Q2

Interim Report

as of June 30, 2019

klöckner & co

Interim Group Management Report

Klöckner & Co Group Figures

for the six-month period ending June 30, 2019

Shipments and income statement		Q2 2019	Q2 2018	Variance	HY1 2019	HY1 2018	Variance
Shipments	Tto	1,479	1,605	-126	2,978	3,189	-211
Sales	€ million	1,682	1,789	-107	3,384	3,417	-33
Gross profit	€ million	304	364	-60	606	695	-89
Gross profit margin	%	18.1	20.3	-2.2%p	17.9	20.3	-2.4%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	82	82	-	115	137	-22
EBITDA before material special effects	€ million	51	85	-34	85	140	-55
EBITDA margin	%	4.9	4.6	+0.3%p	3.4	4.0	-0.6%p
EBITDA margin before material special effects	%	3.0	4.7	-1.7%p	2.5	4.1	-1.6%p
Earnings before interest and taxes (EBIT)	€ million	49	60	-11	51	95	-44
Earnings before taxes (EBT)	€ million	37	51	-14	29	79	-50
Net income	€ million	28	33	-5	19	54	-35
Net income attributable to shareholders of Klöckner & Co SE	€ million	28	33	-5	18	54	-36
Earnings per share (basic)	€	0.28	0.33	-0.05	0.18	0.54	-0.36
Earnings per share (diluted)	€	0.27	0.31	-0.04	0.18	0.51	-0.33

Cash flow statement		Q2 2019	Q2 2018	Variance	HY1 2019	HY1 2018	Variance
Cash flow from operating activities	€ million	140	-12	+152	-88	-155	+67
Cash flow from investing activities	€ million	33	-12	+45	27	-24	+51
Free cash flow*)	€ million	173	-24	+197	-61	-179	+118

Balance sheet		June 30, 2019	Dec. 31, 2018	Variance	June 30, 2019	June 30, 2018	Variance
Net working capital**)	€ million	1,386	1,229	+157	1,386	1,428	-42
Net financial debt	€ million	684	383	+301	684	552	+132
Gearing***)	%	55	31	+24%p	55	44	+11%p
Equity	€ million	1,244	1,282	-38	1,244	1,267	-23
Equity ratio	%	37.4	41.9	-4.5%p	37.4	39.7	-2.3%p
Total assets	€ million	3,330	3,061	+269	3,330	3,194	+136

Employees		June 30, 2019	Dec. 31, 2018	Variance	June 30, 2019	June 30, 2018	Variance
Employees as of the end of the reporting period		8,461	8,579	-118	8,461	8,610	-149

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

**) Net working capital = Inventories plus trade receivables less trade liabilities.

***) Gearing = Net financial debt / (Equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2019 resp. until December 31, 2018: May 23, 2013).

Interim Group Management Report

Key developments in the first six months of 2019 and outlook

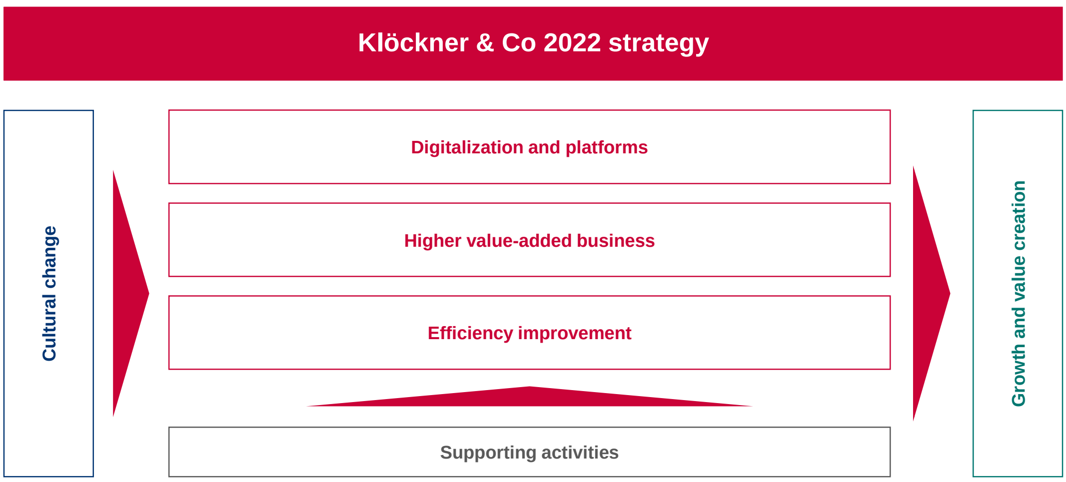
- EBITDA before material special effects €85 million in first half of 2019, compared with €140 million in the prior-year period. Including material special effects from the sale of a property in London and from restructuring expenses, EBITDA for the first six months was €115 million.
- Second-quarter EBITDA before material special effects €51 million, within the €50 million to €60 million guidance range
- Shipments of 3.0 million tons 6.6% down on prior year
- Sales of €3.4 billion roughly at prior-year level
- Proportion of Group sales generated via digital channels further raised to 29% (Q2 2018: 20%)
- EBITDA guidance of €25 million to €35 million for third quarter
- Full-year EBITDA guidance now €140 million to €160 million before material special effects; including material special effects, we expect EBITDA of €170 million to €190 million

Corporate Strategy

"Klöckner & Co 2022" – our strategy

Implementation of our "Klöckner & Co 2022" strategy

In the age of digitalization, only the agile and adaptable will hold their own in the international competitive arena. That also applies to steel distribution. This maxim is reflected in our "Klöckner & Co 2022" strategy: Three main strategic pillars are supported by our transformation to a digital corporate culture characterized by greater openness and flexibility as well as customer centricity. We have systematically implemented this broadened strategy since we presented it in 2017.



1. Digitalization and platforms: Digital transformation of our business is the cornerstone of our strategy. We are pioneers here, blazing the trail for customers and partners. Part of our "Klöckner & Co 2022" strategy involves driving the transformation of steel and metal trading via web-based platforms.

2. Higher value-added business: Gradual expansion of business with higher value-added products and services is another key component of our strategy.

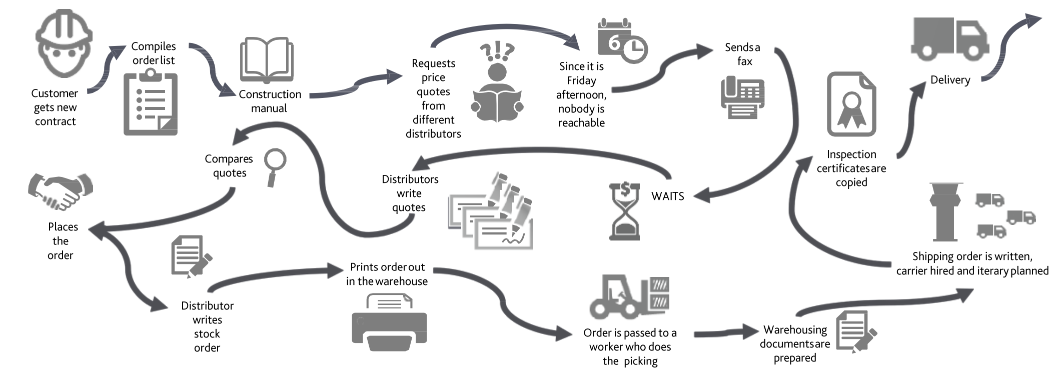
3. Efficiency improvement: Ongoing program of continuous improvement in all areas.

Our "Klöckner & Co 2022" strategy is backed up by a broad range of flanking activities as well as our cultural transformation into an agile company.

Digitalization and platforms

Inefficiency and lack of transparency in the supply and value chain

The supply and value chain in the steel industry is inefficient and lacks transparency. There is no effective information and data interchange between market players with regard to available inventory and lead times. This results in long delivery times, incorrect shipments and surplus inventory. At the same time, the quotation process is highly time-consuming – also considering that just 30% of quotations lead to an order.



Klöckner & Co's digitalization strategy aims to eliminate supply and value chain inefficiencies in the steel and adjacent industries.

All projects and initiatives relating to Klöckner & Co's digitalization and digital networking are being driven forward by kloeckner.i, our Group Center of Competence for Digitalization, from the heart of the German start-up scene in Berlin. Approximately 90 employees now work at kloeckner.i in the fields of product innovation, software development, online marketing and business analytics. kloeckner.i is far enough removed from the core organization for it to act more independently in the rapid development of digital tools and portals than would be possible from within Klöckner & Co. However, kloeckner.i is connected closely enough with Klöckner & Co for it to harness our comprehensive expertise in steel distribution and leverage our relationships with customers and suppliers in developing solutions.

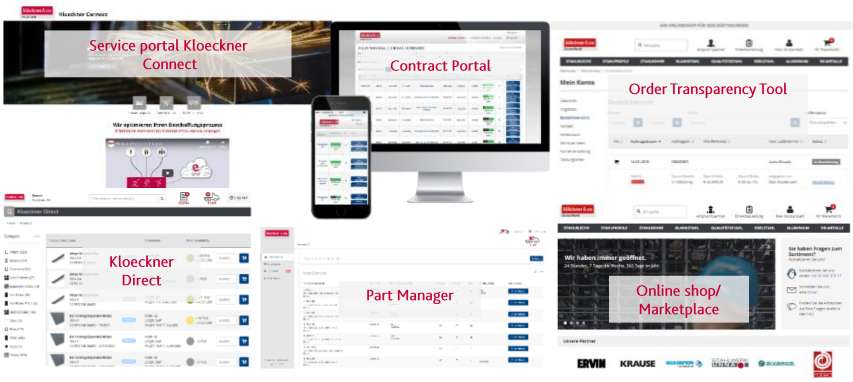
State-of-the-art methods to move the steel industry forward

We make use of methods such as design thinking, agile product development and the lean start-up approach to design digital solutions for our customers and partners in the shortest possible time. First, we go directly to the customer's premises and evaluate on site how we can create added value. Once we have made our evaluation, we develop simple prototypes. The initial prototypes are specifically designed to cover solely the most important functions. Together with our customers, we then determine by means of a continuous testing and refinement process whether the tool meets the requirements set. This ensures from the very outset that all customer needs are met and only prototypes that have already been validated with customers are developed into solutions. Compared with the conventional approach typical of a large corporation, the new working methods have made us significantly faster. As a result, we have progressively raised the share of sales made through digital channels from 9% in the first quarter of 2016 to 29% in the second quarter of 2019. At the same time, we have digitally connected with wholesalers and major steel producers on the procurement side.

Based on the high level of demand generated by the successful digitalization of Klöckner & Co, kloeckner.i has also offered consulting services to other companies since the beginning of 2019. To this end, kloeckner.i has entered into partnerships with Axel Springer hy and diva-e to jointly offer customers the benefit of their experience in the successful digitalization of traditional groups.

Our digital tools and artificial intelligence

Our digital tools, such as online shops, contract portals and order transparency tools, have already been integrated into the "Kloeckner Connect" service portal at many of our country organizations. The platform gives both customers and partners a central access point for all tools and data, which they are then able to use much more efficiently than before.



We have also expanded the range of our offering by opening up our – initially proprietary – online shops to partners offering complementary products. At the end of the reporting period, over 30 third-party vendors were already marketing their products through the Klöckner marketplace. This lets Klöckner & Co customers access a significantly wider range of steel, metal and complementary products without us having to invest in additions to our product portfolio.

Alongside digitalization of processes throughout the Group, intelligent use of the data generated is also gaining in importance. We have been working with Arago, one of the leading providers of artificial intelligence (AI), in this key area for a number of years. AI has already helped us to automate parts of our IT infrastructure through permanent learning processes and continuous self-improvement. Going forward, having access to improved data assessments incorporating a wide variety of factors will make it possible to predict demand for steel and price trends with much greater accuracy. At the same time, a more in-depth analysis of customer behavior will open up additional growth potential.

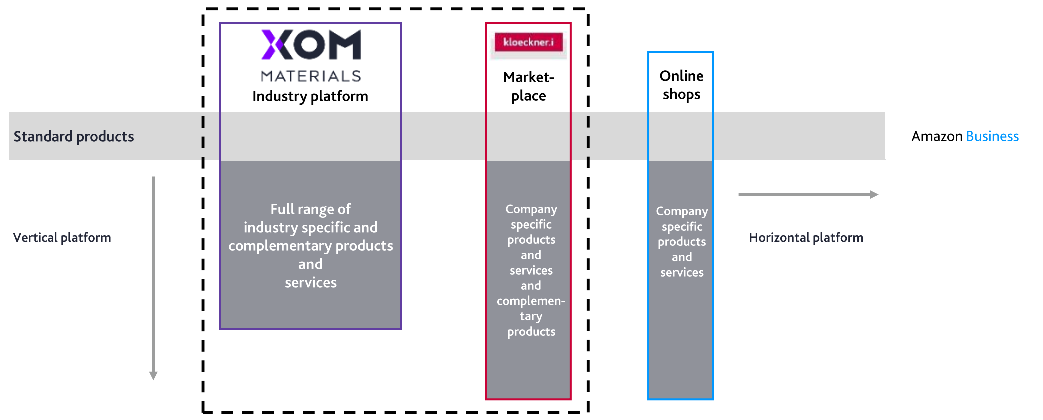
XOM Materials now also in the USA

In February 2018, we went live with the first version of our open industry platform, XOM Materials, in Europe. The platform now has 34 distributors and over 300 customers. Some €10 million in orders have already been processed on the platform. The next step in the dynamic evolution of XOM Materials took place in the reporting period when the platform went live in the USA. A large international steel producer, among others, will also market its products on XOM in the future.

In contrast to the Klöckner marketplaces, XOM Materials operates digital trading platforms for steel, metal and other industrial products that are also open to competitors. As well as remodeling the basic structure of materials trading, XOM Materials provides valuable tools for platform users.

The marketplace itself, which connects up buyers and sellers and where orders are placed and shipments organized, is supplemented with a range of further metal-specific software solutions. Vendors can use XOM as a shop-in-shop solution with their own branding. This features storage for all documents and full tracking of open orders. Additionally, there is a test version for e-procurement that provides transparency on price quotations and efficient comparison of competing offers. Other features such as insurance services, data analysis tools and options relating to logistics and financing will be enabled for platform users shortly. Growth of XOM Materials is to be funded by outside investors, which will also ensure its independence from Klöckner & Co. An initial investor was secured for XOM Materials in the reporting period. As of June 30, 51 employees worked for XOM Materials at three locations.

Platforms such as XOM Materials break up linear supply and value chains by allowing differently positioned market players to connect with each other directly. Looking ahead, steel and metal products will therefore be increasingly traded through various digital channels: online shops operated by individual distributors, marketplaces, industry specific vertical platforms and cross-sectoral horizontal platforms.



Online shops are of only limited use to customers due to the restricted product portfolio. Although Klöckner also started in this way some years ago, we are already several steps ahead of our competitors.

Marketplaces offer products and services beyond the Company's own portfolio. The Klöckner marketplaces allow our customers to purchase products from complementary third-party vendors as well as specialized products and services from our own portfolio.

Vertical platforms offer a wide range of sector-specific and complementary products and services. The focus here is on price-sensitive customers. XOM Materials aggregates the ranges of different market players and thus offers a broad product portfolio with a high level of transparency on price and availability.

Horizontal platforms offer a large number of standard products for various sectors but no customer-specific or add-on services. The focus here will be on infrequent, low-volume customers.

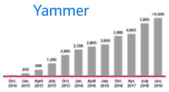
Klöckner & Co is fundamentally well positioned to make use of all online channels, with a focus on our marketplaces and XOM Materials. We are thus poised to take on a leading position in all online sales channels for steel and metal products going forward. We have set ourselves ambitious goals for the ongoing implementation of our digitalization strategy: By 2022, we want to see 60% of all Group sales generated via digital channels.

To support our digitalization strategy, we also invest in attractive start-ups that are able to offer added value for the further development of Klöckner & Co. We connect up with external start-ups via our venture capital company, kloeckner.v. In July, we committed €1.5 million each in additional investments in a Visionaries Club seed fund and growth fund. Investing in this way secures Klöckner & Co access to highly promising start-ups and ideas. The investment universe of both funds is concentrated around European B2B enterprises.

Change in corporate culture a precondition for our strategy

Our digitalization strategy also goes hand in hand with a profound cultural shift within our Company. Our employees understand our digitalization strategy and want to help attain our ambitious goals. At the same time, we need to become even faster and more agile given the ever more dynamic changes occurring in our sector. By increasingly applying the innovative working methods employed in the start-up scene, we encourage in-depth dialogue between kloeckner.i, our digitalization subsidiary, and employees from other divisions in the various country organizations.

Online training is provided by Klöckner & Co Digital Academy to get our workforce in shape for the digital age. This lends employees support in developing and implementing new ideas, which they can discuss with their colleagues across national and divisional boundaries in a non-hierarchical way using innovative channels of communication, such as Yammer, the Group's internal social network. We have thus broken down the existing vertical communication silos in favor of an unfiltered, increasingly horizontal form of dialog.

Learn and failure culture		Digital enabling of employees through online courses during working hours and initiatives like "Failure sessions"
Connected enterprise		Hierarchy-free communication to enable horizontal and vertical communication
Engaged employees		Many additional initiatives and events throughout the Company to engage employees

Higher value-added business

Drivers of higher value-added business

Many of our customers are highly vertically integrated and still use conventional methods to carry out tasks we can already perform more efficiently by consolidating orders. A good example of this is our investment in 3D lasers, which we can use to combine several customer tasks such as drilling, sawing and slotting at an attractive price and with significant gains in precision. In the UK, for instance, we have built what is now the country's second-largest 3D laser center near Dudley. In Germany, we have already taken three 3D lasers into operation, thus very successfully occupying a market niche.

As set out in our strategic targets, we will also be reinforcing our higher-margin business with higher value-added products. A case in point is the service center to process aluminum flat products for the automotive and manufacturing industries at our Bönen location in North Rhine-Westphalia, Germany, which we brought into operation in 2017.

Our US country organization, Kloeckner Metals Corporation (KMC), last year further enhanced a new line of sheet and profile products with an innovative coating process for both architectural and industrial applications. KMC has also added to its range of other complex finishing processes for alloy and stainless sheet and fabricated metal products.

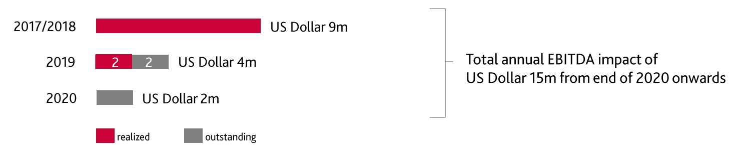
Efficiency improvement

Continuous efficiency improvement programs

Our continuous efficiency improvement programs keep on accelerating the implementation of our "Klöckner & Co 2022" strategy.

Over the last few years, we have restructured the European distribution business at the country level, downsized capacity and pooled operations. Under our "One Europe" program, we have largely standardized the processes of our country organizations in Austria, Belgium, France, Germany, the Netherlands and the United Kingdom. In this way, we aim to not only generate cost savings and synergies more readily – especially in purchasing, logistics and pricing – but also to enable even faster, more efficient implementation of the "Klöckner & Co 2022" strategy. "One Europe" is projected to contribute around €30 million per year to EBITDA from the end of 2019 onwards, with a total of €27 million already generated.

Our location network across the USA covers the key regions between the East and West Coast. As part of our "One US" efficiency program, the three product groups resulting from various acquisitions in the USA have been combined into one unit and the regional focus has been brought out more strongly with a new structure in order to promote cooperation and provide customers with a central point of contact. At the same time, the more efficient organization should lead to cost savings as well as even more rapid implementation of the digitalization strategy and expansion of higher value-added business. From the end of 2020, this program is slated to deliver an annual EBITDA contribution totaling USD 15 million, USD 11 million of which has already been attained.



Restructuring at Klöckner & Co SE holding company and in France

Steel and metal distribution has for many years faced a highly challenging market environment. To keep in shape to meet that challenge, we must make the Company even leaner and more efficient in selected areas. We are therefore digitalizing processes and transferring additional functions from the Klöckner & Co SE holding company to our country organizations in order to further step up entrepreneurial responsibility there.

In light of this, we have begun restructuring our administration. Expenses of €3.5 million were recognized in this connection at the holding company in the second quarter.

In France, too, we have responded to the ongoing difficult environment with efficiency and productivity programs, in the course of which we have launched further restructuring measures with a cost of €2.0 million in the second quarter.

Economic environment

Macroeconomic situation

Uncertainty due to political and economic changes was already rising in the prior year and continued to do so at an even faster pace in the period under review. The political and economic environment has notably been negatively affected by the still unresolved state of the Brexit negotiations and the ongoing trade conflict between the USA and other states and federations.

Eurozone GDP grew by just 1.0% in the second quarter compared with the prior-year quarter. The trade policy conflicts, uncertainty around the Brexit negotiations and the deficit procedure threatened for a time by the EU against Italy had an increasingly restraining effect on the economy. This eroded both consumer and business confidence in the course of the first half year.

US GDP grew by 2.1% compared with the second quarter of 2018. This was still a robust rate of growth, though below that of the prior year. The US economic environment continues to be characterized by a tight labor market and strong consumer growth, although investing activity has lulled since the second half of last year.

At 6.2%, Chinese economic growth was significantly more moderate than in preceding quarters. Measures necessary with a view to more restrictive domestic regulation slowed investment and the trade policy dispute with the USA had an increasingly negative impact.

Brazil continued its gradual recovery. The Brazilian economy grew by 0.8% compared with the prior-year period.

DEVELOPMENT OF GDP (IN PERCENT)	Q2 2019 vs. Q2 2018
Europe*)	1.0
Germany	0.4
United Kingdom	1.3
France	1.3
Switzerland	0.9
USA	2.1
China	6.2
Brazil	0.8

Source: Bloomberg; experts' estimates (in some cases provisional).
*) Eurozone.

Industry-specific situation

The market environment in the steel industry remains challenging. According to the World Steel Association, global crude steel output increased relative to the prior-year period by 4.9% to 925 million tons in the first six months of 2019. Production in the EU nevertheless contracted by approximately 2.5%. US and Chinese output, on the other hand, went up by 5.4% and 9.9%, respectively. The steel industry still faces the problem of massive excess capacity, notably in China and Europe, with current demand levels continuing to result in structural underutilization. According to analyst estimates, steel producers worldwide were operating at 84% capacity at the end of June. There is also much surplus capacity at distribution level, fueling ongoing fierce competition. Conversely, Klöckner & Co is unaffected by the sharp rise in iron ore prices that is currently putting a tight squeeze on steel producers' margins.

Trend in key customer industries

CONSTRUCTION INDUSTRY

As the largest user of steel, the construction industry is key to the global trend in steel consumption. Steel industry association EUROFER estimates that construction activity in Europe rose by about 4% in the first six months compared with the same period of the prior year. The growth rate consequently remains at a high level. Residential construction was once again the main growth driver, although infrastructure investment also contributed. US construction spending in the first five months of the year was near constant relative to the prior-year period, with a slightly negative trend.

MACHINERY AND MECHANICAL ENGINEERING

European machinery and mechanical engineering grew about 1% in the reporting period, a far weaker rate than in the prior-year period. Uncertainty surrounding the Brexit negotiations and most notably trade conflicts between the USA and other jurisdictions increasingly undermined consumer confidence and led to more restrictive investing activity. In addition, mechanical engineering is indirectly impacted by the sharp decline in European automobile production. Sectoral growth in the USA was also down on the prior year, although at 3% it was still at a solid level. The fiscal incentives introduced last year in the USA are, however, increasingly tapering off and the sector is feeling the ever greater impact of the trade disputes.

AUTOMOTIVE INDUSTRY

The Western European automotive market continued the negative trend from the end of last year. According to the German Association of the Automotive Industry (VDA), unit sales were about 4% down in the first six months relative to the prior-year period, while German automotive production was even over 12% down. Whereas unit sales practically collapsed in China with a 14% decrease, Brazil showed strong growth in unit sales by about 11%. The US market shrank by around 2%.

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 2019 are set out in the following. Comparability with the prior year is restricted by the introduction of the new lease accounting standard, IFRS 16. Further information can be taken from note 2 to the condensed interim financial statements.

KEY FIGURES RESULTS OF OPERATIONS

(€ million)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Shipments (Tto)	1,479	1,605	2,978	3,189
Sales	1,682	1,789	3,384	3,417
Gross profit*)	304	364	606	695
Gross profit margin (%)	18.1	20.3	17.9	20.3
EBITDA**)	82	82	115	137
EBITDA margin (%***))	4.9	4.6	3.4	4.0
EBITDA before material special effects	51	85	85	140

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

OTHER KEY FIGURES

(€ million)	June 30, 2019	June 30, 2018	Dec. 31, 2018
Net Working Capital*)	1,386	1,428	1,229
Net financial debt**)	684	552	383
Gearing (Net financial debt/shareholders' equity***))	55%	44%	31%

*) Net Working Capital = Inventories plus trade receivables less trade liabilities.
**) Net financial debt = Financial liabilities acc. to Group balance sheet plus transaction cost less cash and cash equivalents.
***) Equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2019 resp. until December 31, 2018: May 23, 2013.

Shipments and sales

Shipments totaled 3.0 million tons in the first half of 2019, marking a fall of 6.6% relative to the prior-year period. The decrease affected all segments, although Kloeckner Metals Distribution Europe (-13.3%) was hit hardest. The main factors here were the economic slowdown in Germany and portfolio changes in France.

SALES BY SEGMENTS

(€ million)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Kloeckner Metals US	708	713	1,426	1,301
Kloeckner Metals Switzerland	259	279	480	490
Kloeckner Metals Services Europe	195	204	406	440
Kloeckner Metals Distribution Europe	506	580	1,046	1,158
Holding and other Group companies*)	14	13	26	28
Group sales	**1,682**	**1,789**	**3,384**	**3,417**

*) Including consolidations.

Helped by the appreciation of the US dollar, sales, at €3.4 billion, were more or less on a par with the prior-year period. Currency-adjusted sales, however, went down by 4.2%. While we attained 2.3% sales growth (currency-adjusted) in the USA, sales were noticeably down in the remaining segments due to lower volumes.

Earnings

(€ million)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Sales	1,682	1,789	3,384	3,417
Gross profit	304	364	606	695
Gross profit margin (%)	18.1	20.3	17.9	20.3
OPEX*)	-222	-282	-491	-558
EBITDA	82	82	115	137
EBITDA before material special effects**)	51	85	85	140
EBIT	49	60	51	95
EBT	37	51	29	79
Net income	28	33	19	54

*) OPEX = Other operating income less personnel expenses less other operating expenses.
**) Material special effects: Income from sale of real estate in London (€36 million), restructuring expenses France (€2 million), Holding (€3.5 million).

Gross profit was €606 million, €89 million (currency-adjusted: €-108 million) down on the prior-year figure of €695 million. This was mainly due to negative windfall effects in the USA compared with the prior year, pressure on margins and lower volume in the German market. As a result of higher procurement prices, the gross profit margin deteriorated accordingly from 20.3% in the prior year to 17.9%.

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

OPEX

(€ million)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Other operating income	47	10	55	17
Personnel expenses	-151	-157	-304	-305
Other operating expenses	-118	-135	-242	-270
OPEX	**-222**	**-282**	**-491**	**-558**

Comparability of OPEX with the prior year is restricted by material one-off effects and the first-time application of IFRS 16. Other operating income thus includes €36 million in non-recurring income from the sale of a property in London. This was offset by personnel expenses from redundancy plan measures for reductions in the workforce at the holding company (€3.5 million) and in France (€2 million). First-time application of IFRS 16 led to a reduction in other operating expenses by €22 million. In total, OPEX went down from €558 million to €491 million.

Group EBITDA consequently came to €115 million, compared with €137 million in the prior-year period.

EBITDA BY SEGMENTS (ADJUSTED FOR MATERIAL SPECIAL EFFECTS)

(€ million)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Kloeckner Metals US 4)	21	59	36	91
Kloeckner Metals Switzerland 3)	17	17	27	22
Kloeckner Metals Services Europe	6	12	16	28
Kloeckner Metals Distribution Europe 1), 2), 3)	12	6	18	16
Holding and other Group companies 1)	-5	-9	-12	-17
Adjusted EBITDA of Klöckner & Co Group	**51**	**85**	**85**	**140**
Net adjustments	31	-3	31	-3
EBITDA	**82**	**82**	**115**	**137**

Adjustments 2019:
1) Personnel expenses relating to social plan measures in France (€2 million) and Holding (€3.5 million).
2) Income from the sale of real estate in London (€36 million).

Adjustments 2018:
3) Personnel expenses relating to social plan measures with regard to the outsourcing of accounting activities in the course of a BPO (Kloeckner Metals Distribution Europe €6 million, Kloeckner Metals Switzerland €1 million).
4) Adjusted for special effects from indemnities connected with the Deepwater Horizon accident (€5 million).

Primarily due to negative windfall effects on account of significantly reduced market prices in all key product groups, operating income in the Kloeckner Metals US segment came to €36 million, compared with €91 million a year earlier. Lower OPEX, mainly in personnel, and the efficiency programs had a €7 million positive impact on EBITDA. The first-time application of IFRS 16 had a further positive effect of €7 million.

EBITDA in the Kloeckner Metals Switzerland segment went up from €22 million in the first half of the prior year to €27 million, €4 million of which relates to the introduction of IFRS 16. In operating terms, reinforcing products were the main segmental performance driver. Earnings were also positively affected by continuous improvement measures (€3 million) and lower OPEX.

The economic environment for the Kloeckner Metals Services Europe segment remained challenging due to the sustained weak demand in the automotive sector. EBITDA fell as a result from €28 million to €16 million.

In the Kloeckner Metals Distribution Europe segment, EBITDA was slightly up on the prior-year comparative figure, at €18 million. However, this included a positive effect (of €10 million) from first-time application of the new lease accounting standard. Reduced OPEX and efficiency programs also partly offset the fall in gross profit due to low volumes. In operating terms, however, earnings were still down by €8 million.

RECONCILIATION TO NET INCOME

(€ million)	HY1 2019	HY1 2018
EBITDA	**115**	**137**
Depreciation and amortization	-64	-42
EBIT	**51**	**95**
Financial result	-22	-17
EBT	**29**	**79**
Income taxes	-10	-25
Net income	**19**	**54**

Depreciation and amortization, at €64 million, was significantly higher than the prior-year figure of €42 million, mainly due to the additional depreciation (€21 million) of right-of-use assets as a result of the change in lease accounting. EBIT was €51 million, down from €95 million in the prior year.

First-time application of the new lease accounting standard also resulted in an increase in net finance expense from €17 million to €22 million on recognition of €3 million in added interest expense due to discounting on the additional lease liabilities.

The tax expense for the first half of 2019 was €10 million (H1 2018: €25 million).

Including the aforementioned one-off effects, this resulted in net income of €19 million, which thus remained in the positive range but was significantly below the prior-year figure of €54 million.

Basic earnings per share came to €0.18, compared with €0.54 in the prior year.

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

(€ million)	June 30, 2019	December 31,2018
Non-current assets	988	832
Current assets		
Inventories	1,186	1,242
Trade receivables	895	740
Other current assets	95	106
Liquid funds	166	141
Total assets	**3,330**	**3,061**
Equity	1,244	1,282
Non-current liabilities		
Provisions for pensions	288	260
Financial liabilities	788	501
Other non–current liabilities	59	62
Current liabilities		
Financial liabilities	58	19
Trade payables	695	753
Other current liabilities	198	184
Total equity and liabilities	**3,330**	**3,061**

Total assets were €3,330 million as of June 30, 2019, about 9% higher than the prior year-end figure, mainly due to the effect from introduction of the new accounting standard, IFRS 16 Leases.

Non-current assets amounted to €988 million, significantly higher than the level as of December 31, 2018 (€832 million). An amount of €183 million of the increase relates to right-of-use assets recognized due to the change in lease accounting under IFRS 16, which resulted in on-balance sheet accounting for leases. Other capital expenditure on property, plant and equipment came to €12 million, which was countered by €51 million in depreciation and amortization (including depreciation of right-of-use assets).

Equity decreased slightly from €1,282 million to €1,244 million. This was due to adjustments in pension provisions through other comprehensive income (€32 million) and dividend payments (€30 million), which were not fully offset by the €19 million in net income and €8 million in positive exchange rate effects. The equity ratio went down because of the increase in total assets but remained solid at 37% (December 31, 2018: 42%).

Net working capital changed as follows:

NET WORKING CAPITAL

(€ million)	June 30, 2019	June 30, 2018	December 31, 2018
Inventories	1,186	1,219	1,242
Trade receivables	895	978	740
Trade payables	-695	-769	-753
Net Working Capital	**1,386**	**1,428**	**1,229**

Net working capital increased relative to the year-end 2018 by €157 million to €1.4 billion, although this was slightly below the figure at the end of the second quarter of the prior year.

Cash and cash equivalents stood at €166 million, compared with €141 million as of December 31, 2018.

STABLE FINANCING

In April, our syndicated loan was prolonged ahead of term by one year to May 2022 in an amend-and-extend process. This further improves the maturity profile of Klöckner & Co's Group finances. An option to extend the term in two steps up to May 2024 with prior approval of the banks was also once again incorporated in the credit documentation. The volume of the facility remained unchanged at €300 million.

Adjustments were also made to the loan terms in order to neutralize the effects of first-time application of IFRS 16. This notably included an adjustment to the gearing ratio, which is of key importance as a financial covenant. The newly negotiated contractual documentation now stipulates that gearing, calculated as net financial debt divided by equity attributable to shareholders of Klöckner & Co SE less goodwill resulting from acquisitions subsequent to May 23, 2019, may not exceed 165% (previously 150%).

NET FINANCIAL DEBT

(€ million)	June 30, 2019	June 30, 2018	December 31, 2018
Net financial debt	684	552	383
Gearing (Net financial debt/shareholders' equity*))	55%	44%	31%

*) Gearing = Net financial debt / (Equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2019 resp. until December 31, 2018: May 23, 2013).

The main reason for the rise in net financial debt from €383 million as of December 31, 2018 to €684 million as of the end of the first half year – besides the higher net working capital – is the introduction of the new IFRS lease accounting standard, as a result of which lease liabilities increased from €26 million at the prior year-end to €210 million as of June 30, 2019.

Pension provisions went up from €260 million as of the prior year-end to €288 million because of a decrease in discount rates.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Cash flow from operating activities	140	-12	-88	-155
Cash flow from investing activities	33	-12	27	-24
Free cash flow	**173**	**-24**	**-61**	**-179**
Cash flow from financing activities	-56	7	86	93

The above-mentioned increase in net working capital was the cause of the €88 million negative cash flow from operating activities, although this was significantly smaller than in the prior year (H1 2018: €-155 million).

An amount of €-16 million in payments for capital expenditure was offset by €43 million in receipts from divestments – notably from the sale of a property in London, United Kingdom – to produce a cash inflow from investing activities of €27 million (H1 2018: cash outflow of €24 million).

This resulted in a negative free cash flow of €61 million in the first half of 2019, compared with €-179 million in the prior-year period.

Cash flow from financing activities came to €86 million (H1 2018: €93 million) and included the dividend payment of €30 million.

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

The International Monetary Fund (IMF) expects global economic growth of 3.2% for the year as a whole. Global growth already lost a significant amount of momentum in the second half of last year. This trend is now expected to continue in 2019, largely driven by the first half. Notable contributing factors are the trade policy disputes between the USA and other jurisdictions, the protracted Brexit negotiations, increasing regulatory risk in China and the weakness of the automotive sector in Europe.

According to the IMF, the eurozone economy is set to grow by 1.3% in 2019. The slowdown in growth is mainly due to weaker consumer spending, falling industrial production, primarily in the German automotive sector and increasingly also in mechanical engineering, as well as the generally weak economic situation in Italy.

For the US economy, the IMF forecasts growth of 2.6% in 2019. The expected growth is thus still forecast to be at a robust level but with this year's government shutdown and the trade policy disputes acting as growth retardants.

Similarly for China, the IMF expects reduced economic growth of 6.2% year on year. This is mainly attributed to increasingly restrictive regulation and the escalating trade dispute.

For Brazil, the IMF expects a growth rate of 0.8% for 2019. According to the IMF, the decline in the growth rate reflects the weakened sentiment due to continuing uncertainty about the approval of pension and other structural reforms.

EXPECTED DEVELOPMENT OF GDP (IN PERCENT)	2019e
Europe*)	1.3
Germany	0.7
United Kingdom	1.3
France	1.3
Switzerland	1.3
United States	2.6
China	6.2
Brazil	0.8

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

Expected steel sector trend

The World Steel Association currently predicts 1.3% growth in global steel consumption for 2019. For the EU, the association anticipates an increase of 0.3%, while the North American Free Trade Agreement (NAFTA) region is forecast to grow by 1.1% and South and Central America by 3.6%. A slight increase of 1.0% is forecast for China.

Expected trend in our core customer sectors

CONSTRUCTION INDUSTRY

According to current estimates from EUROFER, the European construction industry is set to grow by about 3% in 2019, largely with the aid of good capacity utilization due to orders on hand. The industry is not entirely immune to the economic slowdown in Europe, however, which is why the growth forecast is less than growth in the prior year. In the USA, construction spending is expected to be stable, mainly due to public investment in buildings and infrastructure.

MACHINERY AND MECHANICAL ENGINEERING

EUROFER anticipates growth of just 1% for European machinery and mechanical engineering in 2019. The sharp growth slowdown is largely due to uncertainty because of trade policy frictions and weaker global demand. In the USA, the sector is likewise expected to see slower growth, although at a robust rate of around 3%. Indicators point to a further weakening, however.

AUTOMOTIVE INDUSTRY

According to the German Association of the Automotive Industry (VDA), the global passenger car market will contract by about 2% in 2019. Unit sales are projected to be around 1% down in Europe and 2% lower in the US market. Following the structural problems in the sector as a result of the new WLTP test procedure in Europe and the general economic downturn, further risk factors for the course of the fiscal year continue to be potential trade restrictions and the new WLTP tests in the fall. The VDA expects that unit sales in China will fall by 4% year on year.

Current assessment of opportunities and risks

The detailed information provided in the Opportunities and Risks section on pages 79 to 98 of the 2018 Annual Report continues to apply for the most part. For a detailed description of the risk management system in the Klöckner & Co Group, please see pages 79 et seq. of the 2018 Annual Report.

Market risk for Klöckner & Co is mostly determined by trends in demand and prices. Demand, negatively impacted by slower global economic growth, is supported in some cases by expansionary policies that continue to be pursued by central banks. There are now indications of a slowdown impacting economic growth, not only in the automotive sector but also in mechanical engineering. After a marked correction beginning in mid-2018, the price trend in the USA appears to have bottomed out. There are also signs that prices may be stabilizing in Europe. Given the economic risks, however, weaker demand and persistent surplus capacity mean that it is impossible to rule out further price erosion, which would impact negatively on our earnings performance.

Risk may also stem from the sustained mood of uncertainty on financial markets. The high sovereign debt levels in a number of European countries, for example, could lead to restrictions on lending or increased borrowing costs for customer industries and thus a decrease in capital investment. Italy remains a notable focus with regard to political risk. In addition, the pending Brexit negotiations between the EU and the new UK Prime Minister could have more negative impacts on the European economy than generally expected. Additional risks faced by the global economy are the potential further proliferation of trade barriers and a further increase in geopolitical risks such as the conflict between the USA and Iran. In China especially, additional trade barriers and a resulting slump in export trade could potentially lead to a sharper than expected slowdown in economic growth. Klöckner & Co continues to act with heightened caution in light of the above and with this adjusts to market circumstances in the short and medium term by focusing on improving effectiveness and reducing costs. One of the primary challenges here is adapting our existing organizational structure to make it leaner, more effective and more decentralised so that we can compete with small to medium-sized enterprises even better in an increasingly challenging market environment.

We are cautiously optimistic for Kloeckner Metals US given the business-friendly operating conditions and the policies followed by the Federal Reserve. In particular, the recent tax incentives in the USA have a positive effect on the economy. However, an escalation of trade conflicts could adversely impact growth if businesses lose confidence or borrowing terms become tighter. Unexpectedly more restrictive monetary policy on the part of the US Federal Reserve could also exert a dampening effect.

In summary, the Management Board is confident that the systems for managing opportunities and risks in the Klöckner & Co Group are working well. Sufficient allowance has been made and adequate provisions recognized to cover all risks identifiable at the time of preparing the interim financial statements and required to be accounted for. Suitable measures have been taken as necessary to cushion the impact of impending market risks. Given the current financing structure, no liquidity shortfalls are to be expected. There is presently no indication of any risks that, either individually or taken as a whole, cast doubt upon the Company's ability to continue as a going concern.

Group forecast

For 2019 as a whole, in light of the increasingly weakening general economic development, we anticipate negative impacts on demand in our main markets and especially in the European automotive and mechanical engineering sectors.

Accordingly, we expect to see a slight decrease in Group shipments. In line with this, Group sales are also likely to be slightly down. Due to the weak demand and the unexpectedly large negative price effects in the USA, we now expect to generate operating income (EBITDA) of €140 million to €160 million before material special effects, which represents a significant decrease relative to the prior year. Including material special effects, we forecast EBITDA of €170 million to €190 million. We expect Group cash flow from operating activities to be significantly higher than in 2019.

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

Forecast by segment (incl. IFRS 16 effects)	Turnover (Tto)			Sales (€ million)		
	2018	Original expectation 2019*)	Adjusted expectation 2019	2018	Original expectation 2019*)	Adjusted expectation 2019
Kloeckner Metals US	2,676	slight increase	stable	2,706	considerable increase	slight increase
Kloeckner Metals Switzerland	613	stable	slight decrease	1,008	slight increase	stable
Kloeckner Metals Services Europe	1,018	considerable increase	slight decrease	806	considerable increase	slight decrease
Kloeckner Metals Distribution Europe	1,747	stable	considerable decrease	2,212	slight increase	considerable decrease
Holding and other group companies	53			58		
Group	**6,107**	**slight increase**	**slight decrease**	**6,790**	**considerable increase**	**slight decrease**

	EBITDA (€ million) before material special effects			Cash flow from operating activities (€ million)		
	2018	Original expectation 2019*)	Adjusted expectation 2019	2018	Original expectation 2019*)	Adjusted expectation 2019
Kloeckner Metals US	155	considerable decrease	considerable decrease	53	considerable decrease	considerable decrease
Kloeckner Metals Switzerland	46	considerable increase	considerable increase	36	considerable increase	considerable increase
Kloeckner Metals Services Europe	42	considerable increase	considerable decrease	52	considerable decrease	considerable decrease
Kloeckner Metals Distribution Europe	5	considerable increase	considerable increase	-36	considerable increase	considerable increase
Holding and other group companies	-21			-45		
Group	**227**	**considerable decrease**)**	**considerable decrease**	**60**	**considerable increase**	**considerable increase**

*) Published on March 12, 2019.
**) According to ad hoc announcement dated April 25, 2019 EBITDA forecast of €180 million to €200 million.

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

Duisburg, July 29, 2019

Klöckner & Co SE

The Management Board

Klöckner & Co Share

Klöckner & Co share: Key data

ISIN DE000KC01000 – German Securities Code (WKN) KC0100

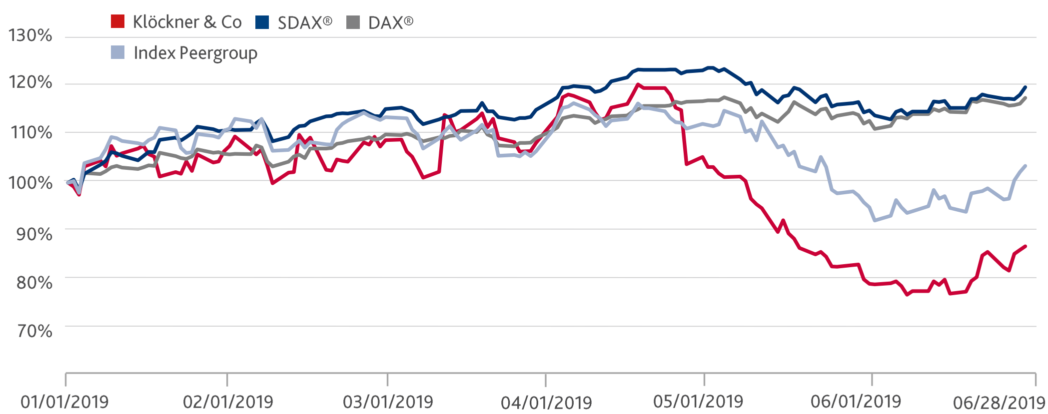
Stock exchange symbol: KCO
Bloomberg: KCO GY
Reuters Xetra: KCOGn.DE
Listed in SDAX®

SHARE PRICE PERFORMANCE

Over the course of the reporting period, the Klöckner & Co share price gradually rose at the beginning of the year from an opening price of €6.01 to €7.29 on April 17. This marked the shares' high for the first half year. The share price dropped sharply in the second half of April and continued its downward trend into June. It fell to its low for the reporting period at €4.66 on June 6. Since then, the share price recovered slightly to close at €5.27 on June 28. This represents a loss of about 13% relative to the 2018 year-end closing price.

Over the same period, the DAX® gained around 17%, the SDAX® in turn went up by around 20%. The peer group index – which tracks the performance of Klöckner & Co's peers (index components alongside ThyssenKrupp, Salzgitter and Arcelor Mittal also comprise Reliance, Olympic Steel and Ryerson) – increased slightly by about 3%, driven by the US stocks in the index.

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



The average trading volume in Klöckner & Co shares during the second quarter was over €4.8 million per day, which was higher than in the first quarter (around €4.2 million per day). Klöckner & Co shares consequently ranked 105th by trading volume and 159th by free float market capitalization in Deutsche Börse AG's ranking for MDAX® and SDAX® stocks in June.

KEY DATA – KLÖCKNER & CO SHARE

		Q2 2019	Q2 2018	HY1 2019	HY1 2018
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)	€	5.27	9.03	5.27	9.03
Market capitalization	€ million	525	901	525	901
High (Xetra, Close)	€	7.29	11.62	7.29	11.62
Low (Xetra, Close)	€	4.66	9.01	4.66	9.01
Average daily trading volume	in shares	835,281	567,768	739,172	536,147

ANNUAL GENERAL MEETING

The 13th Annual General Meeting of Klöckner & Co SE was held in Düsseldorf on May 15, 2019. Around 300 shareholders and shareholder representatives attended the meeting. In total, more than 54% of the voting capital voted on resolutions. Shareholders approved all of the resolutions proposed by the Supervisory and Management Boards by a large majority.

OWNERSHIP STRUCTURE

At the end of the second quarter, our largest shareholder was SWOCTEM GmbH/Friedhelm Loh with a shareholding of between 25% and 30%. With holdings of between 3% and 5% each, there followed Franklin Mutual Series Funds, Franklin Mutual Advisors (including voting rights held by Franklin Mutual Series Funds), LSV Asset Management and Claas Edmund Daun. 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 2019, the management and members of the IR team of Klöckner & Co SE provided interested capital market participants with information at four conferences in Germany and internationally, as well as in many additional one-on-one discussions. Talks with investors focused on the business results of the Klöckner & Co Group, progress with the digitalization strategy and global macroeconomic developments.

In the first six months, Klöckner & Co was covered by 15 banks and securities houses in over 50 research reports. As of the end of June, seven securities houses rated Klöckner & Co shares a “buy”, seven 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, www.kloeckner.com/en/investors.html. Topics include financial reports, the financial calendar, information on corporate governance as well as current data on share performance. We also publish full information on the Annual General Meeting and Capital Markets Day on the website.

For some time now, we have also communicated with interested members of the financial community via our Twitter channel. This enables us to quickly point up interesting news and interviews relating to our stock. Each day directly after the close of trading, we announce the closing price of our stock in Xetra® trading along with other trading data. You will find our Twitter channel at www.twitter.com/Kloeckner_IR.

Our e-mail 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, e-mail or letter mail.

CONTACT

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Klöckner & Co SE
Consolidated statement of income

for the six-month period ending June 30, 2019

(€ thousand)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Sales	1,681,669	1,788,914	3,384,362	3,417,052
Changes in inventory	-3,681	1,586	-11,025	1,686
Own work capitalized	237	-	528	-
Other operating income	45,960	9,122	52,211	15,979
Cost of materials	-1,374,420	-1,426,915	-2,767,555	-2,723,750
Personnel expenses	-151,305	-157,298	-303,713	-304,582
Depreciation and amortization	-32,855	-21,354	-64,552	-42,079
Other operating expenses	-118,016	-133,017	-240,853	-266,921
Impairment gains/losses trade receivables	1,138	-548	1,130	-2,025
Operating result	**48,727**	**60,490**	**50,533**	**95,360**
Finance income	76	1,217	842	1,974
Finance expenses	-11,459	-10,962	-22,615	-18,693
Financial result	**-11,383**	**-9,745**	**-21,773**	**-16,719**
Income before taxes	**37,344**	**50,745**	**28,760**	**78,641**
Income taxes	-8,880	-17,837	-10,057	-24,566
Net income	**28,464**	**32,908**	**18,703**	**54,075**
thereof attributable to				
– shareholders of Klöckner & Co SE	*28,234*	*32,655*	*18,211*	*53,509*
– non-controlling interests	*230*	*253*	*492*	*566*
Earnings per share (€/share)				
– basic	0.28	0.33	0.18	0.54
– diluted	0.27	0.31	0.18	0.51

Statement of comprehensive income

for the six-month period ending June 30, 2019

(€ thousand)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Net income	**28,464**	**32,908**	**18,703**	**54,075**
Other comprehensive income not reclassifiable				
Actuarial gains and losses (IAS 19)	-8,077	8,962	-31,233	27,613
Related income tax	-904	-1,253	-676	-5,209
Total	**-8,981**	**7,709**	**-31,909**	**22,404**
Other comprehensive income reclassifiable				
Foreign currency translation	-1,911	24,813	7,976	14,096
Gain/loss from equity instruments	-2,502	-	-2,502	-
Gain/loss from cash flow hedges	-3	3	-19	-136
Total	**-4,416**	**24,816**	**5,455**	**13,960**
Other comprehensive income	**-13,397**	**32,525**	**-26,454**	**36,364**
Total comprehensive income	**15,067**	**65,433**	**-7,751**	**90,439**
thereof attributable to				
– shareholders of Klöckner & Co SE	*14,860*	*65,180*	*-8,235*	*89,873*
– non-controlling interests	*207*	*253*	*484*	*566*

Consolidated statement of financial position

as of June 30, 2019

Assets

(€ thousand)	Notes	June 30, 2019	December 31, 2018
Non-current assets			
Intangible assets		138,722	147,945
Property, plant and equipment		804,728	638,914
Non-current investments		6,754	8,574
Other financial assets		6,324	7,961
Other non-financial assets		9,443	5,215
Current income tax receivable		6,156	6,156
Deferred tax assets		15,242	17,502
Total non-current assets		**987,369**	**832,267**
Current assets			
Inventories	5	1,185,876	1,242,209
Trade receivables		865,972	716,492
Contract assets		29,226	23,453
Current income tax receivable		9,391	6,327
Other financial assets		52,300	78,195
Other non-financial assets		33,245	21,068
Cash and cash equivalents		166,314	141,344
Total current assets		**2,342,324**	**2,229,088**
Total assets		**3,329,693**	**3,061,355**

Equity and liabilities

(€ thousand)	Notes	June 30, 2019	December 31, 2018
Equity			
Subscribed capital		249,375	249,375
Capital reserves		682,412	682,412
Retained earnings		313,037	324,638
Accumulated other comprehensive income		-7,636	18,935
Equity attributable to shareholders of Klöckner & Co SE		**1,237,188**	**1,275,360**
Non-controlling interests		6,918	6,282
Total equity		**1,244,106**	**1,281,642**
Non-current liabilities			
Provisions for pensions and similar obligations		288,031	260,180
Other provisions and accrued liabilities		16,757	16,422
Financial liabilities	6	787,901	500,845
Other financial liabilities		141	156
Other non-financial liabilities		8	3
Deferred tax liabilities		41,832	45,876
Total non-current liabilities		**1,134,670**	**823,482**
Current liabilities			
Other provisions and accrued liabilities		104,577	114,444
Income tax liabilities		14,539	12,156
Financial liabilities	6	58,349	19,740
Trade payables		694,708	752,770
Other financial liabilities		20,001	21,118
Other non-financial liabilities		58,743	36,003
Total current liabilities		**950,917**	**956,231**
Total liabilities		**2,085,587**	**1,779,713**
Total equity and liabilities		**3,329,693**	**3,061,355**

Consolidated statement of cash flows

for the six-month period ending June 30, 2019

(€ thousand)	Q2 2019	Q2 2018	HY1 2019	HY1 2018
Net income	28,464	32,908	18,703	54,075
Income taxes	8,880	17,837	10,057	24,566
Financial result	11,383	9,745	21,773	16,719
Depreciation and amortization	32,855	21,354	64,552	42,079
Other non-cash income/expenses	211	1,003	-294	-271
Gain on disposal of non-current assets	-38,798	-51	-39,459	-1,297
Change in net working capital				
Inventories	75,841	-48,027	60,357	-118,326
Trade receivables	34,768	-77,751	-149,702	-261,395
Trade payables	-3,461	44,103	-61,320	105,036
Change in other operating assets and liabilities	4,954	2,036	18,004	13,637
Interest paid	-8,204	-5,770	-17,857	-12,688
Interest received	125	318	422	510
Income taxes paid	-6,794	-9,471	-13,806	-17,406
Cash flow from operating activities	**140,224**	**-11,766**	**-88,570**	**-154,761**
Proceeds from the sale of non–current assets and assets held for sale	41,970	310	43,258	2,099
Payments for intangible assets, property, plant and equipment (incl. financial assets)	-9,287	-12,476	-15,937	-26,356
Cash flow from investing activities	**32,683**	**-12,166**	**27,321**	**-24,257**
Dividend payments to shareholders of Klöckner & Co SE	- 29,925	- 29,925	- 29,925	- 29,925
Net change of other financial liabilities	-28,923	49,864	117,550	126,119
Proceeds from derivates	2,753	-12,474	-1,159	-3,559
Cash flow from financing activities	**-56,095**	**7,465**	**86,466**	**92,635**
Changes in cash and cash equivalents	**116,812**	**-16,467**	**25,217**	**-86,383**
Effect of foreign exchange rates on cash and cash equivalents	-1,303	1,144	-247	66
Cash and cash equivalents at the beginning of the period	50,805	82,567	141,344	153,561
Cash and cash equivalents at the end of the reporting period as per statement of financial position	**166,314**	**67,244**	**166,314**	**67,244**

Summary of changes in equity

for the six-month period ending June 30, 2019

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	Accumulated other comprehensive income: Currency translation adjustments	Accumulated other comprehensive income: Actuarial gains and losses (IAS 19)	Accumulated other comprehensive income: Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non-controlling interests	Total
Balance as of January 1, 2018	**249,375**	**682,412**	**282,873**	**121,907**	**-138,555**	**-1,936**	**1,196,076**	**6,235**	**1,202,311**
Adjustments on initial implementation of IFRS 9 (net of tax)			2,122				2,122	48	2,170
Adjustments on initial implementation of IFRS 15 (net of tax)			2,248				2,248		2,248
Other comprehensive income									
Foreign currency translation				14,096			14,096		14,096
Gain/Loss from cash flow hedges						-136	-136		-136
Actuarial gains and losses (IAS 19)					27,613		27,613		27,613
Related income tax					-5,209		-5,209		-5,209
Other comprehensive income							**36,364**		**36,364**
Net income			53,509				53,509	566	54,075
Total comprehensive income							**89,873**	**566**	**90,439**
Change of non-controlling interests								123	123
Dividends			-29,925				-29,925		-29,925
Balance as of June 30, 2018	**249,375**	**682,412**	**310,827**	**136,003**	**-116,151**	**-2,072**	**1,260,394**	**6,972**	**1,267,366**
Balance as of January 1, 2019	**249,375**	**682,412**	**324,638**	**151,715**	**-131,196**	**-1,584**	**1,275,360**	**6,282**	**1,281,642**
Other comprehensive income									
Foreign currency translation				7,964			7,964	12	7,976
Gain/Loss from equity instruments						-2,502	-2,502		-2,502
Gain/Loss from cash flow hedges						-19	-19		-19
Actuarial gains and losses (IAS 19)					-31,213		-31,213	-20	-31,233
Related income tax					-676		-676		-676
Other comprehensive income							**-26,446**	**-8**	**-26,454**
Net income			18,336	-125			18,211	492	18,703
Total comprehensive income							**-8,235**	**484**	**-7,751**
Change of non-controlling interests			-12				-12	152	140
Dividends			-29,925				-29,925		-29,925
Balance as of June 30, 2019	**249,375**	**682,412**	**313,037**	**159,554**	**-163,085**	**-4,105**	**1,237,188**	**6,918**	**1,244,106**

Selected explanatory notes to the condensed interim consolidated financial statements for the six-month period ending June 30, 2019

(1) Basis of presentation

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2019 were prepared for interim reporting in accordance with Sec. 115 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 to the interim consolidated financial statements as of June 30, 2019 – 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, 2018. A detailed description of those policies is provided in the notes to the consolidated financial statements on pages 142 to 160 of the 2018 Annual Report. 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, 2019	December 31, 2018	HY1 2019	HY1 2018
Brazilian Real (BRL)	4.3511	4.4440	4.3417	4.1415
Pound Sterling (GBP)	0.8966	0.8945	0.8736	0.8798
Swiss Franc (CHF)	1.1105	1.1269	1.1295	1.1698
US Dollar (USD)	1.1380	1.1450	1.1298	1.2104

As part of the preparation of interim consolidated financial statements in accordance with IAS 34 for the period ending June 30, 2019, the Management Board of Klöckner & Co SE is required to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. Actual amounts may differ from these estimates.

In the opinion of the Management Board, the interim consolidated financial statements reflect all adjustments deemed necessary to provide a true and fair view of the results. The results for the period ending June 30, 2019 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2019 were authorized for issuance by the Management Board on July 29, 2019 after discussion with the Audit Committee of the Supervisory Board. Unless otherwise indicated, all amounts are stated in million euros (€ million). 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 2019:

Standard/Interpretation
IFRS 16 Leases
IFRIC 23 Uncertainty over Income Tax Treatments
Amendments to IFRS 9 Prepayment Features with Negative Compensation
Annual improvements to IFRS 2015-2017
Amendments to IAS 28 Long-term interests in Associates and Joint Ventures
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

IFRS 16 (Leases) was published on January 13, 2016. Klöckner & Co has applied the standard since January 1, 2019. The new standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for leases. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Lessor accounting is comparable to the previous standard, IAS 17, meaning that lessors continue to classify leases as finance and operating leases.

IFRS 16 supersedes the previous pronouncements on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

The Klöckner & Co Group is almost exclusively a lessee. For application of the new standard, the modified retrospective approach was elected, with all leases in place at the date of initial application recognized in the statement of financial position. Existing finance leases were kept as they are, while the previously off-balance-sheet operating leases are recognized in the statement of financial position as a right-of-use asset and a financial liability. Use was made of the exemption under which leases of low-value assets and leases with a remaining term of less than 12 months do not have to be recognized. Also, initial direct costs were not included in measurement of the right-of-use asset at the date of initial application.

First-time application of the standard resulted in the recognition of right-of-use assets and corresponding lease liabilities. The transition effects are presented in the table below.

(€ million)	December 31, 2018 acc. to IAS 17	Adjustments IFRS 16	January 1, 2019 acc. to IFRS 16
Non-current assets			
Property, plant and equipment	639	194	833
Other non-current assets	193	-	193
Total non-current assets	**832**	**194**	**1,026**
Current assets			
Other current assets	2,229	-	2,229
Total current assets	**2,229**	**-**	**2,229**
Total assets	**3,061**	**194**	**3,255**
Equity	1,282	-	1,282
Non-current liabilities			
Financial liabilities	501	150	651
Other non-current liabilities	322	-	322
Total non-current liabilities	**823**	**150**	**973**
Financil liabilities	19	44	63
Other current liabilites	937	-	937
Current liabilities	956	44	1,000
Total liabilities	**1,779**	**194**	**1,973**
Total equity and liabilities	**3,061**	**194**	**3,255**

(€ million)	January 1, 2019
Operating lease liability as of December 31, 2018	225
Discounting	-65
Present value of the operating lease liability	**160**
Recognition exemption for low value leases and short-term leases	-5
Extention options reasonably certain to be exercised	39
Additional lease liabilities due to the initial application of IFRS 16	**194**
Finance lease liability as of December 31, 2018	26
Lease liability at January 1, 2019	**220**

Right-of-use assets were recognized as follows as of January 1, 2019 and June 30, 2019 (including €25 million from finance leases retained unaltered from 2018), as against lease liabilities of €220 million as of January 1, 2019 and €210 million as of June 30, 2019 (including €26 million from finance leases retained unaltered from 2018).

(€ million)	June 30, 2019	January 1, 2019
Land and buildings	145	155
Technical equipment and machines	9	10
Other equipment, operating and office equipment	53	54
	207	**219**

A depreciation expense totaling €21 million and an interest expense totaling €3 million were recognized in the same connection. These had been a component of other operating expenses prior to the application of IFRS 16.

We expect that the first-time application of IFRS 16 will affect EBITDA and cash flow from operating activities as follows:

(€ million)	EBITDA	Cash flow from operating activities
Kloeckner Metals US	14-16	11-14
Kloeckner Metals Switzerland	8-10	8-9
Kloeckner Metals Services Europe	-	-
Kloeckner Metals Distribution Europe	21-22	19-20
Holding and other Group companies	2	2
Klöckner & Co Group	**45-50**	**40-45**

On June 7, 2017, the IASB published IFRIC 23 (Uncertainty over Income Tax Treatments). The tax treatment of certain events and transactions can depend on future acceptance by the tax authorities or fiscal courts. IFRIC 23 supplements the stipulations in IAS 12 with regard to accounting for uncertainties over the income tax treatment of events and transactions.

On October 12, 2017, the IASB published Amendments to IFRS 9 (Prepayment Features with Negative Compensation). The amendments relate to a narrow-scope change in the criteria relevant to the classification of financial assets. In certain circumstances, financial assets having a prepayment feature with negative compensation may be accounted for at amortized cost or at fair value through other comprehensive income instead of at fair value through profit or loss.

On December 12, 2017, the Annual Improvements to IFRSs 2015–2017 were issued. The Annual Improvements to IFRSs (2015–2017) amended IFRS 3 (Business Combinations), IFRS 11 (Joint Arrangements), IAS 12 (Taxes) and IAS 23 (Borrowing Costs).

Amendments to IAS 28 (Long-term Interests in Associates and Joint Ventures) were likewise published on October 12, 2017. These clarify that IFRS 9 is to be applied to long-term interests in an associate or joint venture to which the equity method is not applied.

On February 7, 2018, the IASB published Amendments to IAS 19 (Plan Amendment, Curtailment or Settlement). These amendments relate to the event of material changes in a pension plan during a reporting period that result in remeasurement of defined benefit obligations and plan assets. From then on, the current service cost and the interest cost are measured on the basis of the new circumstances.

With the exception of IFRS 16, application of the new pronouncements had no impact on the interim financial statements of Klöckner & Co SE.

(3) Earnings per share

Earnings per share are calculated by dividing interim-period consolidated net income attributable to shareholders by the weighted average number of shares outstanding during the period. In accordance with IAS 33.41, an average of 10,634 thousand potential dilutive shares under convertible bond issues were not included in the computation of diluted earnings per share for the first half of 2019 as this would have resulted in higher earnings per share.

		HY1 2019	HY1 2018
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	18,211	53,509
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	**(€/share)**	**0.18**	**0.54**
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)		53,509
Interest expense on dilutive convertible bonds (net of tax)	(€ thousand)		2,362
Net income used to determine diluted earnings per share	(€ thousand)		55,871
Weighted average number of shares	(thousands of shares)		99,750
Dilutive potential shares from convertible bonds	(thousands of shares)		10,251
Weighted average number of shares for diluted earnings per share	(thousands of shares)		110,001
Diluted earnings per share	**(€/share)**	**0.18**	**0.51**

(4) Special items affecting the results

On February 25, 2019, Silvertown Homes Limited exercised an option to purchase our Thames Wharf, London property for a purchase price of GBP 33 million. The sale was completed on April 3, 2019 and generated a gain of GBP 31 million (€36 million). The property remains at our disposal for a further 24 months.

(5) Inventories

(€ million)	June 30, 2019	December 31, 2018
Cost	1,217	1,271
Valuation allowance (net realizable value)	-31	-29
Inventories	**1,186**	**1,242**

(6) Financial liabilities

The details of financial liabilities are as follows:

(€ million)	June 30, 2019	December 31, 2018
Non-current financial liabilities		
Bonds	138	136
Liabilities to banks	75	59
Liabilities under ABS programs	408	281
Finance lease liabilities	167	25
Total non-current financial liabilities	**788**	**501**
Current financial liabilities		
Bonds	1	1
Liabilities to banks	13	16
Liabilities under ABS programs	1	1
Finance lease liabilities	43	2
Total current financial liabilities	**58**	**20**
Financial liabilities as per consolidated balance sheet	**846**	**521**

Net financial debt developed as follows:

(€ million)	June 30, 2019	December 31, 2018
Financial liabilities as per consolidated balance sheet	**846**	**521**
Transaction costs	4	3
Gross financial liabilities	**850**	**524**
Cash and cash equivalents	166	141
Net financial debt (before deduction of transaction cost)	**684**	**383**

(7) Financial instruments

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

Financial assets as of June 30, 2019 (€ thousand)	Presented in the statement of financial position as	Carrying amount	Category Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Fair value Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other assets	793	793	-	-	-	793	-	793
Derivative financial instruments designated in hedge accounting	Current and non-current other assets	-	-	-	-	-	-	-	-
Participations	Financial assets	6,754	5,754	1,000	-	-	-	6,754	6,754
Short term deposits (< 3 months)	Cash and cash equivalents	2,391	2,391	-	-	-	2,391	-	2,391
Not measured at fair value									
Trade receivables	Trade receivables	865,972	-	-	865,972	-	-	-	-
Contract assets	Contract assets	29,226	-	-	29,226	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	163,923	-	-	163,923	-	-	-	-
Other financial assets at cost	Current and non-current other assets	57,831	-	-	57,831	-	-	-	-
Total		**1,126,890**	**8,938**	**1,000**	**1,116,952**	**-**	**3,184**	**6,754**	**9,938**

Financial liabilities as of June 30, 2019			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	Other finan-cial liabilities	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current liabilities	411	411	-	-	-	411	-	411
Derivative financial instruments designated in hedge accounting	Other current and non-current liabilities	25	-	25	-	-	25	-	25
Not measured at fair value									
Financial liabilities	Current and non-current financial liabilities	636,654	-	-	636,654	-	641,747	-	641,747
Liabilities held under finance lease	Current and non-current financial liabilities	209,595	-	-	209,595	-	-	167,048	167,048
Trade payables	Trade payables	694,708	-	-	694,708	-	-	-	-
Other financial liabilities	Other current and non-current liabilities	19,706	-	-	19,706	-	-	137	137
Total		**1,561,099**	**411**	**25**	**1,560,663**	**-**	**642,183**	**167,185**	**809,368**

Financial assets as of December 31, 2018			Category			Fair value			
(€ thousand)	Presented in the statement of financial position as	Carrying amount	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Level 1	Level 2	Level 3	Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Current and non-current other assets	854	854	-	-	-	854	-	854
Derivative financial instruments designated in hedge accounting	Current and non-current other assets	-	-	-	-	-	-	-	-
Participations	Financial assets	8,574	5,074	3,500	-	-	-	8,574	8,574
Short term deposits (< 3 months)	Cash and cash equivalents	770	770	-	-	-	770	-	770
Not measured at fair value									
Trade receivables	Trade receivables	716,492	-	-	716,492	-	-	-	-
Contract assets	Contract assets	23,453	-	-	23,453	-	-	-	-
Cash and cash equivalents	Cash and cash equivalents	140,574	-	-	140,574	-	-	-	-
Other financial assets at cost	Current and non-current other assets	85,302	-	-	85,302	-	-	-	-
Total		**976,019**	**6,698**	**3,500**	**965,821**	**-**	**1,624**	**8,574**	**10,198**

Financial liabilities as of December 31, 2018 (*€ 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: Other financial liabilities	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Measured at fair value									
Derivative financial instruments not designated in hedge accounting (held for trading)	Other current and non-current liabilities	673	673	-	-	-	673	-	673
Derivative financial instruments designated in hedge accounting	Other current and non-current liabilities	6	-	6	-	-	6	-	6
Not measured at fair value									
Financial liabilities	Current and non-current financial liabilities	494,490	-	-	494,490	-	485,600	-	485,600
Liabilities held under finance lease	Current and non-current financial liabilities	26,095	-	-	26,095	-	-	24,548	24,548
Trade payables	Trade payables	752,770	-	-	752,770	-	-	-	-
Other financial liabilities	Other current and non-current liabilities	20,595	-	-	20,595	-	-	137	137
Total		**1,294,629**	**673**	**6**	**1,293,950**	**-**	**486,279**	**24,685**	**510,964**

The fair value measurement of non-current financial assets in the amount of €6,754 thousand (2018: €8,574 thousand) is classified as level 3. These are mostly unquoted financial instruments (equity investments) for which there is no active market. Fair value is measured as an approximation as cost, which is considered an appropriate estimate of fair value as no more suitable information is available. All information available on the equity investments is reviewed on a quarterly basis to establish whether cost is still representative of fair value. This would not be the case, for example, in the event of a significant change in the market in which the equity investments are active. Since cost is the only fair value input, any percentage change in cost would have an equal percentage impact on fair value. The estimated fair value would increase (decrease) with any increase (decrease) in cost. A 0.5% increase (decrease) in cost 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, 2019. 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.

Other Level 3 fair values exist for non-current finance lease liabilities in the amount of €167,048 thousand (2018: €24,548 thousand). Fair values are only determined for note disclosure purposes. They cannot be determined solely on the basis of observable market data for these liabilities due to individual collateralization and long duration. For leases and the specific leased items, an interest rate was determined by the parties at the inception of the lease. The leased item can revert to the lessor in the event of payment default on the part of the lessee and therefore serves as collateral for the lease liability. There is no indication of any change in the fair interest rates determined on initial recognition. For this reason, fair value is based on the carrying amount. Changes in hierarchy levels are taken into account at the end of the period in which the change took place. There were no transfers between hierarchy levels during the reporting year.

A further Level 3 fair value exists for non-current finance lease liabilities; this is a put liability from the acquisition of the GSD Group. The put option was entered into for a potential future transfer of non-controlling interests valued by discounting future earnings based on budget figures. The liability had a carrying amount of €137 thousand at the end of the period (2018: €137 thousand).

(8) Subsequent events

On July 29, 2019, the Supervisory Board appointed Dr. Oliver Falk and John Ganem to the Management Board effective August 1, 2019. Jens Wegmann, who has been a member of the Management Board of Klöckne & Co SE since December 1, 2017, will leave Klöckner & Co SE in agreement with the Company as of July 31, 2019. His responsibilities as COO will be assumed by John Ganem in the US and by Gisbert Rühl, CEO of the Company, in Europe.

In the course of the realignment of the Management Board, a further decentralization of activities was decided. With this step, the Company intends to take even greater account of the different structures in the countries in terms of organization and thus promote even more independent and entrepreneurial action in the Group companies. In return, this leads to a reduction in responsibilities at the level of the Group holding Company. In the future, the Group holding will focus on core functions and the design and control of the digitization strategy.

(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

(€ million)	Kloeckner Metals US HY1 2019	Kloeckner Metals US HY1 2018	Kloeckner Metals Switzerland HY1 2019	Kloeckner Metals Switzerland HY1 2018	Kloeckner Metals Services Europe HY1 2019	Kloeckner Metals Services Europe HY1 2018	Kloeckner Metals Distribution Europe HY1 2019	Kloeckner Metals Distribution Europe HY1 2018	Holding and other Group companies**) HY1 2019	Holding and other Group companies**) Q1 2019	Total Q1 2019	Total Q1 2018
External sales	1,426	1,301	480	490	406	440	1,046	1,158	26	28	3,384	3,417
Gross Profit	221	277	131	130	55	69	192	211	7	8	606	695
Gross profit margin (%)	15.5	21.3	27.3	26.6	13.6	15.8	18.3	18.2	25.8	27.0	17.9	20.3
Segment result (EBITDA)*)	36	96	27	21	16	28	52	10	-16	-18	115	137
Earnings before interest and taxes (EBIT)	11	78	12	9	12	25	35	3	-19	-20	51	95
Cashflow from operating activities	-22	-3	-11	-39	-11	12	-43	-92	-1	-33	-88	-155
Shipments (Tto)	1,361	1,379	290	307	507	563	795	916	25	24	2,978	3,189

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

(€ million)	Kloeckner Metals US HY1 2019	Kloeckner Metals US FY 2018	Kloeckner Metals Switzerland HY1 2019	Kloeckner Metals Switzerland FY 2018	Kloeckner Metals Services Europe HY1 2019	Kloeckner Metals Services Europe FY 2018	Kloeckner Metals Distribution Europe HY1 2019	Kloeckner Metals Distribution Europe FY 2018	Holding and other Group companies***) HY1 2019	Holding and other Group companies***) FY 2018	Total Q1 2019	Total FY 2018
Net working capital as of closing date*)	490	453	265	217	221	192	394	345	16	22	1,386	1,229
Net debt as of closing date**)	411	321	111	43	163	149	333	239	-334	-369	684	383
Employees as of closing date	2,364	2,382	1,640	1,707	590	597	3,426	3,500	441	393	8,461	8,579

*) Net Working Capital = Inventories plus trade receivables less trade liabilities.
**) Net financial debt = Financial liabilites plus transaction cost less cash and cash equivalents.
***) Including consolidations.

Earnings before interest and taxes (EBIT) can be reconciled to consolidated income before taxes as follows:

(€ million)	HY1 2019	HY1 2018
Earnings before interest and taxes (EBIT)	51	95
Group financial result	– 22	– 17
Income before taxes	**29**	**79**

Duisburg, July 29, 2019

The Management Board

Gisbert Rühl
Chairman of the Management Board

Jens M. Wegmann
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, 2019, the consolidated statement of income, statement of comprehensive income, consolidated statement of cash flows and summary of changes in consolidated equity for the period January 1 to June 30, 2019, 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, 2019, 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, July 29, 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

Christoph Velder
WIRTSCHAFTSPRÜFER

Ulrich Keisers
WIRTSCHAFTSPRÜFER

Responsibility statement

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

Duisburg, July 29, 2019

The Management Board

Gisbert Rühl
Chairman of the Management Board

Jens M. Wegmann
Member of the Management Board

Financial Calendar

October 30, 2019	Q3 quarterly statement 2019 Conference call with journalists Conference call with analysts
March 10, 2020	Annual Financial Statement 2019 Financial statement press conference Conference call with analysts
May 5, 2020	Q1 quarterly statement 2020 Conference call with journalists Conference call with analysts
May 20, 2020	Annual General Meeting 2020, Düsseldorf, Germany
August 14, 2020	Half-yearly financial report 2020 Conference call with journalists Conference call with analysts
November 3, 2020	Q3 quarterly statement 2020 Conference call with journalists Conference call with analysts

Subject to subsequent changes.

Klöckner & Co SE

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Disclaimer

This report (particularly the "Forecast" section) contains forward-looking statements which reflect the current views of the management of Klöckner & Co SE with respect to future events. They generally are designated by the words "expect", " assume", "presume", "intend", "estimate", "strive for", "aim for", "plan", "will", "endeavor", "outlook" and comparable expressions and generally contain information that relates to expectations or goals for economic conditions, sales proceeds or other yardsticks for the success of the enterprise.

Forward- looking statements are based on currently valid plans, estimates and expectations and are therefore only valid on the day on which they are made. You therefore should consider them with caution. Such statements are subject to numerous risks and factors of uncertainty (e.g. those described in publications) most of which are difficult to assess and which generally are outside of the control of Klöckner & Co SE. The relevant factors include the effects of significant strategic and operational initiatives, including the acquisition or disposal of companies or other assets. If these or other risks and factors of uncertainty occur or if the assumptions on which the statements are based turn out to be incorrect, the actual results of Klöckner & Co SE can deviate significantly from those that are expressed or implied in these statements. Klöckner & Co SE cannot give any guarantee that the expectations or goals will be attained. Klöckner & Co SE – notwithstanding existing legal obligations – rejects any responsibility for updating the forward-looking statements through taking into consideration new information or future events or other things.

In addition to the key figures prepared in accordance with IFRS and German-GAAP respectively, Klöckner & Co SE is presenting non-GAAP key figures such as EBITDA, EBIT, Net Working Capital and net financial liabilities that are not a component of the accounting regulations. These key figures are to be viewed as supplementary to, but not as a substitute for data prepared in accordance with IFRS. Non-GAAP key figures are not subject to IFRS or any other generally applicable accounting regulations. In assessing the net assets, financial position and results of operations of Klöckner & Co SE, these supplementary figures should not be used in isolation or as an alternative to the key figures presented in the consolidated financial statements and calculated in accordance with the relevant accounting principles. Other companies may base these concepts upon other definitions. Please refer to the definitions in this annual report.

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

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

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

Evaluating statements
Evaluating statements are unified and are presented as follows:

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