entire Annual General Meeting was also livestreamed on the website for the public. The speeches by Supervisory Board Chairman Prof. Dr. Dieter H. Vogel and CEO Guido Kerkhoff remain available there for viewing. In total, around 60% of the voting capital voted on resolutions.

OWNERSHIP STRUCTURE

According to voting rights notifications, our largest shareholder at the end of the reporting period was SWOCTEM GmbH (Prof. Dr. Friedhelm Loh) with a shareholding of between 25% and 30%. Rossmann Beteiligungs GmbH and The Goldman Sachs Group, Inc. followed with between 5% and 10% and Union Investment Privatfonds GmbH, Claas Edmund Daun and Dimensional Holdings Inc. with between 3% and 5% (percentages of voting rights from shares and instruments). Our free float as defined by Deutsche Börse AG thus totaled 74.75% as of the end of the reporting period.

CAPITAL MARKET COMMUNICATION

During the first half of 2022, the management and members of the IR team of Klöckner & Co SE provided interested capital market participants with information at four (virtual) conferences in Germany and internationally, as well as in many additional one-on-one discussions. Talks with investors focused on the business performance of the Klöckner & Co Group, implementation of the “Klöckner & Co 2025: Leveraging Strengths” strategy, the creation of sustainable value chains, the impacts of the Russian invasion of Ukraine on the steel market and global macroeconomic developments.

In the first six months, Klöckner & Co was covered by ten banks and securities houses in over 50 research reports. As of the end of June, five of these rated Klöckner & Co shares a “buy”, three gave a “hold” recommendation and two rated the shares a “sell”.

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

Interested capital market investors can also follow Klöckner & Co on Twitter and LinkedIn for current news on our Company, our shares and our capital market story. Our email newsletter additionally keeps shareholders and other interested parties abreast of current developments at Klöckner & Co SE. You are welcome to sign up for this Company information via ir@kloeckner.com.

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

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Klöckner & Co SE

Consolidated statement of income

for the six-month period ending June 30, 2022

(€ thousand)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Sales	2,580,394	1,847,419	5,017,942	3,372,853
Changes in inventory	10,281	16,838	29,279	23,464
Own work capitalized	-	367	-	764
Other operating income	8,655	6,142	71,207	23,485
Cost of materials	– 2,082,754	– 1,339,099	– 4,057,664	– 2,483,495
Personnel expenses	– 155,862	– 151,413	– 307,248	– 300,530
Depreciation and amortization	– 31,820	– 30,661	– 62,193	– 60,906
Impairment losses	-	– 391	-	– 391
Reversal of impairment losses	72	1,090	72	1,090
Other operating expenses	– 137,658	– 110,319	– 276,625	– 225,635
Operating result	**191,308**	**239,972**	**414,770**	**350,700**
Income from investments	**4,061**	**4,423**	**4,092**	**4,423**
Finance income	616	7,909	1,058	7,925
Finance expenses	– 8,300	– 6,186	– 16,101	– 12,171
Financial result	**– 7,684**	**1,722**	**– 15,043**	**– 4,246**
Income before taxes	**187,685**	**246,117**	**403,818**	**350,876**
Income taxes	– 36,756	– 30,988	– 80,612	– 49,569
Net income	**150,929**	**215,128**	**323,207**	**301,307**
thereof attributable to				
– shareholders of Klöckner & Co SE	*149,136*	*212,405*	*317,116*	*297,417*
– non-controlling interests	*1,793*	*2,724*	*6,090*	*3,890*
Earnings per share (€/share)				
– basic	1.50	2.13	3.18	2.98
– diluted	1.36	1.88	2.88	2.66

Statement of comprehensive income Group

for the six-month period ending June 30, 2022

(€ thousand)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Net income	**150,929**	**215,128**	**323,207**	**301,307**
Other comprehensive income not reclassifiable				
Actuarial gains losses (IAS 19)	1,593	26,334	– 67,119	70,025
Related income taxes	1,895	– 2,918	17,024	– 10,424
Total	**3,488**	**23,416**	**– 50,095**	**59,601**
Other comprehensive income reclassifiable				
Foreign currency translation	62,533	1,239	79,951	5,720
Gain/losses from cash flow hedges	– 193	-	– 193	-
Total	**62,340**	**1,239**	**79,758**	**5,720**
Other comprehensive income	**65,828**	**24,655**	**29,663**	**65,321**
Group total comprehensive income	**216,757**	**239,783**	**352,870**	**366,628**
thereof attributable to				
– shareholders of Klöckner & Co SE	*214,937*	*237,051*	*346,741*	*362,728*
– non-controlling interests	*1,820*	*2,732*	*6,129*	*3,900*

Consolidated statement of financial position

as of June 30, 2022

Assets

(€ thousand)	Notes	June 30, 2022	December 31, 2021
Non-current assets			
Intangible assets	7	93,511	97,389
Property, plant and equipment	7	804,180	760,354
Other financial assets		35,550	27,622
Other non-financial assets		89,132	172,917
Current income tax receivable		800	5,429
Deferred tax assets		28,729	35,578
Total non-current assets		**1,051,902**	**1,099,287**
Current assets			
Inventories	8	2,005,749	1,715,723
Trade receivables		1,226,854	843,284
Contract assets		60,495	41,861
Supplier bonus receivables		14,108	55,543
Current income tax receivable		1,536	1,225
Other financial assets		24,134	20,875
Other non-financial assets		52,011	38,182
Cash and cash equivalents		225,125	57,628
Assets held for sale		2,785	4,154
Total current assets		**3,612,798**	**2,778,475**
Total assets		**4,664,700**	**3,877,762**

Equity and liabilities

(€ thousand)	Notes	June 30, 2022	December 31, 2021
Equity			
Subscribed capital		249,375	249,375
Capital reserves		568,622	568,729
Retained earnings		1,072,273	854,894
Accumulated other comprehensive income		165,487	138,619
Equity attributable to shareholders of Klöckner & Co SE		**2,055,755**	**1,811,617**
Non-controlling interests		21,861	15,731
Total equity		**2,077,615**	**1,827,348**
Non-current liabilities			
Provisions for pensions and similar obligations		40,733	50,024
Other provisions and accrued liabilities		16,974	17,352
Non-current financial liabilities	9	682,291	556,446
Other financial liabilities		644	137
Deferred tax liabilities		41,876	63,140
Total non-current liabilities		**782,518**	**687,099**
Current liabilities			
Other provisions and accrued liabilities		140,205	148,022
Income tax liabilities		53,666	29,690
Current financial liabilities	9	443,622	260,649
Trade payables		1,060,750	838,149
Other financial liabilities		34,789	32,625
Contract liabilities		3,739	5,099
Advance payments received		3,970	939
Other non-financial liabilities		63,826	48,141
Total current liabilities		**1,804,566**	**1,363,315**
Total liabilities		**2,587,084**	**2,050,414**
Total equity and liabilities		**4,664,700**	**3,877,762**

Consolidated statement of cash flows

for the six-month period ending June 30, 2022

(€ thousand)	Q2 2022	Q2 2021	HY1 2022	HY1 2021
Net income	150,929	215,128	323,207	301,307
Income taxes	36,756	30,988	80,612	49,569
Financial result	7,684	– 1,722	15,043	4,246
Income from investments	– 4,061	– 4,423	– 4,092	– 4,423
Depreciation, amortization and impairments	31,748	29,963	62,121	60,207
Other non-cash income/expenses	470	58	16	54
Gain on disposal of non-current assets	– 1,315	– 680	– 55,614	– 12,219
Change in net working capital				
Inventories	– 12,900	– 158,648	– 206,611	– 236,195
Trade receivables, contract assets, supplier bonuses	61,412	– 139,117	– 307,320	– 362,288
Trade payables	36,629	121,687	173,626	295,948
Change in other operating assets and liabilities	– 18,518	– 435	– 15,988	21,098
Interest paid	– 6,740	– 3,959	– 13,899	– 9,193
Interest received	1,615	102	2,977	163
Income taxes paid/reimbursed	– 21,933	– 15,123	– 53,047	– 16,880
Cash flow from operating activities	**261,776**	**73,819**	**1,031**	**91,394**
Proceeds from the sale of non–current assets	2,724	2,543	65,867	8,260
Proceeds from financial assets	737	323	760	323
Payments for intangible assets, property, plant and equipment	– 19,769	– 16,117	– 39,434	– 30,529
Acquisition of subsidiaries	-	-	– 3,387	-
Payments for financial assets	– 3,630	– 2,612	– 4,557	– 4,673
Cash flow from investing activities	**– 19,938**	**– 15,863**	**19,249**	**– 26,619**
Dividend payments to shareholders of Klöckner & Co SE	– 99,750	-	– 99,750	-
Borrowings	299,857	18,210	899,081	24,899
Repayment of financial liabilities	– 294,212	– 64,705	– 634,748	– 98,589
Repayment of lease liabilities	– 10,028	– 10,122	– 20,723	– 22,905
Proceeds from derivates	28	2,178	– 4,042	– 5,415
Cash flow from financing activities	**– 104,105**	**– 54,439**	**139,818**	**– 102,010**
Changes in cash and cash equivalents	**137,733**	**3,517**	**160,098**	**– 37,235**
Effect of foreign exchange rates on cash and cash equivalents	5,729	– 325	7,399	1,344
Cash and cash equivalents at the beginning of the period	81,663	133,483	57,628	172,566
Cash and cash equivalents at the end of the reporting period as per statement of financial position	**225,125**	**136,675**	**225,125**	**136,675**

Summary of changes in equity

for the six-month period ending June 30, 2022

				Accumulated other comprehensive income					
(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	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**
Balance as of January 1, 2021	**249,375**	**568,729**	**235,923**	**146,477**	**– 159,903**	**– 4,571**	**1,036,030**	**7,108**	**1,043,138**
Other comprehensive income									
Foreign currency translation	-	-	-	5,714	-	-	5,714	6	5,720
Actuarial gains and losses (IAS 19)	j	-	-	-	70,020	-	70,020	5	70,025
Related income tax	-	-	-	-	– 10,423	-	– 10,423	– 1	– 10,424
Other comprehensive income	**-**	**-**	**-**	**5,714**	**59,597**	**-**	**65,311**	**9**	**65,321**
Net income	-	-	297,454	– 37	-	-	297,417	3,890	301,307
Total comprehensive income	**-**	**-**	**297,454**	**5,677**	**59,597**	**-**	**362,728**	**3,899**	**366,627**
Balance as of June 30, 2021	**249,375**	**568,729**	**533,377**	**152,154**	**– 100,306**	**– 4,571**	**1,398,758**	**11,007**	**1,409,766**
Balance as of January 1, 2022	**249,375**	**568,729**	**854,894**	**211,741**	**– 68,551**	**– 4,571**	**1,811,616**	**15,731**	**1,827,348**
Other comprehensive income									
Foreign currency translation	-	-	-	79,929	-	-	79,929	21	79,951
Gain/Loss from cash flow hedges	-	-	-	-	-	– 193	– 193	-	– 193
Actuarial gains and losses (IAS 19)	-	-	-	-	– 67,142	-	– 67,142	24	– 67,119
Related income tax	-	-	-	-	17,030	-	17,030	– 6	17,024
Other comprehensive income	**-**	**-**	**-**	**79,929**	**– 50,112**	**– 193**	**29,623**	**39**	**29,663**
Net income	-	-	317,129	– 12	-		317,116	6,090	323,207
Total comprehensive income	**-**	**-**	**317,129**	**79,917**	**– 50,112**	**– 193**	**346,739**	**6,129**	**352,870**
Gain/loss from hedges and cost of hedging, reclassified in inventories	-	-	-	-	-	– 2,744	– 2,744	-	– 2,744
Dividends	-	-	– 99,750	-	-	-	– 99,750	-	– 99,750
Revaluation equity component of convertible bond	-	– 108	-	-	-	-	– 108	-	– 108
Balance as of June 30, 2022	**249,375**	**568,622**	**1,072,273**	**291,658**	**– 118,663**	**– 7,508**	**2,055,755**	**21,861**	**2,077,615**

Selected explanatory notes to the condensed interim consolidated financial statements for the six-month period ending June 30, 2022

(1) Basis of presentation

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2022 were prepared for interim reporting in accordance with Sec. 115 of the German Securities Trading Act (WpHG) and International Financial Reporting Standards (IFRS) including IAS 34 Interim Financial Reporting as adopted for use within the EU.

The condensed interim consolidated financial statements have been reviewed by an independent auditor.

The accounting policies applied in preparing the interim consolidated financial statements as of June 30, 2022 – with the exception of the changes presented in Note 2 (New accounting standards and interpretation) and Note 9 (Intangible assets and property, plant & equipment) – are consistent with those used for the consolidated financial statements of Klöckner & Co SE as of December 31, 2021. A detailed description of those policies is provided in the notes to the consolidated financial statements on pages 183 to 192 of the Annual Report 2021. Consistency of presentation is observed.

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

	Closing rate		Average rate	
€1 =	June 30, 2022	December 31, 2021	HY1 2022	HY1 2021
Pound Sterling (GBP)	0.8582	0.8403	0.8424	0.8680
Swiss Franc (CHF)	0.9960	1.0331	1.0319	1.0946
US dollar (USD)	1.0387	1.1326	1.0934	1.2054

As part of the preparation of interim consolidated financial statements in accordance with IAS 34 for the period ending June 30, 2022, the Management Board of Klöckner & Co SE is required to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the presentation, recognition and measurement of assets and liabilities, income and expenses. Actual amounts may differ from these estimates.

Due to the global impact of the war in Ukraine and the ongoing effects of the COVID-19 pandemic, the estimates required in preparation of the half-year financial report are subject in a number of areas to significantly greater uncertainty than usual. This relates in particular to estimates in connection with the impairment testing of non-financial assets (goodwill and non-current assets). Information on our assessment of the impact of these influences is provided in Note 7 (Financial liabilities).

In the opinion of the Management Board, the interim consolidated financial statements reflect all information necessary to provide a true and fair view of the results. The results for the period ending June 30, 2022 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2022 were authorized for issuance by the Management Board on August 3, 2022 after discussion with the Audit Committee of the Supervisory Board. Unless otherwise indicated, all amounts are stated in million euros (€ million), which is the Group's functional currency. Discrepancies may arise relative to the unrounded figures.

(2) New accounting standards and interpretations

The following standards were applied for the first time in the first half of 2022:

Standard/Interpretation
Amendments to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June, 2021
Amendments to IFRS 3 – Reference to the Conceptual Framework
Amendments to IAS 16 – Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41

On March 31, 2021, the IASB published Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond June 30, 2021. In response to the ongoing impacts of the COVID-19 pandemic, IFRS 16 Leases was amended to extend by one year the practical expedient providing lessees with relief in accounting for COVID-19-related rent concessions. The amendments extended the practical expedient for rent concessions that reduced lease payments originally due on or before June 30, 2022. Previously, the practical expedient only applied for rent concessions that reduced lease payments due on or before June 30, 2021. The amendments are effective for annual periods beginning on or after April 1, 2021. Earlier application was permitted.

On May 14, 2020, the IASB published Amendments to IFRS 3: Reference to the Conceptual Framework. The new Conceptual Framework was accompanied by amendments to references to the Conceptual Framework in various standards, including IFRS 3. There was no substantive change to the accounting rules for business combinations. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2022.

The amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use clarify that proceeds received by an entity from the sale of items produced while preparing an asset for its intended use (such as product samples), and the related costs, are to be recognized in profit or loss. It is not allowed for such amounts to be accounted for in the cost of the asset. The amendments are effective for periods beginning on or after January 1, 2022.

On May 14, 2020, the IASB published Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract. The amendments specify what costs an entity is to include for the purpose of assessing whether a contract is onerous. They specify that the costs of fulfilling a contract comprise all costs that relate directly to the contract. These include both incremental costs of fulfilling the contract and other costs directly attributable to the contract. The amendments are effective for annual periods beginning on or after January 1, 2022.

The Annual Improvements to IFRS 2018–2020 made amendments to the following standards:

An amendment to IFRS 1 permits a subsidiary that is a first-adopter and that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent.

The amendment to IFRS 9 clarifies which fees an entity includes when it applies the 10% test (paragraph B3.3.6 of IFRS 9) in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity as a borrower and the lender.

In IFRS 16, an amendment to Illustrative Example 13 accompanying IFRS 16 removes the illustration of the reimbursement of leasehold improvements by the lessor.

In IAS 41, the requirement for entities to exclude taxation cash flows when measuring fair value has been removed.

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

(3) Acquisitions

With effect as of March 1, 2022, Debrunner Koenig AG, St. Gallen, Switzerland, acquired 100% of the shares in PC-Tech SA, Phantalaz, Switzerland, for a purchase price of €3.4 million. The acquisition resulted in goodwill of €1.1 million. Its impact on net income is immaterial.

(4) Special items affecting the results

The Group has assessed its exposure to climate-related and other emerging business risks, but has not identified any risks that could also have an impact on the Group's result of operations, financial position and net assets as of June 30, 2022.

EBITDA

Comparability between operating income (EBITDA) for the first six months of fiscal year 2022 and the prior year is impacted by the following material one-off effects:

(€ thousand)	June 30, 2022	June 30, 2021
Material sales of real estate	55,482	12,627
Restructuring expenses	– 1,770	– 2,718
Impact on EBITDA	**53,712**	**9,909**

H1 2022

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

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

Follow-on costs from restructuring expenses under the Surtsey project

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

H1 2021

Material one-off gains on the sale of properties as part of the Surtsey project

Completion of the sale of a site in Germany in the first quarter of 2021 resulted in a book gain of €10 million. In addition, three sites in the USA were sold as part of the Surtsey project with book gains of €2 million.

Follow-on costs from restructuring expenses under the Surtsey project

The Surtsey project launched in 2020 resulted in follow-on expenses for personnel and site closure costs and adjustments to inventory write-downs.

FURTHER SPECIAL ITEMS AFFECTING EARNINGS FOR THE PERIOD

H1 2021

Remeasurement of the convertible bond

In light of the positive performance in the second quarter of 2021, the convertible bond traded at 108.9% on June 30, 2021. We consequently did not expect holders of the convertible bond to exercise their investor put option. As a result, we remeasured the debt component through profit or loss as of the end of the second quarter. The one-time interest income of €8 million resulting from the remeasurement was offset in an equal amount over the residual maturity of the bond by the unwinding of the discount on the liability.

Deferred tax assets

Tax expense was reduced by €17 million due to the recognition of deferred tax assets reflecting improved scope for utilizing loss carryforwards in the German tax group.

(5) Sales

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

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

2021 (€ thousand)	Kloeckner Metals US	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group companies	Total
Germany	42	743,748	3,725	155	747,669
EU excluding Germany	5,163	457,450	4,968	-	467,581
Switzerland	164	3,471	476,666	-	480,302
Rest of Europe	8	4,959	148,808	-	153,776
USA	1,452,433	278	213	-	1,452,924
Rest of North America	914	10	-	-	923
Central and South America	48,182	8,202	150	-	56,534
Asia/ Australia	40	5,708	38	-	5,785
Africa	-	7,354	5	-	7,359
Sales	**1,506,945**	**1,231,181**	**634,573**	**155**	**3,372,853**

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

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

2021 (€ thousand)	Kloeckner Metals US	Kloeckner Metals EU	Kloeckner Metals Non-EU	Holding and other Group companies	Total
Stockholding	567,426	672,175	393,201	155	1,632,956
Processing and Service-Center	923,883	413,219	179,510	-	1,516,612
Direct business	15,636	89,228	35,016	-	139,880
Other contracts	-	56,559	26,846	-	83,405
External sales	**1,506,945**	**1,231,181**	**634,573**	**155**	**3,372,853**

(6) Earnings per share

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

		HY1 2022	HY1 2021
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	317,116	297,417
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	**(€/share)**	**3.18**	**2.98**
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	317,116	297,417
Interest income on revaluation of dilutive convertible bonds (net of tax)	(€ thousand)	-	– 5,320
Interest expense on dilutive convertible bonds (net of tax)	(€ thousand)	2,335	2,595
Net income used to determine diluted earnings per share	(€ thousand)	319,452	294,692
Weighted average number of shares	(thousands of shares)	99,750	99,750
Dilutive potential shares from convertible bonds	(thousands of shares)	11,087	11,087
Weighted average number of shares for diluted earnings per share	(thousands of shares)	110,837	110,837
Diluted earnings per share	**(€/share)**	**2.88**	**2.66**

(7) Intangible assets and property, plant & equipment

Impairment testing of goodwill and other non-current assets

The altered circumstances in the second quarter of 2022 due to the Ukraine war and the COVID-19-related restrictions in China did not have a significant negative impact on sales and business development in our economic or legal operating environment in the first half of the year. Procurement on these markets is also not materially relevant to us. Overall, the circumstances have exacerbated the supply shortage on the steel market and thus, via the price trend, contributed to significantly better than expected performance in all cash-generating units (CGUs). How far this trend will continue, given the impacts of a potential halt in Russian gas supplies together with further possible supply shortages and high inflation rates, is something that can only be predicted today with great uncertainty because of the many unknowns in the geopolitical and (global) economic situation. Management has reviewed the potential impacts and does not currently anticipate any material negative effects on long-term business performance.

As a result of the above-mentioned changes in the geopolitical situation, both the Federal Reserve and the European Central Bank – as well as other international central banks – responded with drastic base rate increases in the second quarter of 2022. Impairment testing in the analysis as of December 31, 2021 showed that the change in WACC may have an impact on the calculation of the recoverable amounts of goodwill-carrying units. On account of this, the calculation of the recoverable amount was reviewed for the goodwill-carrying CGUs and for all other CGUs as of June 30, 2022. The calculations were made in accordance with the methods used as of December 31, 2021. For details, please refer to Note 16 (Intangible assets and property, plant and equipment) to our IFRS Consolidated Financial Statements as of December 2021.

The impairment test carried out as of June 30, 2022 resulted in a surplus of €34.0 million (December 31, 2021: €15.9 million) for the Swiss CGU and of €97.5 million (December 31, 2021: €138.1 million) for Becker Stahl-Service GmbH (BSS) by which the recoverable amount of the respective cash-generating unit exceeded its respective carrying amount.

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 (in %)		Shipments	Gross profit per ton	OPEX
Switzerland	2022	2.2	– 4.7	– 1.1
	2021	2.4	– 6.7	– 1.4
Becker Stahl-Service GmbH (BSS)	2022	10.1	– 5.5	7.4
	2021	10.1	– 7.0	9.0

The recoverable amount of the CGU would equal its carrying amount if the key assumptions changed as follows:

CGU		Shipments	Gross profit per ton	OPEX	WACC
Switzerland	2022	– 4.7%	– 1.5%	6.7%	+ 0.4%p
	2021	– 2.0%	– 0.4%	0.6%	+ 0.2%p
Becker Stahl-Service GmbH (BSS)	2022	– 24.3%	– 7.0%	7.9%	+ 2.3%p
	2021	– 32.5%	– 11.1%	17.1%	+ 3.2%p

Value in use was measured for the Switzerland CGU on the basis of a pretax WACC of 7.42% (2021: 6.3%) and for the Becker Stahl-Service GmbH CGU on the basis of a pretax WACC of 10.70% (2021: 9.95%).

In impairment testing of the CGUs without goodwill, the values in use of the Netherlands and United Kingdom CGUs were less than their carrying amounts, hence the recoverable amount of the non-current assets cannot be determined from the cash flows from continuing use. In accordance with IAS 36.105, we therefore compared the fair values of the individual assets with the carrying amounts of the assets of the two CGUs as of June 30, 2022. The resulting fair values mainly exceed the carrying amounts of the assets of the two CGUs.

(8) Inventories

(€ million)	June 30, 2022	December 31, 2021
Cost	2,040	1,747
Valuation allowance (net realizable value)	– 34	– 31
Inventories	**2,006**	**1,716**

(9) Financial liabilities

The details of financial liabilities are as follows:

(€ million)	June 30, 2022	December 31, 2021
Non-current financial liabilities		
Bonds	143	141
Liabilities to banks	403	293
Finance lease liabilities	136	122
Total non-current financial liabilities	**682**	**556**
Current financial liabilities		
Bonds	1	1
Liabilities to banks	139	37
Liabilities under ABS programs	268	189
Finance lease liabilities	35	34
Total current financial liabilities	**444**	**261**
Financial liabilities as per consolidated balance sheet	**1,126**	**817**

The 2016 convertible bond (total volume €148 million) was issued with a seven-year term to maturity and an investor put option. This gave each bondholder the right, subject to a minimum 30-day notice period, to call all or some of their bonds as of September 8, 2021. As holders of the convertible bond did not exercise their investor put option, the bond was classified as a non-current financial liability maturing September 2023. The debt component was consequently remeasured through profit or loss as of June 30, 2021. This resulted in one-time interest income of €8 million, which will be offset in an equal amount over the residual maturity of the bond by the unwinding of the discount on the liability.

Net financial debt developed as follows:

(€ million)	June 30, 2022	December 31, 2021
Financial liabilities as per consolidated balance sheet	**1,126**	**817**
plus transaction costs	2	3
Gross financial liabilities	**1,128**	**820**
less cash and cash equivalents	– 225	– 58
Net financial debt (before deduction of transaction cost)	**903**	**762**

(10) Financial instruments

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

Financial assets as of June 30, 2022			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Position as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other financial assets	332	332	-	-	-	332	-	332
Participations	Non-current other financial assets	30,271	30,271	-	-	-	-	30,271	30,271
Short-term deposits (< 3 month)	Cash and cash equivalents	1,372	1,372	-	-	-	1,372	-	1,372
Not measured at fair value									
Trade receivables and contract assets	Trade receivables and contract assets	1,287,349	-	-	1,287,349	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	223,753	-	-	223,753	-	-	-	-
Other financial assets at cost	Current and non-current other financial assets	29,081	-	-	29,081	-	29,081	-	29,081
Other financial assets at cost	Bonus claims to suppliers	14,108	-	-	14,108	-	-	-	-
Total		**1,586,266**	**31,975**	**-**	**1,554,291**	**-**	**30,785**	**30,271**	**61,056**

Financial liabilities as of June 30, 2022			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Position as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current financial liabilities	2,805	2,805	-	-	-	2,805	-	2,805
Derivative financial instruments designated in hedge accounting	Other current and non-current financial liabilities	3,091	-	3,091	-	-	3,091	-	3,091
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	954,779	-	-	954,779	-	955,769	-	955,769
Lease liabilities	Current and non-current financial liabilities	171,134	-	-	171,134	-	-	-	-
Trade payables	Trade payables	1,060,750	-	-	1,060,750	-	-	-	-
Other financial liabilities at cost	Other non-current financial liabilities	644	-	-	644	-	-	639	639
Other financial liabilities at cost	Other current financial liabilities	28,893	-	-	28,893	-	-	-	-
Total		**2,222,096**	**2,805**	**3,091**	**2,216,200**	**-**	**961,665**	**639**	**962,304**

Financial assets as of December 31, 2021				Category			Fair value		
(€ thousand)	Presented in the Statement of Financial Position as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other financial assets	111	111	-	-	-	111	-	111
Participations	Non-current other financial assets	22,386	22,386	-	-	-	-	22,386	22,386
Short-term deposits (< 3 month)	Cash and cash equivalents	7,275	7,275	-	-	-	7,275	-	7,275
Not measured at fair value									
Trade receivables and contract assets	Trade receivables and contract assets	885,145	-	-	885,145	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	50,353	-	-	50,353	-	-	-	-
Other financial assets at cost	Current and non-current other financial assets	26,000	-	-	26,000	-	26,000	-	26,000
Other financial assets at cost	Bonus claims to suppliers	55,543	-	-	55,543	-	-	-	-
Total		**1,046,813**	**29,772**	**-**	**1,017,041**	**-**	**33,386**	**22,386**	**55,772**

Financial liabilities as of December 31, 2021			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Position as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current financial liabilities	1,705	1,705	-	-	-	1,705	-	1,705
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	661,195	-	-	661,195	-	678,204	-	678,204
Lease liabilities	Current and non-current financial liabilities	155,901	-	-	155,901	-	-	-	-
Trade payables	Trade payables	838,149	-	-	838,149	-	-	-	-
Other financial liabilities at cost	Other non-current financial liabilities	137	-	-	137	-	-	137	137
Other financial liabilities at cost	Other current financial liabilities	30,919	-	-	30,919	-	-	-	-
Total		**1,688,006**	**1,705**	**-**	**1,686,301**	**-**	**679,909**	**137**	**680,046**

The fair value measurement of non-current financial assets in the amount of €30,271 thousand (2021: €22,386 thousand) is classified as level 3. These are mostly unquoted financial instruments (equity investments) for which there is no active market. Of the change in the fiscal year, €4,557 thousand is attributable to capital measures and €3,332 thousand to changes in fair value. Fair value is measured on the basis of available financial information, such as transaction prices for financing rounds or business plans to the extent that this information is reliable, or, as an approximation, as cost, which is considered an appropriate estimate of fair value as no more suitable information is available. A review is carried out on a quarterly basis using all information available on the equity investments to establish whether cost is still representative of fair value. This would no longer be the case, for example, in the event of a significant change in the market in which the equity investments are active. As cost is the sole input factor for fair value, a percentage change in cost results in an equal change in fair value. The estimated fair value would increase (decrease) with any increase (decrease) in cost. A 0.5% increase (decrease) would not materially affect fair value.

The fair values of non-current financial liabilities are determined on the basis of risk-adjusted discounted cash flows.

In the case of current financial assets (mostly other assets), fair values are largely identical to carrying amounts. The fair values of financial liabilities reflect the current market situation for the respective financial instruments as of June 30, 2022. Their fair values are not reduced by transaction costs. For current financial liabilities, when there are no transaction costs to be deducted, their carrying amount is identical to fair value.

Financial instruments are classified as Level 1 if the fair value is obtained from quoted prices in active markets. Fair values determined using other directly observable market inputs are classified as Level 2.

Changes in hierarchy levels are taken into account at the end of the period in which the change took place. There were no transfers between hierarchy levels during the reporting year.

The Level 3 fair values in miscellaneous other non-current liabilities include a purchase price liability from the acquisition of PC-Tech S.A., Phantalaz, Switzerland, in the amount of €502 thousand with a term of more than one year. They also include a put liability from the acquisition of ODS Belgium B.V., Essen, Belgium (previously GSD System Development BVBA). The put option was entered into for a potential future transfer of non-controlling interests valued by discounting future earnings based on budget figures. The future earnings are based on budget figures. These liabilities totaled €137 thousand in the fiscal year (2021: €137 thousand).

Derivative financial instruments

The Klöckner & Co Group is exposed in its operating business to interest and currency risk and to price fluctuation risk in procurement transactions. This risk is hedged using derivative financial instruments.

The Group exclusively uses market instruments with sufficient market liquidity. Derivative financial instruments are entered into and managed in compliance with internal directives governing the scope of action, responsibilities and controls. According to these directives, the use of derivative financial instruments is a primary responsibility of the Corporate Treasury department of Klöckner & Co SE, which manages and monitors the use of such instruments. Such transactions are only entered into with credit institutions with impeccable ratings. Derivative financial instruments are not allowed to be used for speculative purposes and may only be used to hedge risks associated with hedged items.

Derivative financial instruments are accounted for at fair value in accordance with IFRS 9. With regard to hedge accounting, Klöckner & Co made use of the option of accounting for hedges in accordance with IAS 39 until December 31, 2021. Since January 1, 2022, hedge accounting has been applied in accordance with IFRS 9.

Derivatives are initially measured at fair value on inception and subsequently measured at fair value at each reporting date. Any gain or loss from a change in the fair value of a derivative financial instrument that is not a designated and effective cash flow hedge or hedge of a net investment is immediately recognized in profit or loss. For derivative financial instruments that are designated hedges, the timing of the recognition of gains or losses depends on the type of hedge and its effectiveness. The Klöckner & Co Group uses certain derivative financial instruments to hedge recognized assets or liabilities. Certain unrecognized firm commitments are also hedged.

Forward exchange transactions are measured item by item at the forward rate as of the reporting date, and exchange differences arising due to the contracted forward exchange rate are recognized in profit or loss.

Commodity futures contracts are designated in cash-flow hedge accounting and classified into planned and pending procurement transactions. Two potential causes of ineffectiveness are over-hedging and divergence between the derivative's underlying and the reference price formula. Any ineffectiveness would be accounted for in cost of materials.

The notional amounts and fair values of the derivative financial instruments in interest rate and currency hedges as of the reporting date and risks of price fluctuations in procurement transactions are as follows:

	June 30, 2022			December 31, 2021	
(€ million)	**Not designated in hedge-accounting**	**Designated in hedge-accounting**	**Average hedge rate (in €)**	Not designated in hedge-accounting	Designated in hedge-accounting
Nominal values					
Forward exchange transactions	194.9	-	-	224.6	-
Commodity futures	-	20.6	1,011	-	-

The notional amounts correspond to the non-netted sum of the currency, interest rate and price portfolio.

The amounts relating to items designated as hedging instruments were as follows:

(€ million)	June 30, 2022 Fair value Forward exchange transactions	 Commodity futures
Not designated in hedge-accounting	– 2.5	-
Designated in hedge-accounting	-	– 3.1
Change in value of hedging instrument recognized in other comprehensive income	-	– 2.9
Ineffectiveness recognized in profit or loss	-	0.2
Gains and losses on hedges reclassified to inventories - basis adjustment	-	2.7
Amount reclassified from hedging reserve to profit or loss	-	-

Forward exchange contracts are presented in other current assets and liabilities; commodity futures contracts are presented in other current liabilities.

The amounts relating to items designated as hedged items were as follows:

(€ million)	June 30, 2022 Change in value for calculation of hedge ineffectiveness
Commodity futures	0.2

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 €194.9 million (2021: €224.6 million) have a remaining maturity of less than one year. These include a notional amount of €96.0 million (2021: €127.6 million) for the hedging of intra-Group loans.

Commodity futures contracts with a notional amount of €20.6 million (2021: -/-) have a remaining maturity of less than one year.

The contractual agreements with counterparties do not give rise to any rights of set-off to be disclosed in accordance with IFRS 7.13B as of June 30, 2022.

Commodity price risks and opportunities for steel are presented using sensitivity analyses in accordance with IFRS 7. These show how equity as of the reporting date is affected by changes in prices. Commodity price risk is measured as cash flow risk.

Scenario-based sensitivity analysis is used to show the effects on Klöckner & Co of a parallel shift in price curves.

On the basis of financial liabilities as of June 30, 2022, a 10% fall in the price level in each case would have a negative effect in the amount of approximately €0.3 million (December 31, 2021: -/-); this would be accounted for in equity, in the cash flow hedge reserve.

(11) Subsequent events

On July 13, 2022, and effective July 31, 2022, Becker Stainless GmbH acquired a 100% interest in RSC Rostfrei Coilcenter GmbH, which in turn, in an asset deal, acquired selected assets and liabilities of Hernandez Stainless GmbH. The acquisitions mark Becker's entry into stainless steel processing in a significant extension to its product and service portfolio. Hernandez Stainless GmbH provides surface machining and stocks stainless flat products. RSC Rostfrei Coilcenter GmbH is specialized in stainless steel coil cutting. The purchase price for the two transactions was in the low double-digit millions of euros; together, the two companies have approximately 70 employees and generated sales of around €160 million in fiscal year 2021. The transactions remain subject to approval by the competition authorities.

As certain information necessary for measurement is not yet available in its entirety, it has not yet been possible to begin allocating the purchase price to the acquired assets and liabilities in accordance with IFRS 3 Business Combinations. Also, and in particular, the fair value of the acquired other intangible assets, provisions and deferred taxes and the resulting goodwill has not yet been determined. Overall, the acquisition is not expected to have a material impact on the results of operations, financial position and net asset position.

(12) Related party transactions

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

(13) Segment reporting

(€ million)	Kloeckner Metals US HY1 2022	Kloeckner Metals US HY1 2021	Kloeckner Metals EU HY1 2022	Kloeckner Metals EU HY1 2021	Kloeckner Metals Non-EU HY1 2022	Kloeckner Metals Non-EU HY1 2021	Holding and other Group companies*) HY1 2022	Holding and other Group companies*) HY1 2021	Total HY1 2022	Total HY1 2021
Shipments (Tto)	1,174	1,252	936	936	374	394	-	-	2,484	2,582
External sales	2,364	1,507	1,808	1,231	846	635	-	-	5,018	3,373
Gross profit	378	399	381	320	230	194	-	-	990	913
Gross profit margin (%)	16.0	26.5	21.1	26.0	27.2	30.6	-	-	19.7	27.1
Segment result (EBITDA)**)	151	211	197	151	126	54	3	– 5	477	411
EBITDA before material special effects	152	209	191	143	77	54	3	– 5	423	401
Earnings before interest and taxes (EBIT)	125	188	182	136	107	36	1	– 9	415	351
Cash flow from operating activities	114	30	– 76	80	– 27	6	– 10	– 25	1	91

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

(€ million)	Kloeckner Metals US HY1 2022	Kloeckner Metals US FY 2021	Kloeckner Metals EU HY1 2022	Kloeckner Metals EU FY 2021	Kloeckner Metals Non-EU HY1 2022	Kloeckner Metals Non-EU FY 2021	Holding and other Group companies*) HY1 2022	Holding and other Group companies*) FY 2021	Total HY1 2022	Total FY 2021
Net working capital as of closing date**)	882	831	912	645	441	341	4	– 4	2,239	1,813
Employees as of closing date	2,234	2,198	2,522	2,517	2,216	2,178	256	260	7,228	7,153

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

Duisburg, August 3, 2022

MANAGEMENT BOARD

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD (CEO)

Dr. Oliver Falk
MEMBER OF THE MANAGEMENT BOARD (CFO)

John Ganem
MEMBER OF THE MANAGEMENT BOARD (CEO AMERICAS)

Bernhard Weiß
MEMBER OF THE MANAGEMENT BOARD (CEO EUROPE)

Review report

To Klöckner & Co SE, Duisburg

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated statement of financial position as of June 30, 2022, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and summary of changes in consolidated equity for the period January 1 to June 30, 2022, as well as selected explanatory notes on the interim consolidated financial statements – together with the interim group management report of Klöckner & Co SE as of June 30, 2022, which under Sec. 115 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) form part of the half-year financial report. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Düsseldorf, August 3, 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft

Velder
WIRTSCHAFTSPRÜFER

Mehdi Zadegan
WIRTSCHAFTSPRÜFERIN

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Duisburg, August 3, 2022

Management Board

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD
(CEO)

Dr. Oliver Falk
MEMBER OF THE
MANAGEMENT BOARD
(CFO)

John Ganem
MEMBER OF THE
MANAGEMENT BOARD
(CEO AMERICAS)

Bernhard Weiß
MEMBER OF THE
MANAGEMENT BOARD
(CEO EUROPE)

Financial Calendar

November 3, 2022	Q3 quarterly statement 2022 Conference call with journalists Conference call with analysts
March 9, 2023	Annual Financial Statement 2022 Financial statement press conference Conference call with analysts
May 3, 2023	Q1 quarterly statement 2023 Conference call with journalists Conference call with analysts
Mai 17, 2023	Annual General Meeting 2023
August 2, 2023	Half-yearly financial report 2023 Conference call with journalists Conference call with analysts
October 31, 2023	Q3 quarterly statement 2023 Conference call with journalists Conference call with analysts

Subject to subsequent changes.

Klöckner & Co SE

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Disclaimer

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

Rounding

Rounding differences may occur with respect to percentages and figures.

Variances for technical reasons

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

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

Evaluating statements are unified and are presented as follows:

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