Q2

Interim Report

as of June 30, 2020

klöckner & co

Interim Group Management Report

Klöckner & Co Group Figures

for the six-month period ending June 30, 2020

Shipments and income statement		Q2 2020	Q2 2019	Variance	HY1 2020	HY1 2019	Variance
Shipments	Tto	1,070	1,479	–409	2,435	2,978	–543
Sales	€ million	1,171	1,682	–511	2,619	3,384	–765
Gross profit	€ million	226	304	–78	511	606	–95
Gross profit margin	%	19.3	18.1	+1.2%p	19.5	17.9	+1.6%p
Earnings before, interest, taxes, depreciation and amortization (EBITDA)	€ million	–61	82	–143	–40	115	–155
EBITDA before material special effects	€ million	11	51	–40	32	85	–53
EBITDA margin	%	–5.2	4.9	–10.1%p	–1.5	3.4	–4.9%p
EBITDA margin before material special effects	%	0.9	3.0	–2.1%p	1.2	2.5	–1.3%p
Earnings before interest and taxes (EBIT)	€ million	–109	49	–158	–122	51	–173
Earnings before taxes (EBT)	€ million	–116	37	–153	–138	29	–167
Net income	€ million	–111	28	–139	–132	19	–151
Net income attributable to shareholders of Klöckner & Co SE	€ million	–111	28	–139	–132	18	–150
Earnings per share (basic)	€	–1.11	0.28	–1.39	–1.32	0.18	–1.50
Earnings per share (diluted)	€	–1.11	0.27	–1.38	–1.32	0.18	–1.50

Cash flow statement		Q2 2020	Q2 2019	Variance	HY1 2020	HY1 2019	Variance
Cash flow from operating activities	€ million	98	140	–42	1	–88	+89
Cash flow from investing activities	€ million	–13	33	–46	–23	27	–50
Free cash flow*)	€ million	85	173	–88	–22	–61	+39

Balance sheet		June 30, 2020	December 31, 2019	Variance	June 30, 2020	June 30, 2019	Variance
Net working capital**)	€ million	1,135	1,119	+16	1,135	1,407	–272
Net financial debt	€ million	476	445	+31	476	684	–208
Gearing***)	%	46	38	+8%p	46	55	–9%p
Equity	€ million	1,048	1,182	–134	1,048	1,244	–196
Equity ratio	%	38.8	40.5	–1.7%p	38.8	37.4	+1.4%p
Total assets	€ million	2,699	2,916	–217	2,699	3,330	–631

Employees		June 30, 2020	December 31, 2019	Variance	June 30, 2020	June 30, 2019	Variance
Employees as of the end of the reporting period		7,915	8,253	–338	7,915	8,461	–546

*) Free cash flow = Cash flow from operating activities plus cash flow from investing activities.
**) Net working capital = Inventories plus trade receivables (including contract assets) plus supplier bonus receivables less trade liabilities.
***) Gearing = Net financial debt / (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 2020 and outlook

- EBITDA before material special effects of €32 million in first half of 2020, compared with €85 million in the prior-year period. Including material special effects from restructuring expenses associated with project "Surtsey", EBITDA for the first six months was €–40 million

- Second-quarter EBITDA before material special effects €11 million, slightly above the adjusted €0 million to €10 million guidance range

- Shipments of 2.4 million tons and sales of €2.6 billion considerably below the prior-year level, primarily due to COVID-19

- COVID-19 pandemic acts as accelerator: share of Group sales generated via digital channels increased at faster pace in the second quarter of 2020 to 38% (Q2 2019: 29%)

- For the 2020 fiscal year, we are forecasting scenario-based an operating income (EBITDA) before material special effects of €50 million to €70 million and a positive cash flow from operating activities. For the third quarter, we expect EBITDA before material special effects of between €15 million and €25 million

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

Corporate Strategy

"Klöckner & Co 2022" – our strategy

Digitalization and platforms as main pillar of our "Klöckner & Co 2022" strategy

[As a pioneer in our industry, we have been consistently driving forward our digital transformation for several years as part of the "Klöckner & Co 2022" strategy, with the result that we already generated some 38% of Group sales through digital channels in the second quarter of 2020. After focusing on customer interfaces at the start of this transformation, digitalization of the end-to-end process from ordering to delivery to customers is now moving to center stage. Through the resulting automation of our core processes, Klöckner & Co is evolving into a platform company. This type of company is characterized by much lower variable costs, which is ultimately the key to profitable growth.

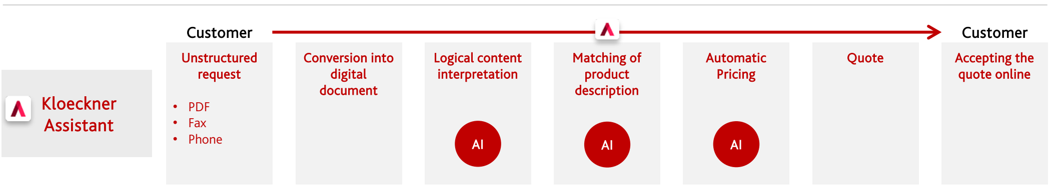
We are using our Kloeckner Assistant and XOM eProcurement applications to automate our core functions of sales and procurement. In addition to transforming our core processes, we have created XOM Materials, a procurement and sales platform for all products and services associated with the manufacturing industry that is also open to competitors.

Alongside digitalization and platforms, further pillars of our corporate strategy include expanding higher value-added business and efficiency improvement. All three strategic pillars are supported by our transformation to a digital corporate culture marked by greater openness, agility and customer centricity.

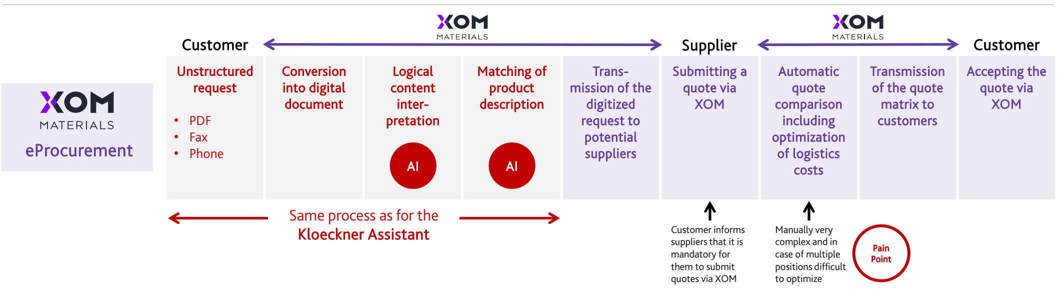
Kloeckner Assistant and XOM eProcurement as revolutionary applications

Game changers: Kloeckner Assistant and XOM eProcurement

The AI-based **Kloeckner Assistant** turns all Klöckner & Co customers into digital customers, without them having to change their procurement processes. Our customers can send requests for quotes or orders to Klöckner & Co by email with PDF attachments, by fax or phone as before and immediately receive an offer or order confirmation. Going forward, processing will be fully automated which will not only significantly reduce manual effort, but also considerably accelerate the previously complex and universally time-consuming ordering process from quotation request to offer preparation and order input. During the reporting period, a first version of Kloeckner Assistant was successfully rolled out to almost all country organizations. While the implementation initially focused solely on order processing, a functionality for processing requests for quotes will already be added in the second half of the year. During the first half-year, a sales volume of more than €80 million was placed by around 1,300 customers using Kloeckner Assistant. The digital application was able to learn from over 20,000 documents and improve its accuracy.



The new AI-based **XOM eProcurement solution** considerably simplifies procurement and resource planning for customers. It automates the reconciliation of materials supply and demand in addition to supporting contract negotiations, data retrieval and access to current information on availability and orders. Using this application, XOM Materials customers can almost fully automate their procurement processes while gaining valuable and previously inaccessible data-driven insights into their procurement transactions. Klöckner & Co is already using the eProcurement solution for a large proportion of its procurement activities in Europe, with its main suppliers now connected to the XOM Materials platform in this way.



Besides the new XOM eProcurement solution XOM Materials as an open platform connects, via the **XOM Marketplace**, any number of suppliers and customers at every level of the value chain. One focus is on steel and metal products, for which extended processing services are offered. In principle, however, other materials such as plastics can also be traded on XOM Materials. The platform can additionally be used as an **eShop solution** with proprietary branding, which makes it easier for suppliers to enter online selling. The eShop and eProcurement solutions significantly enhance the scalability of XOM Materials. The more market players join a platform, the larger is the benefit it generates and through the solutions buyers and sellers motivate each other to join.

Value generation through scaling

Project "Surtsey": accelerating digital transformation

Through project "Surtsey", which was launched during the reporting period, we are utilizing the COVID-19 crisis to significantly accelerate our transformation into a platform company. Moreover, we are further optimizing our location network by closing 19 smaller branches and reducing costs throughout the organization. As a result of our advanced digitalization and optimization of our location network and cost structure, the number of employees will be reduced by a total of more than 1,200.

Acceleration of digital transformation through project "Surtsey"

The one-time expenses triggered by the restructuring measures in 2020 will pay off in the form of a significantly improved earnings situation and lower funds tied up. We expect to achieve an improvement in operating income of more than €100 million by the end of 2021. By that time, more than 50 % of our Group sales will already be generated via digital channels.

With the higher profitability achieved through "Surtsey" and the increased level of digitalization, we are creating the conditions to realize further growth potential, also by taking a more active role in further market consolidation.]

Project "Surtsey"

Target

- Increasing speed of **digital transformation**
- Additional **restructuring measures**
- Accelerated **scaling** of XOM Materials
- **M&A** at attractive conditions

Effects

- Reduction of **>1,200 employees** / closure of **19 branches**
- **>€100m improvement in earnings** already by end of 2021
- **>50% digital sales share** until end of 2021

Economic environment

Macroeconomic situation

At the beginning of the year, the global economic environment was still characterized by uncertainties caused by the trade conflict between the USA and China, the protracted Brexit negotiations and the impeachment process against the US president. However, initial successes toward resolving the trade conflict as well as progress in the Brexit negotiations helped temporarily ease the global economic situation. The outbreak and global spread of COVID-19 coupled with the associated measures taken by each country to contain the virus have had a massive impact on economic activity across the world, especially on labor markets and global trade.

Eurozone GDP declined by a drastic 15.0% in the second quarter compared with the prior-year quarter. The decline in production and trading activity triggered by COVID-19 as well as the massive disruption to the domestic economy across almost all sectors resulted in a considerable recession. In order to mitigate the negative impact on Europe's economy, many countries in the region started easing their protective measures as infection rates declined, alongside implementing extensive stimulus packages and furlough programs at the end of the reporting period.

US GDP declined by 9.5% compared with the second quarter of 2019. Consumption, foreign trade and the labor market have all been heavily impacted by the COVID-19 pandemic. The number of first-time unemployment claims rose substantially during the reporting period. In response, extensive measures were adopted to support the economy. By contrast to most European countries, infection rates in the USA climbed again at the end of the reporting period.

At 3.2%, second-quarter GDP growth in China was also substantially lower than in prior-year quarters, likewise due to the COVID-19 pandemic. The significant drop in industrial production and retail activity at the start of the year as well as reduced demand for services due to social distancing measures resulted in a substantial year-on-year decline in economic output. However, China was already able to restart its economy earlier than other countries following the outbreak of the COVID-19 pandemic and posted slightly positive growth compared with the prior-year quarter.

Development of GDP (in percent)	Q2 2020 vs. Q2 2019
Europe*)	**–15.0**
Germany	–11.7
United Kingdom	–19.9
France	–19.0
Belgium	–14.5
Netherlands	–11.0
Switzerland	–11.2
China	3.2
USA	**–9.5**
Brazil	–12.3

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

Industry-specific situation

During the reporting period, the COVID-19 pandemic also had a strong influence on the market environment in the steel industry. According to the World Steel Association, global crude steel output decreased significantly year on year in the first six months of 2020, by 6.0% to 873 million tons. Production in the EU contracted by approximately 18.7%. In the USA, production also fell by a substantial 18.3%. By contrast, China increased production by 1.4%. According to analysts' estimates, steel producers worldwide were operating at 75% capacity at the end of June.

Trend in key customer industries

CONSTRUCTION INDUSTRY

EUROSTAT estimates that construction activity in Europe decreased substantially in the first five months compared with the same period of the prior year. In some countries, the construction industry experienced the abrupt cessation of projects as a result of lockdown measures, labor shortages and delivery problems along the value chain. In the USA, growing unemployment in particular resulted in lower investment in residential construction. Nevertheless, the construction sector as a whole proved to be fairly resilient in terms of output compared with other sectors with more complex supply chains and a more international focus. The relatively early resumption of construction activity also had a positive effect. However, the customary longer-term contractual relationships mean that a decline in demand may occur at a later stage.

MACHINERY AND MECHANICAL ENGINEERING

Due especially to COVID-19, growth in European machinery and mechanical engineering for the reporting period was substantially below the prior-year rate. The pandemic had a particularly strong impact on the sector due to the complexity of its supply chains. The immediate drop in demand resulted in additional pressure on output. The sector's proximity to the automotive industry meant that it experienced the impact of the COVID-19 pandemic at a fairly early stage, on top of uncertainties arising from the persisting trade conflict between the USA and China. In the USA, too, production output decreased significantly as a result of the pandemic. Additionally, the low oil price had a negative effect on equipment investments.

AUTOMOTIVE INDUSTRY

The automotive market has been the most severely impacted by the COVID-19 pandemic due to the complexity and globalization of the industry's value chain and as a result of its consumer proximity. According to the German Association of the Automotive Industry (VDA), the West European market contracted by around 40% in the first six months relative to the prior-year period. Unit sales on the US market shrank by around 24%. The market in China collapsed by 23%.

Results of operations, financial position and net assets

Effects of the COVID-19 pandemic

During the reporting period, the COVID-19 pandemic had a considerable influence on the business operations of Klöckner & Co. The first effects on shipments were felt from mid-March, initially in consumer goods industries. As countries extended their measures to fight the pandemic, these effects peaked in April and May when customers temporarily shut down production and supply and value chains in virtually all sectors broke down. During the reporting period, there was only slight impact on the supply side. On the demand side, the automotive and machinery and mechanical engineering industries were hit particularly hard, especially due to the international network of their complex supply chains. The construction industry has also been impacted but to a lesser extent thanks to the regional nature of construction projects and the lower degree of complexity in the value chain. In terms of shipments, the industry mix of Klöckner & Co was a critical factor in mitigating the negative effects of COVID-19 on the Group's business.

Klöckner & Co responded immediately to the challenges posed by the crisis. Besides implementing emergency plans, we transferred a large proportion of activities to the home office environment, on the one hand to protect the health of our employees and, on the other, to safeguard our operational capability. In this connection, our advanced level of digitalization proved to be a competitive advantage, enabling 90% of Klöckner & Co branches to remain operational even at the peak of the crisis. Only in France did we temporarily close some branches at this time. Moreover, short-time work programs were introduced in some countries to mitigate the negative effects of the COVID-19 pandemic. The Group claimed no state aid other than that used for the furlough programs.

The key figures for the results of operations, financial position and net assets in the second quarter and the first half of 2020 are set out in the following. Further information can be taken from Note 3 to the condensed interim financial statements.

KEY FIGURES RESULTS OF OPERATIONS

(€ million)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Shipments (Tto)	1,070	1,479	2,435	2,978
Sales	1,171	1,682	2,619	3,384
Gross profit*)	226	304	511	606
Gross profit margin (%)	19.3	18.1	19.5	17.9
EBITDA**)	−61	82	−40	115
EBITDA margin (%)***)	−5.2	4.9	−1.5	3.4
EBITDA before material special effects	11	51	32	85

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

OTHER KEY FIGURES

(€ million)	June 30, 2020	June 30, 2019	December 31, 2019
Net working capital*)	1,135	1,407	1,119
Net financial debt**)	476	684	445
Gearing (Net financial debt/shareholders' equity***))	46%	55%	38%

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

Shipments and sales

Shipments totaled 2.4 million tons in the first half of 2020, a fall of 18.2% relative to the prior-year period. The sharp drop in shipments, largely due to the COVID-19 pandemic, affected all operating segments. The impact on business in Switzerland was comparatively low.

SALES BY SEGMENTS

(€ million)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Kloeckner Metals US	478	716	1,078	1,442
Kloeckner Metals Switzerland	244	259	459	480
Kloeckner Metals Services Europe	98	195	284	406
Kloeckner Metals Distribution Europe	351	512	798	1,056
Holding and other group companies*)	-	-	-	-
Group sales	**1,171**	**1,682**	**2,619**	**3,384**

*) Including consolidations.

In line with the decline in shipments, sales also decreased markedly from €3.4 billion to €2.6 billion (–22.6%). Here, too, the impact of the COVID-19 pandemic was evident, especially in the course of the second quarter. The decrease in sales was mitigated in small part by improved US dollar and Swiss franc exchange rates. The currency-adjusted decrease in sales was 24.1%.

Earnings

(€ million)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Sales	1,171	1,682	2,619	3,384
Gross profit	226	304	511	606
Gross profit margin (in %)	19.3	18.1	19.5	17.9
OPEX*)	–288	–222	–551	–491
EBITDA	–61	82	–40	115
EBITDA before material special effects**)	11	51	32	85
EBIT	–109	49	–122	51
EBT	–116	37	–138	29
Net income	**–111**	**28**	**–132**	**19**

*) OPEX: Other operating income less personnel expenses less other operating expenses.
**) Material special effects: 2020 – restructuring expenses associated with project "Surtsey" (€72 million); 2019 – income from sale of a property in London (€36 million), restructuring expenses (€6 million).

Gross profit was €511 million, also down by a substantial €95 million (currency-adjusted €106 million) on the prior-year figure of €606 million. Here, too, the COVID-19 pandemic was the main driver of the decline. Given that procurement prices decreased more than selling prices but also due to our exit from low-margin business, the gross profit margin improved from 17.9% in the prior year to 19.5%.

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

OPEX

(€ million)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Other operating income	3	46	9	53
Personnel expenses	–193	–151	–342	–304
Other operating expenses	–98	–118	–218	–241
Impairment losses trade receivables	-	1	-	1
OPEX	**–288**	**–222**	**–551**	**–491**

Comparability of OPEX with the prior year is possible only to a limited extent due to special effects. For instance, other operating income for the prior year includes €36 million in non-recurring income from the sale of a property in London. By contrast, personnel expenses in the first half of 2020 include expenses of €64 million for redundancy plan measures as part of project "Surtsey". The prior-year figure included comparable expenses of just €6 million. The increase in personnel expenses was mitigated by payments under short-time work programs or similar state aid measures in the amount of €5 million. Other operating expenses also include expenses for project "Surtsey" associated with the closure of locations (€5 million). By contrast, warehousing and transportation expenses in particular decreased considerably during the COVID-19 crisis.

In total, OPEX increased from €491 million in the prior-year period to €551 million.

Group operating income (EBITDA) consequently came to €–40 million, compared with €115 million in the prior-year period.

EBITDA BY SEGMENTS (ADJUSTED FOR MATERIAL SPECIAL EFFECTS)

(€ million)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Kloeckner Metals US [1]	-	21	10	35
Kloeckner Metals Switzerland	24	17	34	27
Kloeckner Metals Services Europe[1]	–2	6	3	16
Kloeckner Metals Distribution Europe [1), 2), 3)]	–6	12	–3	18
Holding and other group companies [2]	–5	–5	–12	–11
Adjusted EBITDA of the Klöckner & Co Group	**11**	**51**	**32**	**85**
Net adjustments	–72	31	–72	31
EBITDA	**–61**	**82**	**–40**	**115**

Adjustments in 2020:
1) Restructuring expenses in connection with project "Surtsey" (Kloeckner Metals US €4 million, Kloeckner Metals Distribution Europe €60 million, Kloeckner Metals Services Europe €8 million).
Adjustments in 2019:
2) Personnel expenses associated with redundancy plan measures in France (€2 million) and at the holding company (€3.5 million).
3) Income from the sale of a property in London (€36 million).

In all operating segments with the exception of the Kloeckner Metals Switzerland segment, EBITDA before material special effects declined strongly due to the COVID-19 pandemic, the impact of which was especially pronounced in the second quarter.

Operating income in the Kloeckner Metals US segment declined to €10 million from €36 million in the prior year. This drop resulted notably from a decline in volumes and associated price decreases caused by COVID-19. The EBITDA decline was lessened by lower OPEX resulting from the countermeasures we immediately implemented, mainly in personnel but also in respect of costs for transportation and supplies.

EBITDA in the Kloeckner Metals Switzerland segment went up from €27 million in the prior-year period to €34 million. Here, declines in gross profit in the steel and metal sector and for reinforcing steel were overcompensated by reduced OPEX.

The impact of already weak demand in the automotive sector on the Kloeckner Metals Services Europe segment was exacerbated by additional effects of the COVID-19 pandemic. As a result, operating income went down from €16 million to €3 million. This decline was only compensated in part by a €7 million reduction in OPEX.

EBITDA in the Kloeckner Metals Distribution Europe segment stood at €–3 million, marking a considerable decrease on the prior-year figure of €17 million. The market-driven decline caused by COVID-19 was only offset in part by higher selling prices and reduced OPEX, resulting in a net loss.

RECONCILIATION TO NET INCOME

(€ million)	HY1 2020	HY1 2019
EBITDA	**–40**	**115**
Depreciation, amortization and impairments	–82	–64
EBIT	**–122**	**51**
Financial result	–16	–22
EBT	**–138**	**29**
Income taxes	6	–10
Net income	**–132**	**19**

Depreciation, amortization and impairments stood at €82 million, substantially higher than the prior-year figure of €64 million. The main drivers of this development were impairments of €14 million that were necessary as a result of project "Surtsey" and the associated closure of locations.

Consequently, EBIT in the reporting period was a negative €122 million, compared with a positive €51 million in the prior-year period.

The improved financial result is mainly due to the lower average net debt and lower interest expense for pension obligations.

The option for loss carryback in the USA yielded tax income for the first half of 2020 of €6 million (HY1 2019: tax expense of €10 million).

Overall, a net loss of €132 million was incurred, compared with net income of €19 million in the prior-year period.

Basic earnings per share came to €–1.32, compared with €0.18 in the prior year.

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

(€ million)	June 30, 2020	December 31,2019
Non-current assets	921	968
Current assets		
Inventories	943	1,043
Trade receivables*)	661	675
Other current assets	69	47
Liquid funds	105	183
Total assets	**2,699**	**2,916**
Equity	1,048	1,182
Non-current liabilities		
Provisions for pensions	282	285
Financial liabilities	430	564
Other non–current liabilities	58	60
Current liabilities		
Financial liabilities	148	61
Trade payables	469	599
Other current liabilities	264	165
Total equity and liabilities	**2,699**	**2,916**

*) Including contract assets and supplier bonus receivables.

Total assets were €2,699 million as of June 30, 2020, about 7% lower than the prior year-end figure.

Non-current assets amounted to €921 million, €47 million below the level as of December 31, 2019 (€968 million). €10 million of the reduction related to intangible assets and resulted from amortization. Capital expenditure on property, plant and equipment also declined (€–40 million). It was offset by additions from investing activities of €18 million, amortization of €53 million and – mainly associated with project "Surtsey" – impairments of €14 million.

Equity decreased from €1,182 million to €1,048 million. This was mainly due to the net loss of €132 million. However, the equity ratio remained solid at 39% (December 31, 2019: 41%).

Net working capital changed as follows:

NET WORKING CAPITAL

(€ million)	June 30, 2020	June 30, 2019	December 31, 2019
Inventories	943	1,184	1,043
Trade receivables	596	866	579
Contract assets	27	29	32
Supplier bonus receivables	38	38	64
Trade payables	–469	–710	–599
Net Working Capital	**1,135**	**1,407**	**1,119**

With our extremely strict net working capital management stepped up even further immediately after the start of the COVID-19 pandemic, net working capital was at around the same level as at the prior year-end, rather than increasing as it usually does in the course of the reporting period, and almost €0.3 billion below the figure at the end of the second quarter of the prior year.

Cash and cash equivalents stood at €105 million, compared with €183 million as of December 31, 2019.

STABLE FINANCING

In April 2020, Klöckner & Co extended the €278 million syndicated loan with its core banks to May 2023. This transaction made it possible to further improve the Group's maturity profile despite the COVID-19 crisis. The core instruments used to finance working capital currently have a volume-weighted remaining term of approximately one-and-a-half years. We also plan to extend the European ABS program as well as our US working capital facilities in the second half of the year.

Our financing instruments covering a total amount of some €1.4 billion (excluding leases) continue to provide us with generous financial headroom to meet the challenges posed by even a potentially prolonged crisis.

NET FINANCIAL DEBT

(€ million)	June 30, 2020	June 30, 2019	December 31, 2019
Net financial debt	476	684	445
Gearing (Net financial debt/shareholders' equity*))	**46%**	**55%**	**38%**

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

The main reason for what is only a moderate increase in net financial debt from €445 million as of December 31, 2019 to €476 million as of the end of the first half-year – yet with almost neutral cash flow from operating activities – is the financing of net investments of €23 million in the first half of 2020.

Pension provisions amounted to €282 million, approximately the same as at the end of the past fiscal year (€285 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Cash flow from operating activities	98	140	1	–88
Cash flow from investing activities	–13	33	–23	27
Free cash flow	**85**	**173**	**–22**	**–61**
Cash flow from financing activities	–98	–56	–52	86

In particular due to the funds released by reducing net working capital during the second quarter, the cash flow from operating activities was more or less neutral (€+1 million), despite the negative EBITDA, compared with a cash outflow (€–88 million) in the prior-year period.

€25 million in payments for capital expenditure were partly offset by €2 million in receipts from divestments to yield a cash outflow from investing activities of €23 million (HY1 2019: cash inflow of €27 million).

This resulted in a negative free cash flow of €22 million in the first half of 2020, compared with €–61 million in the prior-year period.

Cash flow from financing activities came to €–52 million (HY1 2019: €86 million).

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

The International Monetary Fund (IMF) expects the global economy to contract by 4.9% in 2020. The outbreak of COVID-19 across the world and the related countermeasures initiated by individual countries greatly restricted mobility, interrupted value chains and largely curtailed consumption. As many countries continue to ease various restrictions, the IMF expects a gradual increase in economic activity. Subsequent development will notably depend on the effectiveness of containment strategies and on the financial aid measures introduced in individual countries. It also remains subject to uncertainty regarding the future course of the pandemic. Any economic recovery phase could be endangered in particular by a renewed increase in infection rates coupled with the reimposition of lockdown measures. The negative momentum could be additionally amplified by new trade policy disputes between China and the USA and by the continued absence of a breakthrough in the negotiations to prevent a hard Brexit.

According to IMF estimates, the eurozone economy will contract by 10.2% in 2020. Following a significant decline in gross domestic product (GDP) in the first half of the year, which had an especially negative impact on capital expenditure, the economic stimulus measures – some of which have already been initiated – will be supporting recovery. However, both production and employment are likely to remain substantially below pre-crisis levels.

For the US economy, the IMF forecasts negative growth of 8.0% in 2020. High unemployment and the resulting weaker consumer demand are curbing capital expenditure by companies and holding back growth in production. It is expected that a decline in unemployment rates will only be gradual and restricted in pace.

For China, where the economic recovery already began at the end of the first quarter, growth of 1.0% is forecast for 2020, buoyed above all by political incentives. By May, there had already been a substantial recovery in spending on capital expenditure and services.

Expected development of GDP (in percent)	2020e
Europe*)	**–10.2**
Germany	–7.8
United Kingdom	–10.2
France	–12.5
Belgium	–7.3
Netherlands	–5.9
Switzerland	– 5.9
China	1.0
USA	**–8.0**
Brazil	–9.1

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

Expected steel sector trend

The World Steel Association anticipates that global steel demand will decrease by 6.4% in 2020 due to the COVID-19 pandemic. For the EU, the association forecasts a decline of 15.8%, while the North American Free Trade Agreement (NAFTA) region is expected to decrease by 20.0% and South and Central America by 17.3%. A slight increase of 1.0% is anticipated for China.

Expected trend in our core customer sectors

CONSTRUCTION INDUSTRY

According to EUROCONSTRUCT estimates, the European construction industry is set to contract significantly in 2020. In connection with the COVID-19 pandemic, construction projects have been suspended – some temporarily – or postponed. Another factor contributing to the decline are the material procurement problems caused by supply chain breakdowns. On the other hand, there is an expectation that the negative effect could be mitigated by support programs, some of which have already been initiated, because they focus specifically on infrastructure measures. In the USA, increasing unemployment and the corresponding reduction in income is having an adverse impact notably on private residential construction. Although commercial construction is developing better by comparison, construction activity is forecast to also decline substantially overall.

MACHINERY AND MECHANICAL ENGINEERING

A significant decline in production is anticipated for European machinery and mechanical engineering as well in 2020, due in particular to the temporary shutdown of large areas of production activity and to the collapse of the complex supply chains. In addition, it is expected that the combination of ongoing trade disputes, reduced export activity, weak demand in key domestic markets and general political uncertainty will inhibit investment. In the USA, too, a significant decline in production is anticipated, further exacerbated by lower investment in the energy sector due to oil price developments in the first half of the year.

AUTOMOTIVE INDUSTRY

According to the German Association of the Automotive Industry (VDA), the global passenger car market will contract by about 17% in 2020. This effect is due not only to the challenges arising from the COVID-19 pandemic but also to the structural crisis associated with the transformation of the industry as a whole. Compared with the prior year, unit sales are projected to be down around 24% in Europe and 18% lower in the US market. The VDA expects that unit sales in China will fall by 10% year on year.

Current assessment of opportunities and risks

The detailed information provided in the Opportunities and Risks section on pages 86 to 104 of the Annual Report 2019 generally continues to apply. However, the COVID-19 pandemic has since triggered a global recession, the scale and duration of which are still hard to gauge. This is having a significant impact on the risk environment. It has also further increased the significance of market risk. For a detailed description of the risk management system in the Klöckner & Co Group, please see pages 87 et seq. of the Annual Report 2019.

Market risk for Klöckner & Co is mostly determined by trends in demand and prices. Weak demand, exacerbated by a global economy that is in recession in various regions simultaneously, is being countered by a particularly expansionary fiscal policy introduced by many industrialized countries in response to the crisis and also in part by central banks continuing their expansionary policy. However, the COVID-19 pandemic has further intensified the structural crisis in the automotive sector and accelerated the slowdown in mechanical engineering that was already evident before the pandemic. The decline in demand in the construction sector is being cushioned especially in those countries that are investing public funds in infrastructure measures. By contrast, the economic situation is impacting both commercial and private residential construction, the latter notably by rising unemployment in many countries. As the pandemic spread throughout Europe and the USA, prices decreased across the board. There are now signs of stabilization but this is still subject to uncertainty arising from continued weak demand. Given the considerable economic risks, weaker demand and persistent surplus capacity mean that it is impossible to rule out further price erosion, which would impact negatively on our earnings performance.

We see significant opportunities above all in the Group's digital transformation, which has recently enabled us to mitigate the negative effects of the COVID-19 pandemic on shipments and operating income (EBITDA) of Klöckner & Co. During the crisis, our already advanced level of digitalization made it possible to smoothly transfer a large proportion of our activities to the home office environment, thus sustaining our delivery capability and giving us a significant competitive advantage. By initiating the transformation of Klöckner & Co toward a digital business model, with extensive automation of core processes using AI-based applications in future, we can access significant opportunities for expanding our business, increasing profitability and consolidating the market.

However, demand at Group companies and individual locations could decline again in light of regional developments if efforts fail to further contain the pandemic or a second wave of infection threatens. The present situation notably in the USA and Brazil provides grounds for concern. In addition, our companies and locations in the United Kingdom and France could potentially be impacted severely as COVID-19 has been particularly widespread in these countries. Political risks are again moving to the fore in light of the approaching US presidential election in November and the difficult negotiations between the United Kingdom and the EU to strike a Brexit deal by the end of the year. As a result, the trade dispute between the USA and China could intensify again, amplifying the already growing trend toward protectionism. Moreover, there is the threat of a hard Brexit. These trends would additionally weigh on economic performance in the USA and, above all, in Europe. As the pandemic continues, especially given the possibility of a second wave and the resulting imposition of renewed restrictions, there is a risk that a growing number of companies could face liquidity problems. This would not only negatively affect demand but also the availability of financing options. Against this backdrop, Klöckner & Co is acting with heightened caution, adjusting to market circumstances in the short and medium term by focusing on improving efficiency, reducing costs and prioritizing the stability of its financing structure. One of the primary challenges here is continuing to adapt our existing organizational structure to make it even leaner and more efficient so that we are even better able to compete with small to medium-sized enterprises in a very tough market environment.

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 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

Due to the continuing great uncertainties regarding the further development of the global COVID-19 pandemic, we have built forecasts on the basis of various scenarios. These are based on the assumption of either a negative, positive or – in light of the present situation – tendentiously more probable demand behaviour in the second half of the year and take account of currently available data concerning the economic and social impacts of the pandemic.

The country-specific measures to control COVID-19 have had a strong impact on supply chains and led to a collapse in demand in various sectors. For our core markets of Europe and the USA, we therefore anticipate a substantial decline in steel demand in 2020. Accordingly, we expect a considerable decrease in Group shipments and sales in all the scenarios considered. On account of the significant negative volume effects resulting from the COVID-19 pandemic, we forecast scenario-based an operating income (EBITDA) before material special effects of €50 million to €70 million for the 2020 fiscal year. For the third quarter, we expect EBITDA before material special effects of between €15 million and €25 million. In addition, we anticipate that the cash flow from operating activities for 2020 will be positive but considerably below the prior-year level due to the comparatively smaller reduction in net working capital. However, as the future course of the pandemic is extremely unclear, all scenarios and the aforementioned forecast ranges should be interpreted as estimates that are subject to great uncertainty.

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

	Shipments (Tto)			Sales (€m)		
*Forecast by segment *)*	2019	Original forecast 2020**)	Adjusted forecast 2020***)	2019	Original forecast 2020**)	Adjusted forecast 2020***)
Kloeckner Metals US	2,660	considerable increase	considerable decrease	2,659	stable	considerable decrease
Kloeckner Metals Switzerland	574	slight increase	slight decrease	971	slight increase	slight decrease
Kloeckner Metals Services Europe	948	slight increase	considerable decrease	749	slight increase	considerable decrease
Kloeckner Metals Distribution Europe	1,466	stable	considerable decrease	1,936	slight increase	considerable decrease
Holding and other group companies	-			-		
Group	**5,648**	**slight increase**	**considerable decrease**	**6,315**	**stable**	**considerable decrease**

	EBITDA (€m) before material effects			Cash flow from operating activites (€m)		
	2019	Original forecast 2020**)	Adjusted forecast 2020***)	2019	Original forecast 2020**)	Adjusted forecast 2020***)
Kloeckner Metals US	46	considerable increase	considerable decrease	70	considerable decrease	considerable increase
Kloeckner Metals Switzerland	55	considerable increase	considerable increase	68	considerable decrease	considerable decrease
Kloeckner Metals Services Europe	26	considerable increase	considerable decrease	54	considerable decrease	considerable decrease
Kloeckner Metals Distribution Europe	21	considerable increase	considerable decrease	30	considerable decrease	considerable decrease
Holding and other group companies	–24			–18		
Group	**124**	**considerable increase**	**considerable decrease**	**204**	**considerable decrease**	**considerable decrease**

*) The figures for 2019 have been adjusted to reflect the changed segment definition. Further details are provided in Note 11 to the condensed interim consolidated financial statements.
**) Limited period of validity: From publication of the annual financial statements on March 10, 2020 until publication of the ad-hoc announcement on March 25, 2020.
***) If there is a discrepancy between the expectations yielded by the different scenarios, the expectation for the – in light of the present situation – tendentiously more probable demand behaviour in the second half of the year is shown.

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

Duisburg, August 11, 2020

Klöckner & Co SE

The Management Board

Klöckner & Co share: Key data

ISIN DE000KC01000 – German Securities Code (WKN) KC0100

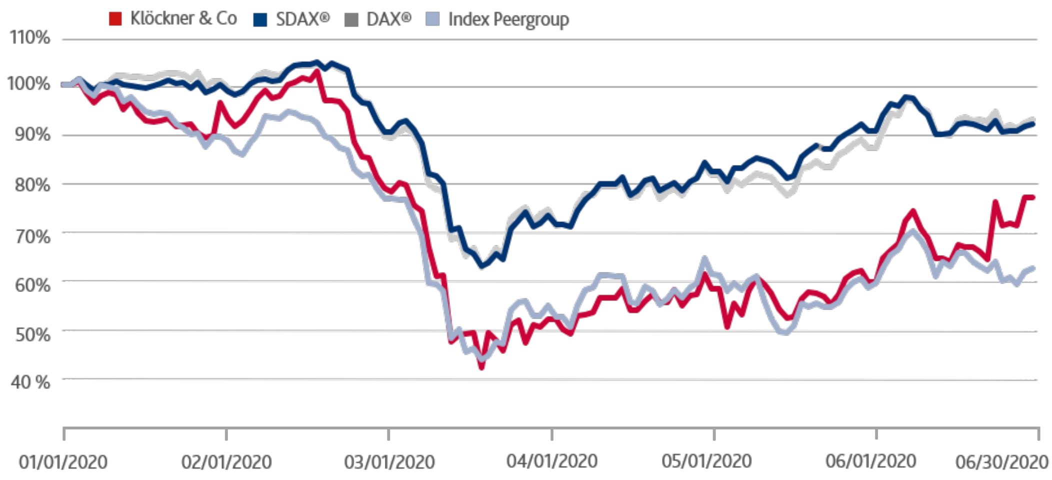
Stock exchange symbol: KCO
Bloomberg: KCO GY
Reuters Xetra: KCOGn.DE
Listed in SDAX®

SHARE PRICE PERFORMANCE

Against the backdrop of the negative effects caused by the COVID-19 pandemic, the Klöckner & Co share price decreased significantly during the reporting period. At the start of the year, it initially trended sideways, before rising slightly from €6.28 at the end of 2019 to €6.45 on February 17. This marked the share's high for the first half-year. As the COVID-19 crisis escalated, the share price dropped significantly to reach its low of €2.74 on March 18. Since then, the share price has recovered considerably to close at €4.86 on June 30. This represents a loss of about 23% relative to the 2019 year-end closing price.

Over the same period, the DAX® lost about 7% and the SDAX® around 8%. The peer group index, which tracks the performance of companies that are comparable with Klöckner & Co, fell significantly by some 37% (alongside thyssenkrupp, Salzgitter, Arcelor Mittal, Voestalpine and Schmolz + Bickenbach, this index also includes Reliance, Olympic Steel and Ryerson).

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



The average trading volume in Klöckner & Co shares during the second quarter was over €1.9 million per day, which was lower than in the first quarter (around €2.8 million per day). Klöckner & Co shares ranked 116th by trading volume and 153rd by free float market capitalization in Deutsche Börse AG's ranking in June.

KEY DATA – KLÖCKNER & CO SHARE

		Q2 2020	Q2 2019	HY1 2020	HY1 2019
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)	€	4.86	5.27	4.86	5.27
Market capitalization	€ million	485	525	485	525
High (Xetra, Close)	€	4.88	7.29	6.45	7.29
Low (Xetra, Close)	€	3.17	4.66	2.74	4.66
Average daily trading volume	in shares	504,219	835,281	526,972	739,172

ANNUAL GENERAL MEETING

The 14th Annual General Meeting of Klöckner & Co SE was held in Düsseldorf on May 20, 2020. On account of the COVID-19 pandemic and the official regulations in place at the time, the Annual General Meeting was held in virtual form without the physical presence of shareholders pursuant to the Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic and in line with the decision taken by the Management Board, with the consent of the Supervisory Board. This move was taken in particular to protect our shareholders and employees. All shareholders were able to register for the Annual General Meeting, exercise their voting rights, submit questions to the Group prior to the event and follow the full proceedings live via the online service on our website at www.kloeckner.com. In addition, the speeches by the Chairman of the Supervisory Board and the CEO were streamed live on the Group's website. Recordings of the speeches are also available there. In total, more than 53% of the voting capital voted on resolutions. Shareholders approved all of the resolutions proposed by the Supervisory and Management Boards by a large majority.

OWNERSHIP STRUCTURE

According to voting rights notifications, our largest shareholder at the end of the second quarter was SWOCTEM GmbH (Prof. Dr. Friedhelm Loh) with a shareholding of between 25% and 30%. This was followed by Dimensional Holdings Inc., Franklin Mutual Series Funds, Franklin Mutual Advisers LLC (including voting rights held by Franklin Mutual Series Funds) and Claas Edmund Daun with holdings of between 3% and 5% each. 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 2020, the management and members of the IR team of Klöckner & Co SE provided interested capital market participants with information at three 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, progress with the digitalization strategy, the response to the COVID-19 pandemic and global macroeconomic developments.

In the first six months, Klöckner & Co was covered by 14 banks and securities houses in over 60 research reports. As of the end of June, seven of these rated Klöckner & Co shares a "buy", five 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.

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

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

CONTACT

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Klöckner & Co SE
Consolidated statement of income

for the six-month period ending June 30, 2020

(€ thousand)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Sales	1,170,695	1,681,669	2,618,894	3,384,362
Changes in inventory	1,378	−3,681	−4,602	−11,025
Own work capitalized	685	237	685	528
Other operating income	3,539	45,960	9,210	52,211
Cost of materials	−946,269	−1,374,420	−2,103,079	−2,767,555
Personnel expenses	−192,635	−151,305	−342,385	−303,713
Depreciation, amortization and impairment losses	−48,404	−32,855	−82,228	−64,552
thereof Impairment losses	*−14,280*	-	*−14,280*	-
Other operating expenses	−98,362	−118,016	−218,131	−240,853
Impairment losses trade receivables	−83	1,138	−370	1,130
Operating result	**−109,456**	**48,727**	**−122,006**	**50,533**
Finance income	118	76	266	842
Finance expenses	−6,979	−11,459	−16,146	−22,615
Financial result	**−6,861**	**−11,383**	**−15,880**	**−21,773**
Income before taxes	**−116,317**	**37,344**	**−137,886**	**28,760**
Income taxes	5,533	-8,880	6,269	-10,057
Net income	**−110,784**	**28,464**	**−131,617**	**18,703**
thereof attributable to				
– shareholders of Klöckner & Co SE	*−110,906*	*28,234*	*−132,100*	*18,211*
– non-controlling interests	*122*	*230*	*483*	*492*
Earnings per share (€/share)				
– basic	−1.11	0.28	−1.32	0.18
– diluted	−1.11	0.27	−1.32	0.18

Statement of comprehensive income Group

for the six-month period ending June 30, 2020

(€ thousand)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Net income	**–110,784**	**28,464**	**–131,617**	**18,703**
Other comprehensive income not reclassifiable				
Actuarial gains losses (IAS 19)	–45,072	–8,077	–13,840	–31,233
Related income tax	2,215	–904	2,379	–676
Total	**–42,857**	**–8,981**	**–11,461**	**–31,909**
Other comprehensive income reclassifiable				
Foreign currency translation	–9,500	–1,911	8,532	7,976
Gains/losses from equity instruments	-	–2,502	-	–2,502
Gain/losses from cash flow hedges	-	–3	-	–19
Total	**–9,500**	**–4,416**	**8,532**	**5,455**
Other comprehensive income	**–52,357**	**–13,397**	**–2,929**	**–26,454**
Group total comprehensive income	**–163,141**	**15,067**	**–134,546**	**–7,751**
thereof attributable to				
– shareholders of Klöckner & Co SE	*–163,248*	*14,860*	*–135,029*	*–8,235*
– non-controlling interests	*107*	*207*	*483*	*484*

Consolidated statement of financial position

as of June 30, 2020

Assets

(€ thousand)	Notes	June 30, 2020	December 31, 2019
Non-current assets			
Intangible assets		120,472	130,507
Property, plant and equipment		762,131	801,861
Other financial assets		17,379	14,987
Other non-financial assets		7,775	9,523
Current income tax receivable		4,132	4,150
Deferred tax assets		8,649	6,534
Total non-current assets		**920,538**	**967,562**
Current assets			
Inventories	6	942,993	1,042,651
Trade receivables		596,327	579,825
Contract assets		26,623	31,607
Supplier bonus receivables		37,615	63,827
Current income tax receivable		19,206	10,583
Other financial assets		14,081	11,935
Other non-financial assets		35,836	25,730
Cash and cash equivalents		105,323	182,520
Total current assets		**1,778,004**	**1,948,678**
Total assets		**2,698,542**	**2,916,240**

Equity and liabilities

(€ thousand)	Notes	June 30, 2020	December 31, 2019
Equity			
Subscribed capital		249,375	249,375
Capital reserves		575,060	575,060
Retained earnings		213,472	345,569
Accumulated other comprehensive income		2,706	5,550
Equity attributable to shareholders of Klöckner & Co SE		**1,040,613**	**1,175,554**
Non-controlling interests		7,307	6,912
Total equity		**1,047,920**	**1,182,466**
Non-current liabilities			
Provisions for pensions and similar obligations		281,636	284,558
Other provisions and accrued liabilities		15,393	17,313
Financial liabilities	7	430,065	563,961
Other financial liabilities		139	144
Deferred tax liabilities		42,477	42,163
Total non-current liabilities		**769,710**	**908,139**
Current liabilities			
Other provisions and accrued liabilities		167,852	96,954
Income tax liabilities		8,994	10,400
Financial liabilities	7	148,208	60,742
Trade payables		468,854	599,248
Other financial liabilities		30,380	24,431
Other non-financial liabilities		56,624	33,860
Total current liabilities		**880,912**	**825,635**
Total liabilities		**1,650,622**	**1,733,774**
Total equity and liabilities		**2,698,542**	**2,916,240**

Consolidated statement of cash flows

for the six-month period ending June 30, 2020

(€ thousand)	Q2 2020	Q2 2019	HY1 2020	HY1 2019
Net income	−110,784	28,464	−131,617	18,703
Income taxes	−5,533	8,880	−6,269	10,057
Financial result	6,861	11,383	15,880	21,773
Depreciation, amortization and impairments	48,404	32,855	82,228	64,552
Other non-cash income/expenses	−404	211	154	−294
Gain on disposal of non-current assets	−619	−38,798	−952	−39,459
Change in net working capital				
Inventories	73,510	75,423	102,457	61,025
Trade receivables, contract assets, supplier bonuses	130,629	41,437	12,052	−123,191
Trade payables	−122,614	−6,020	−128,911	−61,408
Change in other operating assets and liabilities	81,361	1,262	70,317	−9,087
Interest paid	−4,929	−8,204	−12,307	−17,857
Interest received	130	125	346	422
Income taxes paid/reimbursed	1,564	−6,794	−2,539	−13,806
Cash flow from operating activities	**97,576**	**140,224**	**839**	**-88,570**
Proceeds from the sale of non–current assets	1,272	41,970	1,750	43,258
Payments for intangible assets, property, plant and equipment (incl. financial assets)	−13,786	−9,287	−24,866	−15,937
Cash flow from investing activities	**−12,514**	**32,683**	**−23,116**	**27,321**
Dividend payments to shareholders of Klöckner & Co SE	-	−29,925	-	−29,925
Net change of other financial liabilities	−103,092	−28,923	−55,007	117,550
Proceeds from derivates	4,674	2,753	2,668	−1,159
Cash flow from financing activities	**−98,418**	**−56,095**	**−52,339**	**86,466**
Changes in cash and cash equivalents	**−13,356**	**116,812**	**−74,616**	**25,217**
Effect of foreign exchange rates on cash and cash equivalents	−1,985	−1,303	−2,581	−247
Cash and cash equivalents at the beginning of the period	120,664	50,805	182,520	141,344
Cash and cash equivalents at the end of the reporting period as per statement of financial position	**105,323**	**166,314**	**105,323**	**166,314**

Summary of changes in equity

for the six-month period ending June 30, 2020

				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, 2019	**249,375**	**682,412**	**324,638**	**151,715**	**−131,196**	**−1,584**	**1,275,360**	**6,282**	**1,281,642**
Other comprehensive income									
Foreign currency translation				7,964			7,964	12	7,976
Gains/losses from equity instruments						−2,502	−2,502		−2,502
Fair value change of available for sale securities						−19	−19		−19
Actuarial gains and losses (IAS 19)					−31,213		−31,213	−20	−31,233
Related income tax					−676		−676		−676
Other comprehensive income							**−26,446**	**−8**	**−26,454**
Net income			18,336	−125			18,211	492	18,703
Total comprehensive income							**−8,235**	**484**	**−7,751**
Change of non–controlling interests			−12				−12	152	140
Dividends			−29,925				−29,925		−29,925
Balance as of June 30, 2019	**249,375**	**682,412**	**313,037**	**159,554**	**−163,085**	**−4,105**	**1,237,188**	**6,918**	**1,244,106**
Balance as of January 1, 2020	**249,375**	**575,060**	**345,569**	**174,259**	**−164,628**	**−4,081**	**1,175,554**	**6,912**	**1,182,466**
Other comprehensive income									
Foreign currency translation				8,532			8,532		8,532
Actuarial gains and losses (IAS 19)					−13,840		−13,840		−13,840
Related income tax					2,379		2,379		2,379
Other comprehensive income							**−2,929**		**−2,929**
Net income			−132,097	−3			−132,100	483	−131,617
Total comprehensive income							**−135,029**	**483**	**−134,546**
Change of non–controlling interests				−18	106		88	−88	
Balance as of June 30, 2020	**249,375**	**575,060**	**213,472**	**182,770**	**−175,983**	**−4,081**	**1,040,613**	**7,307**	**1,047,920**

Selected explanatory notes to the condensed interim consolidated financial statements for the six-month period ending June 30, 2020

(1) Basis of presentation

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2020 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, 2020 – with the exception of the changes presented in Note (2) – are consistent with those used for the consolidated financial statements of Klöckner & Co SE as of December 31, 2019. A detailed description of those policies is provided in the notes to the consolidated financial statements on pages 148 to 165 of the Annual Report 2019. 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, 2020	December 31, 2019	HY1 2020	HY1 2019
Brazilian Real (BRL)	6.1118	4.5157	5.4104	4.3417
Pound Sterling (GBP)	0.9124	0.8508	0.8746	0.8736
Swiss Franc (CHF)	1.0651	1.0854	1.0642	1.1295
US Dollar (USD)	1.1198	1.1234	1.1021	1.1298

As part of the preparation of interim consolidated financial statements in accordance with IAS 34 for the period ending June 30, 2020, 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 reported amounts of assets and liabilities, income and expenses. Actual amounts may differ from these estimates.

In the opinion of the Management Board, the interim consolidated financial statements reflect all adjustments deemed necessary to provide a true and fair view of the results. The results for the period ending June 30, 2020 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2020 were authorized for issuance by the Management Board on August 11, 2020 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 2020:

Standard/Interpretation
Amendments to IAS 1 and IAS 8 (Definition of Material)
Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 (Definition of a Business)
Amendment to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform)

Amendments to IAS 1 and IAS 8 (Definition of Material) were published on October 31, 2018. The amendments establish a uniform and more precise definition of material with regard to the information included in financial statements and provide supplementary examples. They align the definition of material in the Conceptual Framework with that contained in IAS 1, IAS 8 and IFRS Practice Statement 2 *Making Materiality Judgements*.

Amendments to References to the Conceptual Framework in IFRS Standards were published on March 29, 2018. They relate to changes in references to the IFRS Conceptual Framework in various standards and interpretations.

On March 29, 2018, the IASB published the revised Conceptual Framework, consisting of a new introductory section headed "Status and purpose of the conceptual framework" and what are now eight main chapters. It now includes chapters on "The reporting entity" and "Presentation and disclosure"; the chapter "Recognition" was supplemented by "Derecognition". There are also substantive changes, such as the fact that income is no longer divided into revenues and gains. The new Conceptual Framework was accompanied by amendments to references to the Conceptual Framework in various standards.

On October 22, 2018, the IASB published Amendments to IFRS 3 (Business Combinations). In the amendments, the IASB clarifies that a business is a set of activities and assets that include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Moreover, output is defined with reference to the provision of goods and services to customers; the reference to provision of the ability to lower costs has been removed. The new stipulations also include an optional "concentration test" for simplified identification of a business.

The Amendments to IFRS 9, IAS 39 and IFRS 7 published on September 26, 2019 relate to prevailing uncertainties in connection with the IBOR reform. Under the existing hedge accounting rules, the upcoming interest rate benchmark reform would, in many cases, have resulted in hedging relationships being terminated. The amendments now make it possible to continue hedge accounting for existing hedging relationships. For this purpose, the amendments provide for selective mandatory exceptions to the previous hedge accounting requirements, such as for assessing the "highly probable" requirement for forecast transactions in cash flow hedges.

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

(3) Effects of the COVID-19 pandemic on preparing the half-year financial report

The COVID-19 pandemic largely impacted the following aspects when preparing this half-year financial report.

Impairment testing according to IAS 36

Procedure

Market capitalization at below the carrying amount of shareholders' equity and the failure to achieve earnings targets due to COVID-19, coupled with the associated restructuring measures, were triggering events for event-based impairment testing of all cash-generating units (CGUs).

The procedure applied corresponds to that described on pages 180 et seq. of the Annual Report 2019. The impairment test uses a discounted cash flow method employed in corporate planning to calculate the recoverable amount of a CGU as its value in use. In the impairment test performed as of June 30, 2020, we took account of the market changes caused by COVID-19 on the basis of available data and management estimates as well as the measures already initiated as part of project "Surtsey" in calculating the value in use.

CGUs to which goodwill has been allocated

The carrying amounts of goodwill totaled €31 million and relate to the Switzerland CGU (€26 million) and Becker Stahl-Service (€5 million). The impairment test confirmed that the goodwill is not impaired. Value in use was measured for the Switzerland CGU on the basis of a pretax WACC of 6.3% (2019: 6.0%) and for the Becker Stahl-Service GmbH CGU on the basis of a pretax WACC of 9.1% (2019: 8.5%).

On account of current forecasting uncertainties, the cash flow projections used in the impairment test do not assume a full market recovery. A 10% decrease in EBITDA in perpetuity or a 100 basis point increase in the interest rate would therefore result in full impairment of the goodwill reported for both CGUs.

Impairment testing of other non-current assets of the Germany, United Kingdom, France and Netherlands CGUs

Also as a result of the decline in shipments associated with the COVID-19 pandemic, European steel distribution activities continued to fall short of profitability targets in the United Kingdom and to generate further losses in France due to lower demand after streamlining of the dealer network. This is equally true for our distribution activities in Germany and the Netherlands.

The carrying amounts of the tested non-current assets of the CGUs in question before impairment testing were as follows as of June 30, 2020:

(€ million)	June 30, 2020
Germany	57,856
United Kingdom	42,285
France	63,994
Netherlands	20,372
Total assets tested	**184,507**

Impairment testing showed that the values in use of these CGUs were materially less than their carrying amounts, hence the recoverable amount of non-current assets cannot be determined from the cash flows from continuing use. An alternative determination of the recoverable amount using fair value less costs of disposal of these CGUs was not performed.

Any impairment must be allocated in a second step to the assets in the CGUs (IAS 36.104). In allocating the impairment loss, the carrying amount of an asset may not be reduced below its fair value less costs of disposal or its value in use (IAS 36.105). The fair values of the individual assets were therefore determined.

In determining the fair values of land assets, we relied on outside appraisals and external sources on land values. Any appraisals from prior periods were updated in line with observed market changes. The appraisals are based on the sales comparison approach where pertinent data is available and otherwise on the replacement value approach.

For plant and equipment as well as for operating and office equipment, fair values were determined with the assistance of outside experts. The fair values were determined on the basis of an indexed replacement value approach.

We determined the fair values of right-of-use assets in accordance with IFRS 16 on the basis of benchmark lease payments and price developments for comparable assets.

The fair values thus determined largely exceed the carrying amounts of the assets of each CGU. However, as the result of location closures within the context of project "Surtsey", impairments of €7 million were recognized on non-current assets in Germany, the United Kingdom and France and reported in the Kloeckner Metals Distribution segment.

It is thus determined that the non-current assets are not impaired under the assumption of individual disposal or an alternative use (e.g. through subleasing). Depending on future changes in their fair values, however, the necessity for additional impairment losses and impairment reversals cannot be ruled out.

For the Brazil CGU, we elected on materiality grounds not to determine the fair value of the assets because an impairment in the amount of the full value of the non-current assets had already been recognized in the past.

Kloeckner Metals US CGU

The values in use measured for this CGU exceeded their respective carrying amounts. Consequently, there were no internal indications of impairment in principle. Nevertheless, within the context of project "Surtsey", impairments of €7 million had to be recognized for Kloeckner Metals US in respect of the discontinued activities at a major facility and a location because the carrying amounts exceeded the fair values.

Determining the expected credit losses for trade receivables according to IFRS 9

There is no risk concentration as trade receivables relate to large numbers of customers from a variety of sectors and regions. Klöckner & Co applies the simplified approach to trade receivables and contract assets, recognizing the lifetime expected credit losses on inception. Determination of expected credit losses under the simplified approach is performed at Klöckner & Co in risk groups using historic credit loss rates. Future-oriented information is incorporated by adjusting historic credit loss rates with scaling factors. These are based on gross domestic product (GDP) growth rates in each region.

Individual valuation allowances are recognized under the simplified approach when one or more events have occurred that have a detrimental impact on the debtor's creditworthiness. Such events include payment delays, imminent insolvency or the granting of concessions to the debtor on account of payment difficulties.

Taking account of anticipated GDP development since the outbreak of the COVID-19 pandemic, credit loss rates of between 0.076 and 0.834% (December 31, 2019: 0.019 to 0.354%) of the gross carrying amounts of the receivables were applied in determining the expected credit losses. These amounted to €838 thousand as of June 30, 2020 (December 31, 2019: €513 thousand).

In addition to the expected credit losses, valuation allowances were recognized in the amount of €15,520 thousand (December 31, 2019: €14,715 thousand) for incurred losses on trade receivables.

State aid and tax relief

Allowances for short-time work and similar aid

During the COVID-19 pandemic, governments have offered various state aid packages to companies. Klöckner & Co has implemented short-time work programs in some countries. However, affected employees receive between 80% and 100% of their regular salaries while working reduced hours. Employers are reimbursed in full or in part for the personnel expenses associated with the lost working time.

At Klöckner & Co, 1,132 employees were affected as of the reporting date. The Company is entitled to claim state aid amounting to €1.7 million; overall, this reduced personnel expenses by €5 million.

Tax relief

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) passed in the USA in March 2020 introduces the option of carrying back tax losses for 2019 and 2020 to 2017 and 2018. Application of this measure yielded tax income of €10.4 million in the USA.

(4) Special items affecting the results

Project "Surtsey", which was launched during the reporting period, aims to leverage the opportunities presented by the COVID-19 crisis to accelerate the transformation of our business model and evolve as a platform company. Here, the focus is on the Kloeckner Assistant and XOM eProcurement applications that will become the heart of operations at Klöckner & Co, modernizing the Group's existing sales and procurement processes.

Project "Surtsey" will also result in the closure of 19 smaller branches that have no prospects of achieving adequate profitability in the years ahead. Our goal is to sustainably improve our location network and enable our sales organization to concentrate on selling our products and attracting new customers. As a result of advancing digitalization and optimizing our location network, headcount will be reduced by a total of more than 1,200 employees.

The implementation of the measures will continue into 2021, especially in France.

IMPAIRMENTS

Asset impairments

In connection with the location closures that have been initiated and the impairment testing of assets, impairment losses were recognized in the USA (€7 million), Germany (€4 million) and France (€3 million) on property, plant and equipment and right-of-use assets in accordance with IFRS 16. The impairment losses were recognized in the affected segments.

The impacts of these measures were as follows:

(€ million)	June 30, 2020
Stock devaluations	–2,960
Personell expenses	–64,174
Other restructuring expenses	–4,638
EBITDA impact	**–71,772**
Asset Impairments	–14,280
Impact on EBT	**–86,052**

(5) 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. In accordance with IAS 33.41, an average of 11,087 thousand potential dilutive shares under convertible bond issues were not included in the computation of diluted earnings per share for the first half of 2020 as this would have resulted in higher earnings per share.

		HY1 2020	HY1 2019
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	– 132,100	18,211
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	**(€/share)**	**– 1.32**	**0.18**

(6) Inventories

(€ million)	June 30, 2020	December 31, 2019
Cost	981	1,075
Valuation allowance (net realizable value)	–38	–32
Inventories	**943**	**1,043**

(7) Financial liabilities

The details of financial liabilities are as follows:

(€ million)	June 30, 2020	December 31, 2019
Non-current financial liabilities		
Bonds	143	140
Liabilities to banks	25	24
Liabilities under ABS programs	111	239
Finance lease liabilities	151	161
Total non-current financial liabilities	**430**	**564**
Current financial liabilities		
Bonds	1	1
Liabilities to banks	15	15
Liabilities under ABS programs	94	1
Finance lease liabilities	38	44
Total current financial liabilities	**148**	**61**
Financial liabilities as per consolidated balance sheet	**578**	**625**

Net financial debt developed as follows:

(€ million)	June 30, 2020	December 31, 2019
Financial liabilities as per consolidated balance sheet	**578**	**625**
Transaction costs	3	3
Gross financial liabilities	**581**	**628**
Cash and cash equivalents	105	183
Net financial debt (before deduction of transaction cost)	**476**	**445**

(8) Financial instruments

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

Financial assets as of June 30, 2020			Category				Fair value		
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other assets	1,831	1,831	-	-	-	1,831	-	1,831
Participations	Other non-current financial assets	12,274	11,274	1,000	-	-	-	12,274	12,274
Short-term deposits (< 3 months)	Cash and cash equivalents	2,226	2,226	-	-	-	2,226	-	2,226
Not measured at fair value									
Trade receivables	Trade receivables	596,327	-	-	596,327	-	-	-	-
Contract assets	Contract assets	26,623	-	-	26,623	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	103,097	-	-	103,097	-	-	-	-
Other financial assets at cost	Current and non-current other assets	17,355	-	-	17,355	-	17,355	-	17,355
Other financial assets at cost	Bonus claims to suppliers	37,615	-	-	37,615	-	-	-	-
Total		**797,348**	**15,331**	**1,000**	**781,017**	**-**	**21,412**	**12,274**	**33,686**

Financial liabilities as of June 30, 2020 (€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Category: Fair value recognized in profit and loss	Category: Fair value recognized in equity	Category: Other financial liabilities	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current liabilities	547	547	-	-	-	547	-	547
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	388,987	-	-	388,987	-	386,843	-	386,843
Lease liabilities	Current and non-current financial liabilities	189,286	-	-	189,286	-	-	150,898	150,898
Trade payables	Trade payables	468,854	-	-	468,854	-	-	-	-
Other financial liabilities at cost	Other non-current liabilities	139	-	-	139	-	-	137	137
Other financial liabilities at cost	Other current liabilities	29,833	-	-	29,833	-	-	-	-
Total		**1,077,646**	**547**	**-**	**1,077,099**	**-**	**387,390**	**151,035**	**538,425**

Financial assets as of December 31, 2019			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other assets	1,622	1,622	-	-	-	1,622	-	1,622
Participations	Other non-current financial assets	8,831	7,831	1,000	-	-	-	8,831	8,831
Short-term deposits (< 3 months)	Cash and cash equivalents	1,571	1,571	-	-	-	1,571	-	1,571
Not measured at fair value									
Trade receivables	Trade receivables	579,825	-	-	579,825	-	-	-	-
Contract assets	Contract assets	31,607	-	-	31,607	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	180,949	-	-	180,949	-	-	-	-
Other financial assets at cost	Current and non-current other assets	16,469	-	-	16,469	-	16,469	-	16,469
Other financial assets at cost	Bonus claims to suppliers	63,827	-	-	63,827	-	-	-	-
Total		**884,701**	**11,024**	**1,000**	**872,677**	**-**	**19,662**	**8,831**	**28,493**

Financial liabilities as of December 31, 2019			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Positions as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Other finan-cial liabilities	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 liabilities	321	321	-	-	-	321	-	321
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	419,788	-	-	419,788	-	422,742	-	422,742
Lease liabilities	Current and non-current financial liabilities	204,915	-	-	204,915	-	-	-	-
Trade payables	Trade payables	599,248	-	-	599,248	-	-	-	-
Other financial liabilities at cost	Other non-current liabilities	144	-	-	144	-	-	142	142
Other financial liabilities at cost	Other current liabilities	24,110	-	-	24,110	-	-	-	-
Total		**1,248,526**	**321**	**-**	**1,248,205**	**-**	**423,063**	**142**	**423,205**

The fair value measurement of non-current financial assets in the amount of €12,274 thousand (2019: €8,831 thousand) is classified as level 3. These are mostly unquoted financial instruments (equity investments) for which there is no active market. The change of €3,442 thousand during the current fiscal year is attributable to capital measures. 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, 2020. Their fair values are not reduced by transaction costs. For current financial liabilities, when there are no transaction costs to be deducted, their carrying amount is identical to fair value.

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

There is no indication of any change in the fair interest rates determined on initial recognition. For this reason, fair value is based on the carrying amount. Changes in hierarchy levels are taken into account at the end of the period in which the change took place. There were no transfers between hierarchy levels during the reporting year.

A further Level 3 fair value exists for other non-current liabilities; this is a put liability from the acquisition of the GSD Group. 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. Liabilities totaled €137 thousand in the fiscal year (2019: €142 thousand).

(9) Subsequent events

On July 6, 2020, the Supervisory Board of Klöckner & Co SE resolved to appoint Mr. Guido Kerkhoff as a member of the Management Board of the Group from September 1, 2020. It is intended that Guido Kerkhoff should succeed Gisbert Rühl as Chairman of the Management Board at the close of the Annual General Meeting in May 2021. Until then, Guido Kerkhoff will serve as Deputy Chairman of the Management Board.

(10) 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.

(11) Segment reporting

In the course of reallocating responsibilities, the Brazilian distribution business and the metering business were reassigned from their prior-year position in the Holding and other Group companies segment to the Kloeckner Metals US and Kloeckner Metals Distribution Europe segments, respectively. The prior-year figures were adjusted accordingly.

(€ million)	Kloeckner Metals US		Kloeckner Metals Switzerland		Kloeckner Metals Services Europe		Kloeckner Metals Distribution Europe		Holding and Others*)		Total	
	HY1 2020	HY1 2019	HY1 2020	HY1 2019	HY1 2020	HY1 2019	HY1 2020	HY1 2019	HY1 2020	HY1 2019	HY1 2020	HY1 2019
Shipments (Tto)	1,176	1,386	271	290	381	507	607	795	-	-	2,435	2,978
External sales	1,078	1,442	459	480	284	406	798	1,056	-	-	2,619	3,384
Gross Profit	181	223	134	131	35	55	161	197	-	-	511	606
Gross profit margin (%)	16.8	15.5	29.2	27.3	12.1	13.6	20.2	18.6	-	-	19.5	17.9
Segment result (EBITDA)**)	5	35	35	27	−5	16	−63	52	−12	−15	−40	115
Earnings before interest and taxes (EBIT)	−28	11	18	12	−8	12	−89	34	−15	−18	−122	51
Cashflow from operating activities	30	−21	3	−11	26	−11	−38	−40	−20	−5	1	− 88

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

(€ million)	Kloeckner Metals US		Kloeckner Metals Switzerland		Kloeckner Metals Services Europe		Kloeckner Metals Distribution Europe		Holding and Others*)		Total	
	HY1 2020	FY 2019	HY1 2020	FY 2019	HY1 2020	FY 2019	HY1 2020	FY 2019	HY1 2020	FY 2019	HY1 2020	FY 2019
Net working capital as of closing date**)	393	428	259	219	138	161	353	323	−8	−12	1,135	1,119
Employees as of closing date	2,220	2,452	1,585	1,626	564	588	3,332	3,373	214	214	7,915	8,253

*) Including consolidations.
**) Net Working Capital = Inventories plus trade receivables plus contract assets plus supplier bonus receivables less trade liabilities.

Duisburg, August 11, 2020

The Management Board

Gisbert Rühl
Chairman of the Management Board

Dr. Oliver Falk
Member of the Management Board

John Ganem
Member of the Management Board

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, 2020, the consolidated statement of income, statement of comprehensive income Group, consolidated statement of cash flows and summary of changes in consolidated equity for the period January 1 to June 30, 2020, 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, 2020, 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 12, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft

Velder
Wirtschaftsprüfer

Keisers
Wirtschaftsprüfer

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 11, 2020

The Management Board

Gisbert Rühl
Chairman of the Management Board

Dr. Oliver Falk
Member of the Management Board

John Ganem
Member of the Management Board

Financial Calendar

November 3, 2020	Q3 quarterly statement 2020 Conference call with journalists Conference call with analysts
March 10, 2021	Annual Financial Statement 2020 Financial statement press conference Conference call with analysts
April 29, 2021	Q1 quarterly statement 2021 Conference call with journalists Conference call with analysts
May 12, 2021	Annual General Meeting 2021, Düsseldorf, Germany
August 13, 2021	Half-yearly financial report 2021 Conference call with journalists Conference call with analysts
November 3, 2021	Q3 quarterly statement 2021 Conference call with journalists Conference call with analysts

Subject to subsequent changes.

Klöckner & Co SE

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Disclaimer

This report contains forward-looking statements that are based on the current estimates of the Klöckner & Co SE management with respect to future events. They are generally identified by the words “expect”, “anticipate”, “assume”, “intend”, “estimate”, “target”, “aim”, “plan”, “will”, “endeavor”, “outlook” and comparable expressions, and generally contain information that relates to expectations or targets for economic conditions, sales or other performance measures. Forward-looking statements are based on currently valid plans, estimates and projections and are therefore only valid on the day on which they are made. You should consider them with caution. Such statements are subject to numerous risks and uncertainties (e.g. those described in publications), most of which are difficult to predict and are generally beyond the control of Klöckner & Co SE. The relevant factors include the effects of significant strategic and operational initiatives, including the acquisition or disposal of companies or other assets. If these or other risks or uncertainties materialize or if the assumptions underlying any of the statements turn out to be incorrect, the actual results of Klöckner & Co SE may be materially different from those stated or implied by such statements. Klöckner & Co SE can offer no assurance that its expectations or targets will be achieved. Without prejudice to existing legal obligations, Klöckner & Co SE does not assume any obligation to update forward-looking statements to take information or future events into account or otherwise. In addition to the figures prepared in line with IFRS or HGB (Handelsgesetzbuch – German Commercial Code), Klöckner & Co SE presents non-GAAP financial performance measures, e.g. EBITDA, EBIT, net working capital and net financial debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS or HGB. Non-GAAP key figures are not subject to IFRS or HGB, or to 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 interim management statement and calculated in accordance with the relevant accounting principles. Other companies may define these terms in different ways. Please refer to the definitions in the annual report.

Rounding

There may be rounding differences with respect to the percentages and figures in this report.

Variances to the German version

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

This English version of the interim management statement is a courtesy translation of the original German version; in the event of variances, the German version shall prevail over the English translation.

Evaluating statements are unified and are presented as follows:

+/– 0–1%	+/– >1–5%	+/– >5%
stable	slight	considerable