Q2

Interim Report

as of June 30, 2021

klöckner & co

Interim Group Management Report

Klöckner & Co Group Figures

for the six-month period ending June 30, 2021

Shipments and income statement		Q2 2021	Q2 2020	Variance	HY1 2021	HY1 2020	Variance
Shipments	Tto	1,295	1,070	225	2,582	2,435	147
Sales	€ million	1,847	1,171	676	3,373	2,619	754
Gross profit	€ million	525	226	299	913	511	402
Gross profit margin	%	28.4	19.3	9.1%p	27.1	19.5	7.6%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	270	– 61	331	411	– 40	451
EBITDA before material special effects	€ million	271	11	260	401	32	369
EBITDA margin	%	14.6	– 5.2	19.8%p	12.2	– 1.5	13.7%p
EBITDA margin before material special effects	%	14.7	0.9	13.8%p	11.9	1.2	10.7%p
Earnings before interest and taxes (EBIT)	€ million	240	– 109	349	351	– 122	473
Earnings before taxes (EBT)	€ million	246	– 116	362	351	– 138	489
EBT before material special effects	€ million	246	– 31	277	340	– 52	392
Net income	€ million	215	– 111	326	301	– 132	433
Net income attributable to shareholders of Klöckner & Co SE	€ million	212	– 111	323	297	– 132	429
Earnings per share (basic)	€	2.13	– 1.11	3.24	2.98	– 1.32	4.31
Earnings per share (diluted)	€	1.88	– 1.11	2.99	2.66	– 1.32	3.98

Cash flow statement		Q2 2021	Q2 2020	Variance	HY1 2021	HY1 2020	Variance
Cash flow from operating activities	€ million	74	98	– 24	91	1	90
Cash flow from investing activities	€ million	– 16	– 13	– 3	– 27	– 23	– 4
Free cash flow*)	€ million	58	85	– 27	65	– 22	87

Balance sheet		June 30, 2021	Dec. 31, 2020	June 30, 2020	Variance June 30, 2021 vs. Dec. 31, 2020	Variance June 30, 2021 vs. June 30, 2020
Net Working Capital**)	€ million	1,282	967	1,135	315	147
Net financial debt	€ million	303	351	476	– 48	– 173
Gearing***)	%	21.7	33.9	45.7	– 12.2%p	– 24.1%p
Equity	€ million	1,410	1,043	1,048	367	362
Equity ratio	%	43.5	39.9	38.8	3.5%p	4.6%p
Total assets	€ million	3,244	2,613	2,699	631	545

Employees		June 30, 2021	Dec. 31, 2020	June 30, 2020	Variance June 30, 2021 vs. Dec. 31, 2020	Variance June 30, 2021 vs. Dec. 31, 2020
Employees as of the end of the reporting period		7,083	7,274	7,915	– 191	– 832

*) 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 2021 and outlook

- Strongest quarter and first half-year in operating terms since IPO in 2006
- EBITDA before material special effects €401 million in first half of 2021, compared with €32 million in the prior-year period. Including material special effects, EBITDA for the first six months was €411 million
- Second-quarter EBITDA before material special effects €271 million, within the adjusted €260-290 million guidance range
- Very strong net income of €215 million in second quarter and €301 million in first half year
- Shipments of 2.6 million tons up 6.1% year-on-year due to pandemic; recovery continues
- Sales of €3.4 billion up very considerably by 28.8% year-on-year due to price factors
- Proportion of Group sales via digital channels at 45% in second quarter of 2021 (Q2 2020: 38%)
- EBITDA before material special effects of €200-230 million forecast for the third quarter
- EBITDA of €650-700 million before material special effects forecast for the full-year

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

Our strategy – Klöckner & Co 2025: Leveraging Strengths

[With our “Klöckner & Co 2025: Leveraging Strengths” strategy, we are building on the various strengths we have created in recent years and leveraging them to take the next evolutionary step, leading Klöckner & Co into a successful future. We are now ready to grow.

The market environment in the steel distribution business is very complex and challenging. It is characterized by high market fragmentation, lagging digitalization and increasing demand for customized solutions. But this also means it is rich in opportunities and holds potential for those who are willing to lead the way. After spending recent years tackling these challenges, Klöckner & Co has amassed special capabilities and expertise: our digital transformation is well advanced and, thanks to the consistent execution of the Surtsey project, we have improved our cost base substantially. Moreover Klöckner & Co together with its sub-brands have an international high-quality brand in the market and an excellent reputation. We have gained our first valuable experiences in collaborating with partners, and we have initiated a deep and comprehensive cultural change within the company. Now we will build on this foundation and take Klöckner & Co to the next level on the way to becoming a platform company.

We are focusing on generating added value for all the Company’s stakeholders. Customers and partners benefiting from seamless integrated, digitalized and automated processes. For employees, we aim to foster a culture of empowerment and collaboration, upskilling them for the future and enabling them to grow and develop. For shareholders, our focus on a higher level of profitability also means a focus on the sustainable financial success of their investment in Klöckner & Co. Furthermore, we strive to make a positive impact on society and the environment and continue our efforts to reduce our environmental impact and our carbon footprint in particular.

We aim to intensify Klöckner & Co’s platform-based focus, merge the digital and the physical sides of our business more closely together and make better use of our internal and external networks. Inefficiencies in low-margin steel and metal distribution are still primarily caused by linear supply chains and a lack of transparency. By integrating third parties into our single platform while digitalizing and automating core processes as the next step in Klöckner & Co’s evolution, we will be able to eliminate existing inefficiencies in the value chain and lower variable costs significantly.

CUSTOMER GROWTH

We always aspire to exceed our customers' expectations and maximize their benefits. By focusing uncompromisingly on their needs, we aim to achieve the best customer satisfaction in the industry. This requires an extension of our product and service offerings and larger regional coverage. With our integrated platform, we aim to become a one-stop shop with a fast-track, best-in-class user experience. That will grow our client base and increase our share of wallet: customers will buy more from us, and more customers will buy from us.

LEVERAGING ASSETS AND PARTNER NETWORK

Beyond integrating existing partners into internal processes along the value chain to achieve efficiency gains, we aim to optimize our internal network and asset utilization as well as to integrate new partners with complementary offers and competencies outside Klöckner & Co's core portfolio.

For partners, the chance to draw on our customer base is a huge business opportunity, which they can take advantage of by becoming part of our platform structure. Smart integration makes it easy to incorporate their offerings into the customer-facing platform, with only light asset deployment for Klöckner & Co. The resulting broader product and service portfolio and larger coverage (horizontal, vertical and regional) will extend our own customer base – in turn making the platform more attractive to more partners. In addition, they can benefit not only from digital tools and analytics as well as scaling effects in marketing and advertising, but also from our well-known international brand. This will be complemented by an opportunistic M&A approach

DIGITALIZATION AND VALUE CHAIN AUTOMATION

Building on our pioneering role in the steel industry, we are further exploiting the significant potential of digitalization – and are now extending it to the level of automation. We continue to develop innovative digital solutions and digitalize our internal core processes. With seamless, end-to-end process integration featuring a very high degree of digitalization and automation, we can take process speed and efficiency to unparalleled levels along the entire value chain. Our goal is “zero touch,” meaning value generation with minimum manual effort.

OPERATIONAL EXCELLENCE

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

CORPORATE VALUES

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

We exercise responsibility in issues relating to the environment, safety and society. This commitment must be reflected in all our actions and decisions. By enforcing the highest safety standards, we ensure a safe working environment that protects our employees. We are careful in our use of natural resources and we align ourselves with the goals of the Paris Climate Accord. In terms of integrity, we are a transparent, authentic and modern company and deliver on our promises. We demonstrate accountability and commitment to our decisions and actions, and we foster a culture of dealing openly with failures.

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

Economic environment

Macroeconomic situation

The COVID-19 pandemic continued to have a negative impact on the global economy in the first half of 2021 but the economic recovery nevertheless continued. While recent developments such as the spread of new virus variants confirm that the pandemic is not yet over, the world economy has grown during the first half of the year, notably as a result of progress in vaccination programs. Measures taken to support national economies also had a positive impact on the overall economic recovery. Growth was held back by supply shortages, primarily for raw materials and specialty products such as semiconductors for sensor technology. Occasional supply chain disruptions and global shipping delays led in part to problems in industrial processes and shortages of key components. Although the geopolitical tensions between the United States and China remained in the background, they persist as a source of uncertainty in the economy alongside concerns about a possible sustained rise in inflation, overstretching of individual economies and the threat of further pandemic waves and virus variants.

Eurozone GDP grew by a considerable 13.1% in the second quarter of 2021 compared with the prior-year quarter. The European economy has seen a noticeable recovery in almost all sectors since the peak of the pandemic, regaining significant growth after the COVID-19-related stoppages in production and trading. With many Eurozone countries gradually lifting pandemic restrictions, vaccination campaigns progressing and consumer confidence returning, the European services sector also won back momentum from increased spending, particularly in the hospitality and travel industries.

US GDP likewise showed significant growth of 12.8% compared with the second quarter of 2020. Above all, the US administration's massive economic stimulus measures and the strong dynamics early in the vaccination campaign combined with falling infection rates across the country made for improvements in consumer and business sentiment and a steep increase in consumer spending. Shortages of materials and further supply restrictions prevented even stronger growth.

China's economic output grew in the second quarter by 7.9% year-on-year. On the back of strong export volumes, Chinese manufacturing activity continued to grow significantly. In particular, the production of electronic components and semiconductors was spurred by global demand. Because only isolated COVID-19 restrictions remain within the country, Chinese services activity has also continued to grow with the aid of expansion in business and transport services. Domestic consumption and corporate spending grew less strongly in comparison.

Development of GDP (in percent)	Q2 2021 vs. Q2 2020
Europe[*)]	**13.1**
Germany	9.4
United Kingdom	22.5
France	17.5
Belgium	12.7
Netherlands	8.5
Switzerland	8.6
China	7.9
USA	**12.8**
Brazil	12.6

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

Industry-specific situation

The global steel industry developed positively in the first half of 2021 and benefited from the global economic recovery. Severe upheavals due to the pandemic led to an unprecedented steel shortage on international markets, resulting in a very steep rise in material prices. According to the World Steel Association, global crude steel output increased by 14.4% year-on-year to some 1,004 million tons in the first six months of 2021. Production in the EU rose by approximately 18.4%. In the USA, output also grew by a substantial 15.5%. China increased production by 11.8%. According to analysts' estimates, steel producers worldwide were operating at 81% capacity at the end of June.

Trend in key customer industries

CONSTRUCTION INDUSTRY

Eurozone construction activity, which was relatively robust last year despite the pandemic, improved very considerably in the reporting period compared with the prior-year period. After no more than a moderate start to the year due to weather conditions, the sector as a whole gained momentum as the first half year progressed and as many European countries eased restrictions to contain the pandemic. Rising consumer and capital spending primarily benefited private residential construction. Demand for industrial and office buildings remained subdued. In the United States, the construction sector showed a considerable positive trend in the first five months driven by demand for single-family homes. Large-scale investments, mainly in transport infrastructure, also gave a further boost to the civil engineering sector.

MACHINERY AND MECHANICAL ENGINEERING

European machinery and mechanical engineering likewise grew significantly year-on-year during the reporting period as a result of the recovery in investment activity. Total output nevertheless remains at a relatively low level. Many companies were still hesitant to invest, even though the industry as a whole gained confidence. One of the main problems holding back the positive trend consisted of pandemic-related disruptions due to highly globalized supply chains. In the United States, capacity utilization in the machinery and mechanical engineering sector rose considerably with a rapid recovery in order intake. Investment spending on plant and machinery was additionally bolstered by strong fiscal incentives and favorable borrowing conditions. US plant and machinery shipments increased by a substantial 12% in the first five months compared with the same period a year earlier.

AUTOMOTIVE INDUSTRY

Developments in the international automotive markets also continue to be driven by the COVID-19 pandemic. The negative impact of the global semiconductor shortage on vehicle production slowed growth in the automotive sector, although it recovered very considerably after the onset of the pandemic. Demand has since picked up substantially in both Europe and the United States but supply shortages are preventing stronger growth. According to the German Association of the Automotive Industry (VDA), the European market grew by around 27% in the first six months relative to the prior-year period. Unit sales in the United States were even more dynamic with an increase of some 29%. The market in China grew by 27%.

Results of operations, financial position and net assets

The key figures for the results of operations, financial position and net assets in the second quarter and the first half of 2021 are set out in the following. Further information can be taken from Note (3) (Special items affecting the results) to the condensed interim financial statements.

KEY FIGURES RESULTS OF OPERATIONS

(€ million)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Shipments (Tto)	1,295	1,070	2,582	2,435
Sales	1,847	1,171	3,373	2,619
Gross profit*)	525	226	913	511
Gross profit margin (%)	28.4	19.3	27.1	19.5
EBITDA**)	270	– 61	411	– 40
EBITDA margin (%)***)	14.6	– 5.2	12.2	– 1.5
EBITDA before material special effects	271	11	401	32

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

OTHER KEY FIGURES

(€ million)	June 30, 2021	June 30, 2020	December 31, 2020
Net working capital*)	1,282	1,135	967
Net financial debt**)	303	476	351
Gearing (Net financial debt/shareholders' equity***))	22%	46%	34%

*) 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 BY SEGMENTS

(Tto)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Kloeckner Metals US	633	527	1,252	1,176
Kloeckner Metals Switzerland	152	144	278	271
Kloeckner Metals Services Europe	192	134	417	381
Kloeckner Metals Distribution Europe	318	265	635	607
Group turnover	**1,295**	**1,070**	**2,582**	**2,435**

Shipments in the first half of 2021 totaled 2.6 million tons, marking growth of 6.1% relative to the prior-period. The second quarter in particular showed a marked recovery from last year's pandemic-related drop in shipments despite consistent application of our margin-over-volume strategy in a steel sector affected by supply shortages.

SALES BY SEGMENTS

(€ million)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Kloeckner Metals US	845	477	1,507	1,078
Kloeckner Metals Switzerland	277	244	490	459
Kloeckner Metals Services Europe	174	98	360	284
Kloeckner Metals Distribution Europe	551	352	1,016	798
Group sales	**1,847**	**1,171**	**3,373**	**2,619**

The exceptionally positive price trend – especially in the USA, but also in Europe – caused sales to rise considerably from €2.6 billion to €3.4 billion (an increase of 28.8%) and thus significantly more strongly than shipments despite negative exchange rate movements, especially in the US dollar. The currency-adjusted increase in sales was 34.8%.

Earnings

(€ million)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Sales	1,847	1,171	3,373	2,619
Gross profit	525	226	913	511
Gross profit margin (in %)	28.4	19.3	27.1	19.5
OPEX*)	– 255	– 287	– 502	– 551
EBITDA	270	– 61	411	– 40
EBITDA before material special effects**)	271	11	401	32
EBIT	240	– 109	351	– 122
EBT	246	– 116	351	– 138
Net income	**215**	**– 111**	**301**	**– 132**

*) OPEX = Own work capitalized plus other operating income less personnel expenses less other operating expenses.
**) Material special effects: 2021 – Income from sales of sites in the USA (€2 million) and Germany (€10 million), follow-on expenses from the Surtsey project in Germany (€1 million), in France (€1 million) and in the UK (€1 million); 2020 – restructuring expenses in connection with the Surtsey project (€72 million).

Gross profit, at €913 million, was likewise significantly higher with an increase of €402 million (currency-adjusted €444 million) on the €511 million prior-year figure. The main reason for the year-on-year improvement was the extremely positive price trend in combination with a consistent margin-over-volume strategy. Given that procurement prices increased less strongly than selling prices but also due to our exit from low-margin business, the gross profit margin improved considerably from 19.5% in the prior year to 27.1%.

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

OPEX

(€ million)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Own work capitalized	-	1	1	1
Other operating income	6	4	23	11
Personnel expenses	– 151	– 193	– 301	– 342
Other operating expenses	– 110	– 99	– 226	– 221
OPEX	**– 255**	**– 287**	**– 502**	**– 551**

Comparability of OPEX with the prior year is possible only to a very limited extent due to special effects and also the weak US dollar exchange rate.

For instance, other operating income for the current year includes €10 million in non-recurring income from the sale of a site in Germany.

Personnel expenses in the first half of the prior year include expenses of €64 million for redundancy plan measures as part of the Surtsey project, whereas just €4 million in follow-on expenses were incurred in the first half of 2021.

Other operating expenses in the prior-year comparative period include expenses for the Surtsey project associated with site closures (€5 million).

In total, OPEX fell from €551 million in the prior-year period to €502 million. Of this decrease, €21 million is currency-related.

Group operating income (EBITDA) came to €411 million in the first half of 2021, compared to an operating loss of €40 million in the prior-year period.

EBITDA BY SEGMENTS (ADJUSTED FOR MATERIAL SPECIAL EFFECTS)

(€ million)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Kloeckner Metals US [1), 3)]	134	-	209	10
Kloeckner Metals Switzerland	32	24	42	35
Kloeckner Metals Services Europe [3)]	11	– 2	25	3
Kloeckner Metals Distribution Europe [1), 2), 3)]	87	– 6	131	– 3
Holding and other group companies	6	– 5	– 5	– 12
Adjusted EBITDA of the Klöckner & Co Group	**271**	**11**	**401**	**32**
Net adjustments	– 1	– 72	10	– 72
EBITDA	**270**	**– 61**	**411**	**– 40**

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

Adjustments in 2020:
3) Restructuring expenses in connection with the Surtsey project (Kloeckner Metals US €4 million, Kloeckner Metals Distribution Europe €60 million, Kloeckner Metals Services Europe €8 million).

With EBITDA before material special effects of €271 million in the second quarter and €401 million in the first half year, Klöckner & Co achieved the best quarterly and half-year operating results before material special effects since the IPO in 2006.

Operating income in the Kloeckner Metals US segment increased to €209 million from €10 million in the prior year. The increase was mainly due to the extremely positive trend in sales prices on the basis of a smaller increase in inventory prices reinforced by extremely strict net working capital management in the form of strategic and disciplined inventory management and by effects resulting from the Surtsey project. On a currency-adjusted basis, operating income would have increased even more steeply to €229 million.

EBITDA in the Kloeckner Metals Switzerland segment went up from €35 million in the prior-year period to €42 million. Following a slightly weaker start to the year – particularly as regards reinforcing steel – due to weather conditions, shipments and sales picked up over the remainder of the first half year. Earnings were also positively impacted by the effects of the Surtsey project and the resulting lower OPEX.

The semiconductor shortages combined with restricted steel supply throughout the supply chain negatively impacted shipments and consequently also earnings in the Kloeckner Metals Services Europe segment. Even though demand has not yet quite regained pre-crisis levels, earnings rose as a result of price increases from €3 million to €25 million.

Adjusted operating income in the Kloeckner Metals Distribution Europe segment developed particularly well, increasing from a loss of €3 million to €131 million. In this segment, too, we benefited very strongly from rising prices in conjunction with disciplined net working capital management and the Surtsey measures. While our biggest earnings increase was in Germany, EBITDA was also very substantially higher than in the prior year in France and the United Kingdom.

RECONCILIATION TO NET INCOME

(€ million)	HY1 2021	HY1 2020
EBITDA	**411**	**– 40**
Depreciation, amortization and impairments	– 60	– 82
EBIT	**351**	**– 122**
Income from investments	4	-
Financial result	– 4	– 16
EBT	**351**	**– 138**
Income taxes	– 50	6
Net income	**301**	**– 132**

Depreciation, amortization and impairments amounted to an expense of €– 60 million, down from the prior-year figure of €– 82 million. €14 million of the improvement was due to the absence of impairment losses necessitated in the prior year in connection with the Surtsey project and associated site closures.

EBIT in the reporting period was consequently €351 million, compared with a loss of €122 million in the prior-year period.

Investment income comprises changes in the fair value of equity investments.

The improved financial result is partly due to the lower average net debt. Additionally, interest income includes a non-recurring €8 million remeasurement gain on the convertible bond due to a change in expectations regarding exercise of the investor put option. Further information is included in Note (3) (Special items affecting the results) of the condensed notes to the consolidated financial statements.

All operating segments generated positive income before taxes in the first half of 2021. The positive pre-tax income resulted in an income tax expense of €– 50 million for the first half of 2021 (HY1 2020: tax income of €6 million). Tax expense was reduced by €17 million due to the recognition of deferred tax assets reflecting improved scope for utilizing loss carryforwards in the German tax group.

In total, net income was in positive figures at €301 million, versus a loss of €132 million in the comparative period.

Basic earnings per share came to €2.98, compared with a negative €1.32 in the prior year.

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

(€ million)	June 30, 2021	December 31, 2020
Non-current assets	988	932
Current assets		
Inventories	1,104	856
Trade receivables*)	960	586
Other current assets	55	66
Liquid funds	137	173
Total assets	**3,244**	**2,613**
Equity	1,410	1,043
Non-current liabilities		
Provisions for pensions	265	288
Financial liabilities	226	334
Other non–current liabilities	69	61
Current liabilities		
Financial liabilities	211	187
Trade payables	783	475
Other current liabilities	281	225
Total equity and liabilities	**3,244**	**2,613**

*) including contract assets and supplier bonus receivables.

Total assets were €3,244 million as of June 30, 2021, marking an increase of approximately 24% on the prior year-end.

Non-current assets amounted to €988 million, €56 million above the level as of December 31, 2020 (€932 million). The increase relates in the amount of €17 million to the recognition of deferred tax assets in the German tax groups and in the amount of €49 million to the change in the surplus of plan assets over the defined benefit obligation in the Swiss pension plan. Mainly due to depreciation and amortization, there was a decrease both in intangible assets (by €– 7 million) and in property, plant and equipment (by €– 7 million). In property, plant and equipment, additions of €27 million from investing activities and of €14 million from new leases recognized in accordance with IFRS 16 were offset by depreciation totaling €50 million.

Equity grew from €1,043 million to €1,410 million. This was due to the strong net income of €301 million. Equity was thus well above the level seen before the outbreak of the COVID-19 pandemic. Despite the increase in total assets, the equity ratio was solid at 43% (December 31, 2020: 40%).

Net working capital changed as follows:

NET WORKING CAPITAL

(€ million)	June 30, 2021	June 30, 2020	December 31, 2020
Inventories	1,104	943	856
Trade receivables	903	596	517
Contract assets	31	27	26
Supplier bonus receivables	26	38	43
Trade payables	– 783	– 469	– 475
Net Working Capital	**1,282**	**1,135**	**967**

Also as a result of the ongoing extremely strict net working capital management, working capital increased despite the substantially higher price level by just €147 million over the figure at the end of the second quarter of the prior year.

Liquidity amounted to €137 million, compared with €173 million as of December 31, 2020.

STABLE FINANCING WITH IMPROVED MATURITY PROFILE

In April 2021, Klöckner & Co extended the €278 million syndicated loan with its core banks by another year to May 2024. In addition, after the end of the reporting period in July 2021, the bilateral credit lines in Switzerland were extended ahead of term to March 2025 and increased by CHF30 million to a total volume of CHF160 million. These measures made it possible to further improve the Group's maturity profile.

The 2016 convertible bond (total volume €148 million) was issued with a seven-year term to maturity and an investor put option. This gives each bondholder the right, subject to a minimum 30-day notice period, to call all or some of their bonds as of September 8, 2021.

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

Taking into account the extensions (of the syndicated loan and the Swiss credit lines) and the maturity date of the convertible bonds (September 2023), the volume-weighted remaining term to maturity of the core financing instruments at the reporting date is approximately 2.7 years. Covering a total amount of some €1.1 billion (excluding leases), our financing instruments continue to provide us with generous financial headroom.

NET FINANCIAL DEBT

(€ million)	June 30, 2021	June 30, 2020	December 31, 2020
Net financial debt	303	476	351
Gearing (Net financial debt/shareholders' equity*))	**22%**	**46%**	**34%**

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

The main reason for the decrease in net financial debt from €351 million as of December 31, 2020 to €303 million at the end of the first half year is the cash inflow from operating activities (€91 million), which is offset by only €27 million in cash outflows from investing activities.

Pension provisions amounting to €265 million were down on the prior year-end (€288 million) due to higher discount rates and positive value performance of the pension fund plan assets.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Cash flow from operating activities	74	98	91	1
Cash flow from investing activities	– 16	– 13	– 27	– 23
Free cash flow	**58**	**85**	**65**	**– 22**
Cash flow from financing activities	– 54	– 98	– 102	– 52

Primarily due to the strong operating income, cash flow from operating activities was positive (€91 million) despite the increase in net working capital, compared with a cash inflow of just €1 million in the prior-year period.

€35 million in payments for capital expenditure were partly offset by €8 million in receipts from divestments to yield a cash outflow from investing activities of €27 million (HY1 2020: €23 million).

This resulted in a free cash flow of €65 million in the first half of 2021, compared with a negative €22 million in the prior-year period.

The cash flow from financing activities was a negative €102 million (HY1 2020: negative €52 million) due to significantly lower borrowing as a result of the positive cash flow from operating activities.

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

The International Monetary Fund (IMF) expects the global economy to recover strongly in 2021 and forecasts global growth of 6.0%. However, this expectation continues to be subject to a high degree of uncertainty about the onward path of the COVID-19 pandemic. Major progress in vaccination could accelerate economic activity, while new virus variants could slow the ongoing economic recovery. Potential negative impacts on the global economy comprise unexpectedly high inflation, concerns about individual countries facing overindebtedness as a result of high spending to cope with the effects of the pandemic and a continuation of the trade policy disputes between China and the USA. Growth could also be curbed by unforeseen delays in reorganizing supply chains and significant ongoing shortages of raw materials and key technical components. However, additional fiscal stimulus in tandem with improvements in the situation regarding the pandemic ought to further lift consumer and business sentiment overall.

On IMF estimates, the eurozone economy will grow by 4.6% in 2021. With further progress in vaccination campaigns alongside a further easing of pandemic-related restrictions, the broad economic recovery should continue. Growth could be slowed by new virus variants, however, which might delay the lifting of national and international restrictions. Aside from this, the stimulus measures launched so far will continue to support growth.

For the US economy, the IMF forecasts positive growth of 7.0% in 2021. Expectations are that the GDP level from the time before the COVID-19 crisis could even be exceeded this year. Helped along by economic stimulus programs and with decreasing infection rates, the economy should continue to pick up with job prospects increasingly improving. Positive consumer and business sentiment would further boost consumer spending and investment, especially in the services sector.

For China, the IMF expects growth of 8.1% in 2021. Stimulus measures are expected to be largely kept up to ensure that the robust economic growth continues. Significant progress in the vaccination campaign means that the low domestic consumer and business spending early in the year is expected to give way to an increasingly positive trend over the remainder of the year. The improved expectations for the remaining course of the year could in turn push up the level of capital spending.

Expected development of GDP (in percent)	2021e
Europe*)	**4.6**
Germany	3.6
United Kingdom	7.0
France	5.8
Belgium	4.5
Netherlands	2.9
Switzerland	3.5
China	8.1
USA	**7.0**
Brazil	5.3

Source: IMF, Bloomberg.
*) Eurozone.

Expected steel sector trend

The World Steel Association expects steel demand to grow about 5.8% to some 1,874.0 million tons in the full year 2021. For the EU, the association forecasts an increase of 10.2%, while the North American Free Trade Agreement (USMCA) region is expected to grow by 7.6% and South and Central America by 10.6%. China is only expected to see moderate growth of 3.0%.

Expected trend in our core customer sectors

CONSTRUCTION INDUSTRY

According to Oxford Economics estimates, the recovery in Eurozone construction activity will continue. Overall, growth of around 7% is expected in 2021, with private residential construction as the primary growth driver. In some countries, ongoing COVID-19 restrictions, labor shortages and reluctance to invest prevent construction projects in some cases from being resumed. European and national programs are contributing to a further recovery in the sector, however, especially as regards sustainability projects. In the USA, the extensive economic stimulus measures are expected to result in a significant recovery in the construction industry. This is likely to further boost the already strong residential construction sector. In total, the US construction industry is expected to grow substantially by around 6%.

MACHINERY AND MECHANICAL ENGINEERING

According to Oxford Economics, rising order intake and high capacity utilization mean that the European machinery and mechanical engineering sector will continue to grow strongly by around 12% in 2021. Uncertainty about the further path of the pandemic persists and may affect investment decisions, but general market sentiment is increasingly improving. Companies are also likely to face favorable financing conditions for the long term. The machinery and mechanical engineering sector in the USA is likewise expected to grow strongly by about 11%. In particular, the recovery in downstream markets ought to continue driving demand for new orders this year. Sustained capacity utilization, favorable borrowing terms and support from economic stimulus programs ought to further bolster capital spending.

AUTOMOTIVE INDUSTRY

According to the German Association of the Automotive Industry (VDA), the global passenger car market will grow by around 9% in 2021. A further reduction in pandemic-related supply disruptions and increasing easing of restrictions are expected to result in a significant increase in output. Ongoing shortages of key components and input materials will retard this. For the European automotive industry, the VDA expects unit sales to grow by around 8% year-on-year. Unit sales in the USA are expected to grow by 9%. In China, unit sales are projected to increase by 8% year-on-year.

Current assessment of opportunities and risks

The detailed information provided in the Opportunities and Risks section on pages 68 to 86 of the Annual Report 2020 generally continues to apply. Well over a year after the onset of the COVID-19 pandemic, the global situation with virus mutations remains a cause for concern, although increasing vaccination coverage not only in the United States but now also in Europe is lifting business sentiment. Overall, the global economic outlook continues to be shaped by uncertainty, most of all about the further path of the pandemic. The scale and duration of a potential fourth wave of the pandemic with the exponential spread of the Delta variant of the virus are hard to predict and therefore continue to significantly influence the risk landscape. As a consequence of the economic upheavals that could result, the dominant risk category continues to be market risk, in particular as to the forward trends in the steel price and in demand. For a detailed description of the risk management system in the Klöckner & Co Group, please see pages 69 et seq. of the Annual Report 2020.

Market risk for Klöckner & Co is mostly determined by trends in demand and prices. Currently stable demand supported by further increasing industrial production, fewer supply chain disruptions and steadily rising vaccination rates in the USA, UK and EU are helping the economy grow back to pre-crisis levels. The economic recovery is being supported 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. With the aid of continued fiscal incentives, the United States in particular is expected to contribute to stronger global growth in the further course of 2021. Above all, the US construction sector stands to benefit in the medium term from planned infrastructure spending under the American Jobs Plan. After the weak first-quarter start in the eurozone, the significant upturn in the second and probably also in the third quarter should lead to a robust recovery as vaccination campaigns increasingly strengthen consumer and business confidence throughout the region.

The automotive sector currently presents a mixed picture overall. In Western Europe, unit sales remain well below pre-crisis levels and also show weaker monthly figures due to shortages of key components. While unit sales in China are currently flat and slightly below their level from before the onset of the pandemic, the US market continues to show remarkable strength. The sales volume there is already back above pre-crisis levels despite an increasingly stretched inventory situation. The global double-digit year-on-year growth rates in the mechanical engineering sector are due to the weak prior year. Month on month, both growth and capacity utilization show only slight increases. Much of this weakness is attributable to low demand from the oil and gas sector. The trend in the USA is in line with the industry average, while the sector in Germany has most recently shown significant growth. Germany has also recently seen a steady rise in industry confidence. The construction sector shows a positive picture overall. In the USA, in addition to the civil engineering sector, the residential construction sector is also growing as a result of the Biden administration's stimulus program, while the trend in the commercial construction sector is flat. Optimism also remains strong in the United Kingdom construction sector, notably with regard to repair and maintenance projects. In Europe, the construction sector is slowly regaining confidence as the vaccination campaign proceeds, although civil engineering has recently been weaker. Germany in particular shows robust growth. There are medium- to long-term opportunities here most of all in relation to the EU's Next Generation recovery plan, which will promote new construction projects for lasting improvements in the continent's climate footprint.

Steel output has gone up worldwide as a result of strong demand, high prices and low inventories. Shortages in various steel products have driven up prices and stimulated production. Many mills are operating close to capacity as a result and this is currently supporting the high steel price level. Several measures that recently came into force in China – the world's largest steel producer – should help curb production there in the second half of the year and could therefore likewise support steel price levels. Furthermore, the weakness in demand from the automotive sector as a major steel user could prove only temporary if the availability of key components improves in the further course of the year. Given the considerable economic risks, especially regarding the further course of the pandemic, weaker demand and structurally persistent surplus capacity make possible a sharp fall from the very high price level in the short to medium term, which would impact negatively on our earnings performance.

Major opportunities are presented above all by our new strategy, "Klöckner & Co 2025: Leveraging Strengths", the implementation of which will take Klöckner & Co to the next level in its transformation into a platform company. We aim to intensify Klöckner & Co's platform-based focus, merge the digital and the physical sides of our business more closely together and make better use of our internal and external networks. Inefficiencies in low-margin steel and metal distribution are still primarily caused by linear supply chains and lack of transparency. By integrating third parties into our single platform while digitalizing and automating core processes as the next step in Klöckner & Co's evolution, we will be able to eliminate existing inefficiencies in the value chain and significantly lower variable costs. In this way, we aim to generate added value for all of our Company's stakeholders.

If the pandemic cannot be further and lastingly contained, or the situation even significantly worsens once more because of the Delta variant or other variants in a fourth infection wave, then although our organization and the industry have learned to cope with the pandemic situation, regional developments could once again cause demand to fall for Group companies and individual sites. Containment of the pandemic could be hindered in particular by delays in supplying and distributing vaccines in emerging economies, new variants and widespread vaccine refusal. Infection rates are currently back up in Europe and are already leading to isolated regional and local lockdowns. On the other hand, the United Kingdom once again lifted pandemic measures in mid-July despite steeply rising infection rates. A further macroeconomic risk is that of a sustained rise in inflation – currently above all in the USA – which could slow economic recovery and in the worst case lead the economy into recession. Political risks include the ongoing possibility of the trade dispute escalating between the USA and China and of increased tensions in the relationship between the USA and Russia. Cyber risks could also continue to increase. These trends would weigh on economic performance in the USA and above all also in Europe. As the pandemic continues, especially in the event of an intense fourth wave and the resulting possibility of renewed restrictions, there is a risk of growing numbers of companies facing 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, further adjusting to market circumstances in the short and medium term by focusing on improving efficiency, reducing costs and continuing to prioritize 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.

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

Group forecast

The development of the global economy was still significantly shaped in the reporting period by direct and indirect impacts of the COVID-19 pandemic. While the recovery in core customer sectors continued, material shortages in the supply chain worsened considerably and this drove a sharp rise in global steel prices. In this challenging market we apply a disciplined margin-over-volume strategy and strict net working capital management. This has enabled us, in a dynamic price environment – with the support of substantial effects from the Surtsey project – to deliver the best quarterly and half-year operating income since the IPO in 2006.

Given the ongoing restricted supply situation in the steel industry, we will continue to apply rigorous inventory management over the remaining course of the year with the aim of ensuring security of supply for our customers and of minimizing risk. As the international vaccination campaigns progress, and with the support of country-specific economic stimulus measures, we expect the economic recovery to continue in the second half year.

Due to the significantly higher price level, we expect a considerable year-on-year increase in sales in fiscal year 2021. In view of the material shortages and our focused margin-over-volume strategy, we expect a slight increase in shipments overall and even a significant increase for the Kloeckner Metals US and Kloeckner Metals Distribution Europe segments.

Following the best half-year operating income since our IPO, we also expect considerable year-on-year growth in earnings for the full year. Driven by the dynamic price trend combined with strict inventory management and the effects from the Surtsey project, we expect to attain operating income (EBITDA) of €650-€700 million before material special effects and thus the best annual operating income since the IPO in 2006.

After cash flow from operating activities was already extremely strong in the prior year, we expect a further considerable increase this year despite the substantial rise in material prices and the cash outflows in connection with the Surtsey project.

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

	Shipments (Tto)			Sales (€m)		
Forecast by segment	2020	Original forecast 2021	Adjusted forecast 2021	2020	Original forecast 2021	Adjusted forecast 2021
Kloeckner Metals US	2,339	considerable increase	considerable increase	2,076	considerable increase	considerable increase
Kloeckner Metals Switzerland	542	slight increase	slight increase	914	slight increase	considerable increase
Kloeckner Metals Services Europe	815	considerable increase	slight increase	607	considerable increase	considerable increase
Kloeckner Metals Distribution Europe	1,177	slight increase	considerable increase	1,533	slight increase	considerable increase
Holding and other group companies						
Group	**4,873**	**considerable increase**	**slight increase**	**5,130**	**considerable increase**	**considerable increase**

	EBITDA before material special effects (€m)			Cash flow from operating activites (€m)		
	2020	Original forecast 2021	Adjusted forecast 2021	2020	Original forecast 2021	Adjusted forecast 2021
Kloeckner Metals US	50	considerable increase	considerable increase	85	considerable decrease	considerable decrease
Kloeckner Metals Switzerland	62	considerable decrease	considerable increase	62	considerable decrease	slight increase
Kloeckner Metals Services Europe	19	considerable increase	considerable increase	29	considerable decrease	considerable increase
Kloeckner Metals Distribution Europe	7	considerable increase	considerable increase	10	considerable decrease	considerable increase
Holding and other group companies	– 27			– 25		
Group	**111**	**considerable increase**	**considerable increase**	**161**	**considerable decrease**	**considerable increase**

Assumption: Strong positive steel price trend beginning to normalize in conjunction with decreasing divergence between sales and inventory prices in the third and increasingly also the fourth quarter of the current fiscal year.
“Stable” corresponds to a change of +/– 0-1%, “slight” to a change of +/– >1-5% and “considerable” to a change of +/– >5%.

Duisburg, August 6, 2021

Klöckner & Co SE

The Management Board

Klöckner & Co Share

Klöckner & Co share: Key data

ISIN DE000KC01000 – German Securities Code (WKN) KC0100

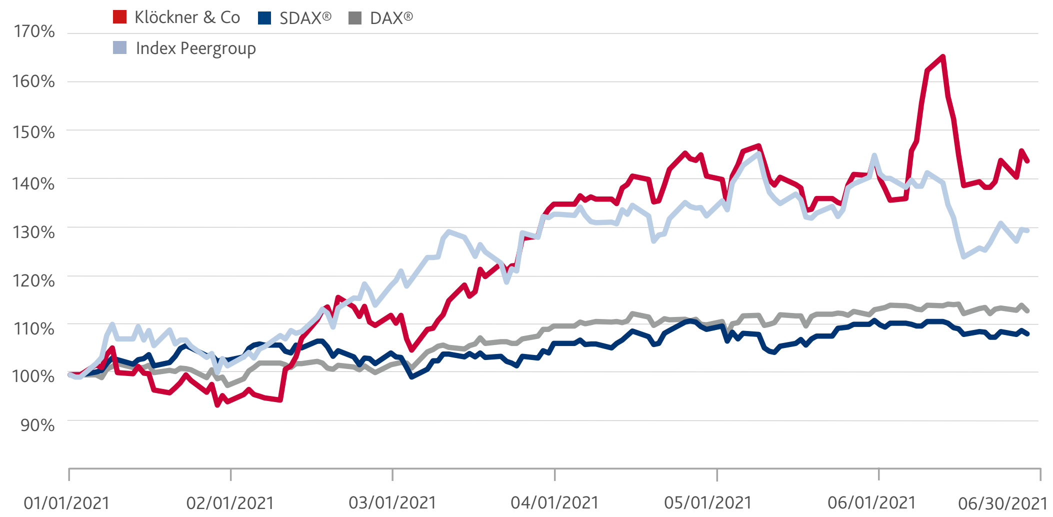
Stock exchange symbol: KCO
Bloomberg: KCO GY
Reuters Xetra: KCOGn.DE
Listed in SDAX®

SHARE PRICE PERFORMANCE

The international capital markets continued to be highly volatile in the first half of the year. In this market environment, the Klöckner & Co share price nonetheless gained considerably in the course of the reporting period. Klöckner & Co shares rose 44% from the 2020 year-end closing price of €8.01 to end at €11.54 on June 30. They marked a low of €7.51 on January 27 and the highest price for the reporting period at €13.26 on June 14.

The DAX® and SDAX® indices gained 13% and 9% respectively in the same period. The peer group index, which tracks the performance of companies that are comparable with Klöckner & Co, gained some 30% (alongside thyssenkrupp, Salzgitter, Arcelor Mittal, Voestalpine and Swiss Steel, the peer group index also includes Reliance, Olympic Steel and Ryerson).

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



The average trading volume in Klöckner & Co shares during the second quarter increased to around €5.5 million per day, higher than in the first quarter (around €4.0 million per day). Klöckner & Co shares ranked 117th by trading volume and 125th by free float market capitalization in Deutsche Börse AG's ranking in June.

KEY DATA – KLÖCKNER & CO SHARE

		Q2 2021	Q2 2020	HY1 2021	HY1 2020
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)	€	11.54	4.86	11.54	4.86
Market capitalization	€ million	1,151	485	1,151	485
High (Xetra, Close)	€	13.26	4.88	13.26	6.45
Low (Xetra, Close)	€	10.72	3.17	7.51	2.74
Average daily trading volume	in shares	483,500	504,219	473,844	526,972

ANNUAL GENERAL MEETING

The 15th Annual General Meeting of Klöckner & Co SE was held on May 12, 2021. In order to protect the health of our shareholders and employees, the Annual General Meeting was held virtually for the second time, without the physical presence of shareholders or their proxies. This decision was made by the Management Board with the consent of the Supervisory Board on the basis of the Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic. All shareholders were able to register for the Annual General Meeting, vote, submit questions to the Company in advance and follow a livestream of the entire meeting via the Online Service on the Klöckner & Co SE website, www.kloeckner.com. For the first time, the entire Annual General Meeting was also livestreamed on the website for the public. The speeches by Supervisory Board Chairman Prof. Dr. Dieter H. Vogel, CEO Guido Kerkhoff and former CEO Gisbert Rühl remain available there for viewing. In total, more than 60% of the voting capital voted on resolutions.

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%, followed by Claas Edmund Daun with between 3% and 5%. 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 2021, the management and members of the IR team of Klöckner & Co SE provided interested capital market participants with information at six (virtual) conferences in Germany and internationally, as well as in many additional one-on-one discussions. Talks with investors focused on the business performance of the Klöckner & Co Group, the Group's strategic orientation under the new "Klöckner & Co 2025: Leveraging Strengths" strategy, the response to the COVID-19 pandemic and global macroeconomic developments.

In the first six months, Klöckner & Co was covered by twelve banks and securities houses in over 60 research reports. As of the end of June, nine securities houses rated Klöckner & Co shares a "buy", two gave a "hold" recommendation and one rated Klöckner & Co 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, 2021

(€ thousand)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Sales	1,847,419	1,170,695	3,372,853	2,618,894
Changes in inventory	16,838	1,378	23,464	– 4,602
Own work capitalized	367	685	764	685
Other operating income	6,142	4,461	23,485	10,980
Cost of materials	– 1,339,099	– 946,269	– 2,483,495	– 2,103,079
Personnel expenses	– 151,413	– 192,635	– 300,530	– 342,385
Depreciation, amortization and impairment losses	– 29,963	– 48,404	– 60,207	– 82,228
thereof Impairment losses	*– 391*	*– 14,280*	*– 391*	*– 14,280*
Other operating expenses	– 110,319	– 99,367	– 225,635	– 220,271
Operating result	**239,972**	**– 109,456**	**350,700**	**– 122,006**
Income from investments	**4,423**	**-**	**4,423**	**-**
Finance income	7,909	118	7,925	266
Finance expenses	– 6,186	– 6,979	– 12,171	– 16,146
Financial result	**1,722**	**– 6,861**	**– 4,246**	**– 15,880**
Income before taxes	**246,117**	**– 116,317**	**350,876**	**– 137,886**
Income taxes	– 30,988	5,533	– 49,569	6,269
Net income	**215,128**	**– 110,784**	**301,307**	**– 131,617**
thereof attributable to				
– shareholders of Klöckner & Co SE	*212,405*	*– 110,906*	*297,417*	*– 132,100*
– non-controlling interests	*2,724*	*122*	*3,890*	*483*
Earnings per share (€/share)				
– basic	2.13	– 1.11	2.98	– 1.32
– diluted	1.88	– 1.11	2.66	– 1.32

Statement of comprehensive income Group

for the six-month period ending June 30, 2021

(€ thousand)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Net income	**215,128**	**– 110,784**	**301,307**	**– 131,617**
Other comprehensive income not reclassifiable				
Actuarial gains losses (IAS 19)	26,334	– 45,072	70,025	– 13,840
Related income taxes	– 2,918	2,215	– 10,424	2,379
Total	**23,416**	**– 42,857**	**59,601**	**– 11,461**
Other comprehensive income reclassifiable				
Foreign currency translation	1,239	– 9,500	5,720	8,532
Total	**1,239**	**– 9,500**	**5,720**	**8,532**
Other comprehensive income	**24,655**	**– 52,357**	**65,321**	**– 2,929**
Group total comprehensive income	**239,783**	**– 163,141**	**366,628**	**– 134,546**
thereof attributable to				
– shareholders of Klöckner & Co SE	*237,051*	*– 163,248*	*362,728*	*– 135,029*
– non-controlling interests	*2,732*	*107*	*3,900*	*483*

Consolidated statement of financial position

as of June 30, 2021

Assets

(€ thousand)	Notes	June 30, 2021	December 31, 2020
Non-current assets			
Intangible assets		102,142	109,085
Property, plant and equipment		737,008	743,770
Other financial assets		28,139	19,448
Other non-financial assets		97,758	49,348
Current income tax receivable		1,887	1,887
Deferred tax assets		20,836	8,324
Total non-current assets		**987,770**	**931,862**
Current assets			
Inventories	5	1,104,398	855,591
Trade receivables		903,108	517,372
Contract assets		31,122	25,954
Supplier bonus receivables		25,766	43,253
Current income tax receivable		6,066	18,927
Other financial assets		11,109	14,876
Other non-financial assets		35,902	23,542
Cash and cash equivalents		136,675	172,566
Assets held for sale		1,927	9,011
Total current assets		**2,256,074**	**1,681,092**
Total assets		**3,243,844**	**2,612,954**

Equity and liabilities

(€ thousand)	Notes	June 30, 2021	December 31, 2020
Equity			
Subscribed capital		249,375	249,375
Capital reserves		568,729	568,729
Retained earnings		533,377	235,923
Accumulated other comprehensive income		47,277	– 17,997
Equity attributable to shareholders of Klöckner & Co SE		**1,398,758**	**1,036,030**
Non-controlling interests		11,007	7,108
Total equity		**1,409,766**	**1,043,138**
Non-current liabilities			
Provisions for pensions and similar obligations		265,245	287,542
Other provisions and accrued liabilities		15,828	15,644
Non-current financial liabilities	6	225,835	334,038
Other financial liabilities		2,383	2,313
Deferred tax liabilities		50,729	43,321
Total non-current liabilities		**560,021**	**682,858**
Current liabilities			
Other provisions and accrued liabilities		141,547	138,742
Income tax liabilities		40,170	7,397
Current financial liabilities	6	210,518	186,617
Trade payables		782,741	475,218
Other financial liabilities		39,225	37,523
Other non-financial liabilities		59,857	41,461
Total current liabilities		**1,274,057**	**886,958**
Total liabilities		**1,834,078**	**1,569,816**
Total equity and liabilities		**3,243,844**	**2,612,954**

Consolidated statement of cash flows

for the six-month period ending June 30, 2021

(€ thousand)	Q2 2021	Q2 2020	HY1 2021	HY1 2020
Net income	215,128	– 110,784	301,307	– 131,617
Income taxes	30,988	– 5,533	49,569	– 6,269
Financial result	– 1,722	6,861	4,246	15,880
Income from investments	– 4,423	-	– 4,423	-
Depreciation, amortization and impairments	29,963	48,404	60,207	82,228
Other non-cash income/expenses	58	– 404	54	154
Gain on disposal of non-current assets	– 680	– 619	– 12,219	– 952
Change in net working capital				
Inventories	– 158,648	73,510	– 236,195	102,457
Trade receivables, contract assets, supplier bonuses	– 139,117	130,730	– 362,288	12,100
Trade payables	121,687	– 122,614	295,948	– 128,911
Change in other operating assets and liabilities	– 435	81,260	21,098	70,269
Interest paid	– 3,959	– 4,929	– 9,193	– 12,307
Interest received	102	130	163	346
Income taxes paid/reimbursed	– 15,123	1,564	– 16,880	– 2,539
Cash flow from operating activities	**73,819**	**97,576**	**91,394**	**839**
Proceeds from the sale of non–current assets	2,543	1,272	8,260	1,750
Proceeds from financial assets	323	-	323	-
Payments for intangible assets, property, plant and equipment	– 16,117	– 10,734	– 30,529	– 21,424
Payments for financial assets	– 2,612	– 3,052	– 4,673	– 3,442
Cash flow from investing activities	**– 15,863**	**– 12,514**	**– 26,619**	**– 23,116**
Borrowings	18,210	19,980	24,899	101,725
Repayment of financial liabilities	– 64,705	– 111,694	– 98,589	– 133,739
Repayment of leasing liabilities	– 10,122	– 11,378	– 22,905	– 22,993
Proceeds from derivates	2,178	4,674	– 5,415	2,668
Cash flow from financing activities	**– 54,439**	**– 98,418**	**– 102,010**	**– 52,339**
Changes in cash and cash equivalents	**3,517**	**– 13,356**	**– 37,235**	**– 74,616**
Effect of foreign exchange rates on cash and cash equivalents	– 325	– 1,985	1,344	– 2,581
Cash and cash equivalents at the beginning of the period	133,483	120,664	172,566	182,520
Cash and cash equivalents at the end of the reporting period as per statement of financial position	**136,675**	**105,323**	**136,675**	**105,323**

Summary of changes in equity

for the six-month period ending June 30, 2021

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	Accumulated other comprehensive income: Currency translation adjustments	Actuarial gains and losses (IAS 19)	Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non-controlling interests	Total
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**
Balance as of January 1, 2021	**249,375**	**568,729**	**235,923**	**146,477**	**– 159,903**	**– 4,571**	**1,036,030**	**7,108**	**1,043,138**
Other comprehensive income									
Foreign currency translation				5,714			5,714	6	5,720
Actuarial gains and losses (IAS 19)					70,020		70,020	5	70,025
Related income tax					– 10,423		– 10,423	– 1	– 10,424
Other comprehensive income							**65,311**	**9**	**65,321**
Net income			297,454	– 37			297,417	3,890	301,307
Total comprehensive income							**362,728**	**3,900**	**366,628**
Change of non–controlling interests									
Balance as of June 30, 2021	**249,375**	**568,729**	**533,377**	**152,154**	**– 100,306**	**– 4,571**	**1,398,758**	**11,007**	**1,409,766**

Selected explanatory notes to the condensed interim consolidated financial statements for the six-month period ending June 30, 2021

(1) Basis of presentation

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2021 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, 2021 – 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, 2020. A detailed description of those policies is provided in the notes to the consolidated financial statements on pages 159 to 164 of the Annual Report 2020. 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, 2021	December 31, 2020	HY1 2021	HY1 2020
Brazilian Real (BRL)	5.9050	6.3735	6.4902	5.4104
Pound Sterling (GBP)	0.8581	0.8990	0.8680	0.8746
Swiss Franc (CHF)	1.0980	1.0802	1.0946	1.0642
US Dollar (USD)	1.1884	1.2271	1.2054	1.1021

As part of the preparation of interim consolidated financial statements in accordance with IAS 34 for the period ending June 30, 2021, the Management Board of Klöckner & Co SE is required to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the presentation, recognition and measurement of assets and liabilities, income and expenses. Actual amounts may differ from these estimates.

In the opinion of the Management Board, the interim consolidated financial statements reflect all information necessary to provide a true and fair view of the results. The results for the period ending June 30, 2021 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2021 were authorized for issuance by the Management Board on August 6, 2021 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 2021:

Standard/Interpretation
Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform Phase 2)
Amendments to IFRS 16 (Leases: COVID-19 Related Rent Concessions)

On August 27, 2020, the IASB published Interest Rate Benchmark Reform-Phase 2: Amendments to IFRS 9, IAS 39 and IFRS 7. The amendments to the standards represent the outcome of the second phase and address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

On May 28, 2020, the IASB published COVID-19-related amendments to IFRS 16. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions (such as rent holidays and temporary rent reductions) occurring as a consequence of the COVID-19 pandemic are lease modifications. If use is made of the exemption, rent concessions are accounted for as if they were not a lease modification. The changes apply for rent concessions that reduce lease payments due on or before June 30, 2021. The amendments are effective for annual periods beginning on or after June 1, 2020.

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

(3) Special items affecting the results

EBITDA
Comparability between operating income (EBITDA) for the first six months of fiscal year 2021 and the prior year is impacted by the following material one-off effects:

(€ thousand)	June 30, 2021	June 30, 2020
Material sales of real estate	12,627	-
Restructuring expenses	– 2,718	– 71,772
Impact on EBITDA	**9,909**	**– 71,772**

HY1 2021

Material one-off gains on the sale of property outside of the ordinary course of business
Completion of the sale of a site in Germany in the first quarter of this year resulted in a book gain of €10 million. In addition, three sites in the USA were sold as part of the Surtsey project with book gains of €2 million.

Follow-on costs from restructuring expenses under the Surtsey project
The Surtsey project launched in 2020 resulted in follow-on expenses for personnel and site closure costs and adjustments to valuation allowances on inventories.

HY1 2020

Restructuring expenses under the Surtsey project

The Surtsey project launched in 2020 aims to accelerate the transformation of the business model to a platform company. It places the focus on the Kloeckner Assistant and XOM eProcurement applications that will become the future heart of operations at Klöckner & Co.

The Surtsey project initiated the closure of 19 smaller branches lacking prospects of achieving adequate profitability in the years ahead. Our goal is to sustainably improve our site 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 site network, the workforce will be reduced by a total of more than 1,200 employees.

FURTHER SPECIAL ITEMS AFFECTING EARNINGS FOR THE PERIOD

Impairment losses under the Surtsey project

In connection with the Surtsey project and the associated site closures, a total of €14 million in impairment losses were recognized in 2020 in accordance with IFRS 16 on property, plant and equipment and right-of-use assets in the USA (€7 million), Germany (€4 million) and France (€3 million). An impairment adjustment (reversal) was recognized in the amount of €1 million in the first half of 2021. Prior-year EBT was adjusted accordingly. The impairment losses were recognized in the affected segments.

Remeasurement of the convertible bond

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

Deferred tax assets

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

(4) 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, 11,087 thousand potential dilutive shares under convertible bond issues were not included in the computation of diluted earnings per share for the comparative period as this would have resulted in higher earnings per share.

		HY1 2021	HY1 2020
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	297,417	– 132,100
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	**(€/share)**	**2.98**	**– 1.32**
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	297,417	
Interest income on revaluation of dilutive convertible bonds (net of tax)	(€ thousand)	– 5,320	
Interest expense on dilutive convertible bonds (net of tax)	(€ thousand)	2,595	
Net income used to determine diluted earnings per share	(€ thousand)	294,692	
Weighted average number of shares	(thousands of shares)	99,750	
Dilutive potential shares from convertible bonds	(thousands of shares)	11,087	
Weighted average number of shares for diluted earnings per share	(thousands of shares)	110,837	
Diluted earnings per share	**(€/share)**	**2.66**	**– 1.32**

(5) Inventories

(€ million)	June 30, 2021	December 31, 2020
Cost	1,129	883
Valuation allowance (net realizable value)	– 24	– 28
Inventories	**1,104**	**856**

(6) Financial liabilities

The details of financial liabilities are as follows:

(€ million)	June 30, 2021	December 31, 2020
Non-current financial liabilities		
Liabilities to banks	56	77
Liabilities under ABS programs	35	111
Finance lease liabilities	136	146
Total non-current financial liabilities	**226**	**334**
Current financial liabilities		
Bonds	140	146
Liabilities to banks	34	7
Finance lease liabilities	36	34
Total current financial liabilities	**211**	**187**
Financial liabilities as per consolidated balance sheet	**436**	**521**

The 2016 convertible bond (total volume €148 million) was issued with a seven-year term to maturity and an investor put option. This gives each bondholder the right, subject to a minimum 30-day notice period, to call all or some of their bonds as of September 8, 2021.

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

Even though the convertible bond is now expected to have a remaining term of more than two years, it is classified as a current liability in accordance with paragraph 69 read in conjunction with paragraph 73 of IAS 1 (Presentation of Financial Statements).

Net financial debt developed as follows:

(€ million)	June 30, 2021	December 31, 2020
Financial liabilities as per consolidated balance sheet	**436**	**521**
plus transaction costs	3	3
Gross financial liabilities	**439**	**524**
less cash and cash equivalents	– 137	– 173
Net financial debt (before deduction of transaction cost)	**303**	**351**

(7) Financial instruments

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

Financial assets as of June 30, 2021 (€ thousand)	Presented in the Statement of Financial Position as	Carrying amount	Category: Fair value recognized in profit and loss	Category: Fair value recognized in equity	Category: Amortized costs	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current financial assets	2,270	2,270	-	-	-	2,270	-	2,270
Participations	Other non current financial assets	22,962	21,962	1,000	-	-	-	22,962	22,962
Short-term deposits (< 3 month)	Cash and cash equivalents	716	716	-	-	-	716	-	716
Not measured at fair value									
Trade receivables	Trade receivables, contract assets	934,230	-	-	934,230	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	135,959	-	-	135,959	-	-	-	-
Other financial assets at cost	Current and non-current other financial assets	14,016	-	-	14,016	-	14,016	-	14,016
Other financial assets at cost	Supplier bonus receivables	25,766	-	-	25,766	-	-	-	-
Total		**1,135,919**	**24,948**	**1,000**	**1,109,971**	**-**	**17,002**	**22,962**	**39,964**

Financial liabilities as of June 30, 2021			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Position as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current financial liabilities	2,545	2,545	-	-	-	2,545	-	2,545
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	264,433	-	-	264,433	-	286,721	-	286,721
Lease liabilities	Current and non-current financial liabilities	171,920	-	-	171,920	-	-	-	-
Trade payables	Trade payables	782,741	-	-	782,741	-	-	-	-
Other financial liabilities at cost	Other non-current financial liabilities	2,383	-	-	2,383	-	-	137	137
Other financial liabilities at cost	Other current financial liabilities	36,680	-	-	36,680	-	-	-	-
Total		**1,260,702**	**2,545**	**-**	**1,258,157**	**-**	**289,266**	**137**	**289,403**

Financial assets as of December 31, 2020			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Position as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current financial assets	3,235	3,235	-	-	-	3,235	-	3,235
Participations	Other non-current financial assets	14,437	13,437	1,000	-	-	-	14,437	14,437
Short-term deposits (< 3 month)	Cash and cash equivalents	2,865	2,865	-	-	-	2,865	-	2,865
Not measured at fair value									
Trade receivables	Trade receivables, contract assets	543,326	-	-	543,326	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	169,701	-	-	169,701	-	-	-	-
Other financial assets at cost	Current and non-current other financial assets	16,652	-	-	16,652	-	16,652	-	16,652
Other financial assets at cost	Supplier bonus receivables	43,253	-	-	43,253	-	-	-	-
Total		**793,469**	**19,537**	**1,000**	**772,932**	**-**	**22,752**	**14,437**	**37,189**

Financial liabilities as of December 31, 2020			Category			Fair value			
(€ thousand)	Presented in the Statement of Financial Position as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current financial liabilities	2,470	2,470	-	-	-	2,470	-	2,470
Not measured at fair value									
Financial liabilities at cost	Current and non-current financial liabilities	341,139	-	-	341,139	-	346,688	-	346,688
Lease liabilities	Current and non-current financial liabilities	179,516	-	-	179,516	-	-	-	-
Trade payables	Trade payables	475,218	-	-	475,218	-	-	-	-
Other financial liabilities at cost	Other non-current financial liabilities	2,313	-	-	2,313	-	-	137	137
Other financial liabilities at cost	Other current financial liabilities	35,053	-	-	35,053	-	-	-	-
Total		**1,035,709**	**2,470**	**-**	**1,033,239**	**-**	**349,158**	**137**	**349,295**

The fair value measurement of non-current financial assets in the amount of €22,962 thousand (2020: €14,437 thousand) is classified as level 3. These are mostly unquoted financial instruments (equity investments) for which there is no active market. Of the change in the financial year, €4,420 thousand is attributable to capital measures and €4,100 thousand to changes in fair value. Fair value is measured on the basis of available financial information, such as with reference to 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, 2021. 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 these market interest rates. 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, Essen, Belgium. The put option was entered into for a potential future transfer of non-controlling interests valued by discounting future earnings based on budget figures. The future earnings are based on budget figures. These liabilities totaled €137 thousand in the fiscal year (2020: €137 thousand).

(8) Subsequent events

There were no material events after the reporting period requiring disclosure.

(9) 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.

(10) Segment reporting

	Kloeckner Metals US		Kloeckner Metals Switzerland		Kloeckner Metals Services Europe		Kloeckner Metals Distribution Europe		Holding and others*)		Total	
(€ million)	HY1 2021	HY1 2020	HY1 2021	HY1 2020	HY1 2021	HY1 2020	HY1 2021	HY1 2020	HY1 2021	HY1 2020	HY1 2021	HY1 2020
Shipments (Tto)	1,252	1,176	278	271	417	381	635	607	-	-	2,582	2,435
External sales	1,507	1,078	490	459	360	284	1,016	798	-	-	3,373	2,619
Gross profit	399	181	148	134	64	35	302	161	-	-	913	511
Gross profit margin (%)	26.5	16.8	30.3	29.2	17.8	12.1	29.7	20.2	-	-	27.1	19.5
Segment result (EBITDA)**)	211	5	42	35	25	– 5	138	– 63	– 5	– 12	411	– 40
EBITDA before material special effects	209	10	42	35	25	3	131	– 3	– 5	– 12	401	32
Earnings before interest and taxes (EBIT)	188	– 28	29	18	21	– 8	122	– 89	– 9	– 15	351	– 122
Cash flow from operating activities	30	30	3	3	47	26	35	– 38	– 24	– 20	91	1

*) 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 2021	FY 2020	HY1 2021	FY 2020	HY1 2021	FY 2020	HY1 2021	FY 2020	HY1 2021	FY 2020	HY1 2021	FY 2020
Net working capital as of closing date**)	514	335	249	207	135	152	371	278	13	– 5	1,282	967
Employees as of closing date	2,139	2,120	1,514	1,554	523	539	2,658	2,829	249	232	7,083	7,274

*) Including consolidations.
**) Net working capital = Inventories plus trade receivables, contract assets and supplier bonus receivables plus intersegment trade receivables less trade payables less intersegment trade payables. Intragroup trade receivables/payables have been included in accordance with changes in internal reporting.

Duisburg, August 6, 2021

The Management Board

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD

Dr. Oliver Falk
MEMBER OF THE MANAGEMENT BOARD

John Ganem
MEMBER OF THE MANAGEMENT BOARD

Bernhard Weiß
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, 2021, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and summary of changes in consolidated equity for the period January 1 to June 30, 2021, 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, 2021, 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 6, 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

Velder	**Keisers**
WIRTSCHAFTSPRÜFER	**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 6, 2021

The Management Board

Guido Kerkhoff
CHAIRMAN OF THE MANAGEMENT BOARD

Dr. Oliver Falk
MEMBER OF THE MANAGEMENT BOARD

John Ganem
MEMBER OF THE MANAGEMENT BOARD

Bernhard Weiß
MEMBER OF THE MANAGEMENT BOARD

Financial Calendar

August 10, 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
March 9, 2022	Annual Financial Statement 2021 Financial statement press conference Conference call with analysts
May 4, 2022	Q1 quarterly statement 2022 Conference call with journalists Conference call with analysts
June 1, 2022	Annual General Meeting 2022, Düsseldorf, Germany
August 3, 2022	Half-yearly financial report 2022 Conference call with journalists Conference call with analysts
November 3, 2022	Q3 quarterly statement 2022 Conference call with journalists Conference call with analysts

Subject to subsequent changes.

Klöckner & Co SE

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Disclaimer

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

Rounding

Rounding differences may occur with respect to percentages and figures.

Variances for technical reasons

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

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

Evaluating statements are unified and are presented as follows:

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