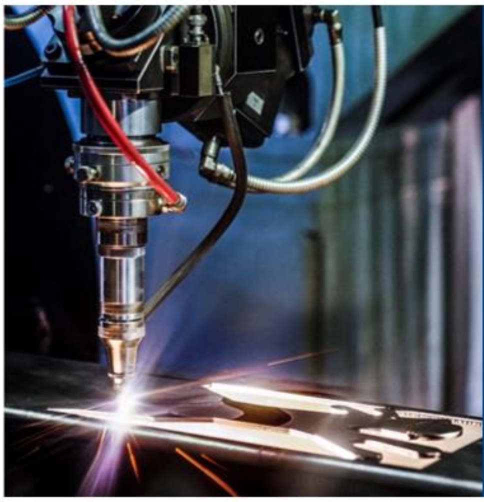
klöckner & co



Klöckner & Co SE

A Leading Multi Metal Distributor

Interim Report

as of June 30, 2015

INTERIM REPORT AS OF JUNE 30, 2015

KLÖCKNER & CO SE

Klöckner & Co Group Figures

Shipments and income statement		Q2 2015	Q2 2014*)	Variance	HY1 2015	HY1 2014*)	Variance
Shipments	Tto	1,645	1,720	–75	3,306	3,353	–47
Sales	€ million	1,693	1,680	+13	3,391	3,252	+139
Gross profit	€ million	320	325	–5	630	627	+3
Gross profit margin	%	18.9	19.3	–0.4%p	18.6	19.3	–0.7%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	–17	58	–75	–7	97	–104
EBITDA before restructuring expenses	€ million	36	58	–22	46	97	–51
EBITDA margin	%	–1.0	3.5	–4.5%p	–0.2	3.0	–3.2%p
EBITDA margin before restructuring	%	2.1	3.5	–1.4%p	1.4	3.0	–1.6%p
Earnings before interest and taxes (EBIT)	€ million	–44	36	–80	–59	52	–111
Earnings before taxes (EBT)	€ million	–56	19	–75	–84	19	–103
Net income	€ million	–55	12	–67	–76	10	–86
Net income attributable to shareholders of Klöckner & Co SE	€ million	–54	12	–66	–75	10	–85
Earnings per share (basic)	€	–0.54	0.12	–0.66	–0.75	0.10	–0.85
Earnings per share (diluted)	€	–0.54	0.12	–0.66	–0.75	0.10	–0.85

Cash flow statement/Cash flow		Q2 2015	Q2 2014*)	Variance	HY1 2015	HY1 2014*)	Variance
Cash flow from operating activities	€ million	96	–76	+172	–15	–142	+127
Cash flow from investing activities	€ million	7	–86	+93	6	–92	+98
Free cash flow**)	€ million	102	–162	+264	–9	–234	+225

Balance sheet		June 30, 2015	December 31, 2014	Variance	June 30, 2015	June 30, 2014*)	Variance
Net working capital***)	€ million	1,452	1,321	+131	1,452	1,463	–11
Net financial debt	€ million	571	472	+99	571	579	–8
Equity	€ million	1,407	1,429	–22	1,407	1,444	–37
Equity ratio	%	37.9	39.4	–1.5%p	37.9	39.5	–1.6%p
Balance sheet total	€ million	3,714	3,629	+85	3,714	3,658	+56

Employees		June 30, 2015	December 31, 2014	Variance	June 30, 2015	June 30, 2014	Variance
Employees at end of period		9,719	9,740	–21	9,719	9,748	–29

*) Comparative amounts for the first half of 2014 adjusted due to the initial application of IFRIC 21 (Levies).
**) Free cash flow: Cash flow from operating activities plus cash flow from investing activities.
***) Net working capital: Inventories plus trade accounts receivable minus trade accounts payable.

Interim Group Management Report

Key developments in the first six months of 2015 and outlook

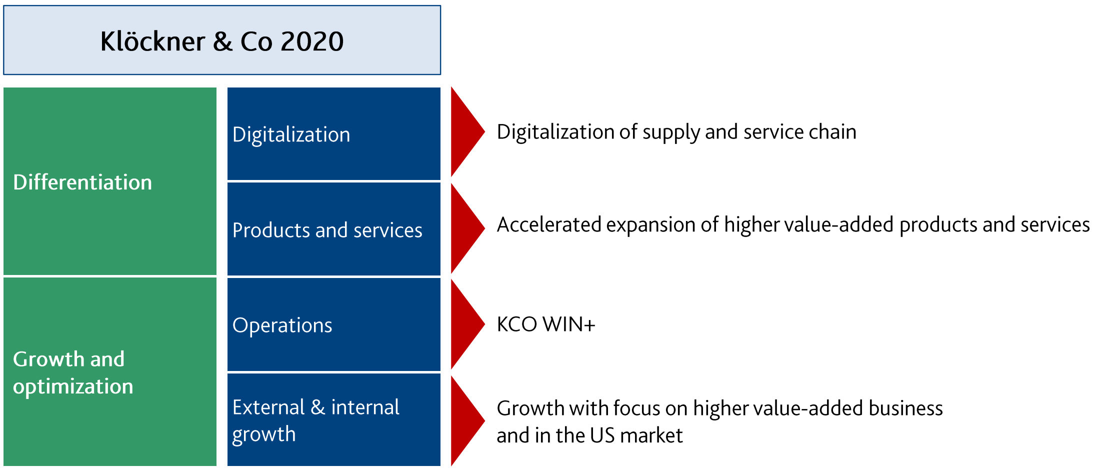
- Sales currency related up by 4.3% to €3.4 billion, despite market driven lower prices and volumes
- Gross profit margin down from 19.3% to 18.6% due to deteriorating steel prices in the US and Switzerland; EBITDA before restructuring expenses accordingly down from €97 million in the prior-year period to €46 million
- EBITDA of minus €7 million includes restructuring expenses of €52 million
- Upward trend quarter-on-quarter, with EBITDA before restructuring expenses at €36 million in the second quarter compared with €10 million in the prior quarter
- Cash flow from operating activities improved by €127 million year-on-year
- Balance sheet ratios remain stable with very sound 38% equity ratio and gearing low at 41%
- Positive trend expected to continue in the third quarter, with EBITDA before restructuring expenses rising quarter-on-quarter to €45-55 million
- €30 million additional contribution to EBITDA from extended KCO WIN+ program (restructuring in France and further structural improvements)

Corporate strategy

“Klöckner & Co 2020” strategy

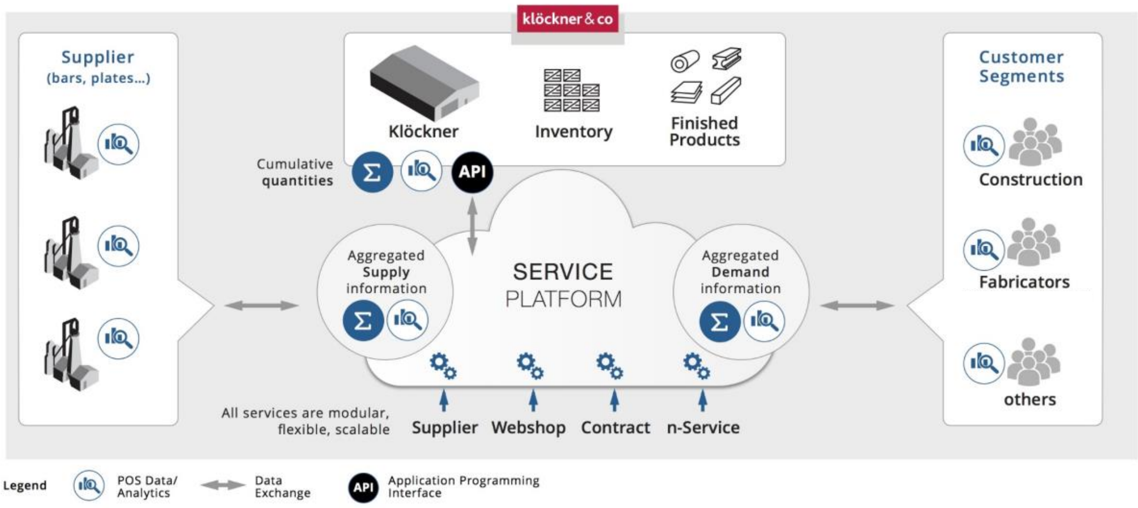
The overarching objective of our strategy is to again strengthen the competitiveness and hence ultimately the earning power of Klöckner & Co and so make Klöckner shares an attractive long-term investment for our shareholders. We follow two main thrusts in our realignment: higher value-added products and processing services, and end-to-end digitalization of our supply and value chain. In this way, we aim to move further and further out of the influence of the sector-wide overcapacity placing continuous pressure on steel prices while regaining a faster rate of growth.

Current developments on international steel markets, such as the unexpectedly steep fall in prices in the US, highlight the need to step up the change process. While producers can absorb the downward pressure on product prices due to lower market prices for key inputs – iron ore, scrap and coking coal – falling prices hit steel distribution head on. As we do not see prices visibly picking back up in the near future, and with demand trends in a number of countries likewise below expectations, we have revised and extended our KCO WIN optimization program in line with the deterioration in the market environment. This particularly affects France, where additional restructuring measures are required due to the further downturn in the construction market. Other structural optimizations under the extended KCO WIN+ program primarily affect the United Kingdom and Spain.



Digitalization

We have made further progress digitalizing the steel industry’s still highly inefficient supply and value chain: In some countries, our customers can already meet their purchasing requirements online and handle contracts entirely over the Internet. In procurement, we have achieved full EDI integration with wholesalers and major steel producers. But this again is only an intermediate step. In the future, suppliers and customers will be linked via a service platform, ensuring end-to-end digitalization of the supply and value chain.



All projects and initiatives relevant to digitalization and networking are being driven forward by our Group Center of Competence for Digitalization, kloeckner.i in Berlin, where we are going to boost the workforce from 15 to 20 e-commerce experts and software engineers by the end of the year. kloeckner.i does not operate as an ivory-tower think tank, developing solutions that customers and the workforce only get to see when they are finished. Instead, our specialists work jointly with customers on the ground to evaluate how we can collaborate more efficiently. Based on that, we first develop basic prototypes which, to start with, deliberately only cover the main functions. In an iterative process with the customer, we then see whether and how far the tool in question meets requirements. Then we go on to program the full solution. This lean start-up approach shortens development times considerably and gets solutions to market very quickly.

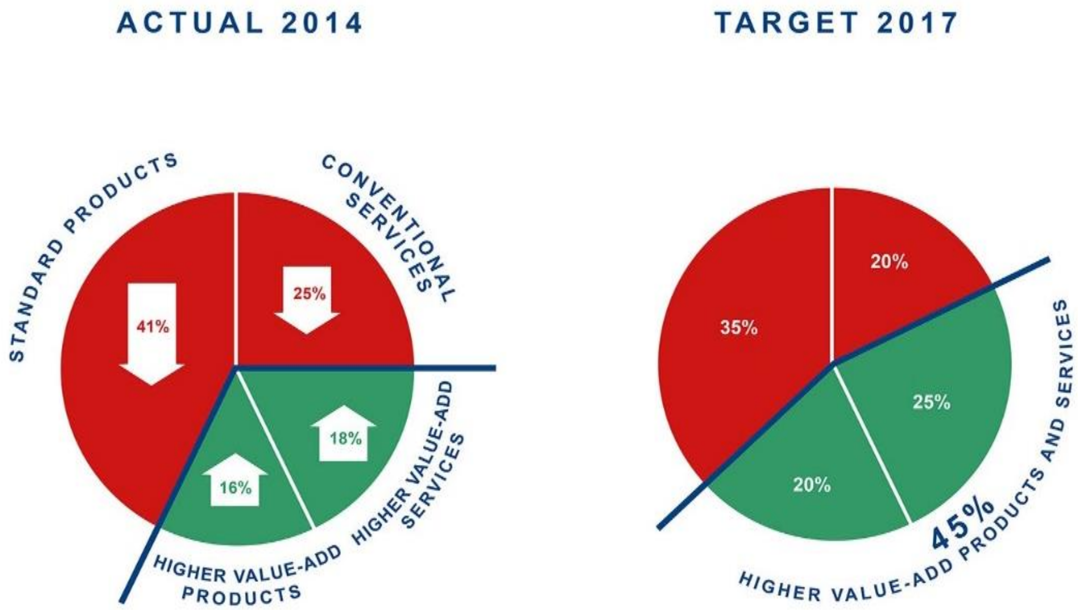
While kloeckner.i operates like an internal start-up, it is through our venture capital company kloeckner.v that we establish links with external start-ups. Initially, we intend to invest in start-ups indirectly through selected venture capital firms. Based on the experience we gain in doing so, we will then seek to make direct investments.

We have set ourselves an ambitious goal for the ongoing implementation of our digitalization strategy: By 2019, we aim to generate more than half of Group sales online.

Accelerating the shift to higher value-added products and services

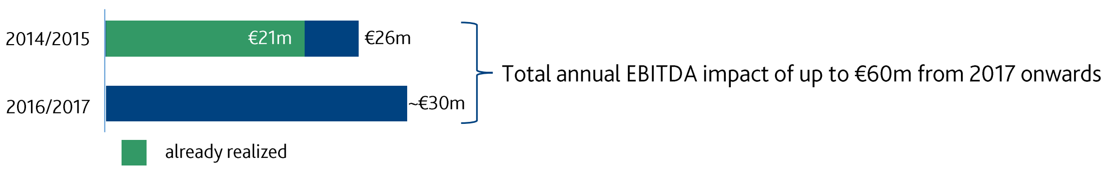
Our second strategic lever alongside digitalization is to increase the proportion of higher value-added products and processing services. We are going to significantly step up capital expenditure to that end this year. There is huge market potential here as many of our customers are strongly vertically integrated and still carry out tasks that we could perform more efficiently by consolidating orders. A good example is our investment in 3D lasers, which we can use to combine several conventional customer tasks such as drilling, sawing and slotting at an attractive price and with significant gains in precision. We also aim to substantially boost more profitable business in higher value-added products like aluminum, which is in increasing demand from the automotive industry.

In total, we plan to further increase the percentage of sales accounted for by higher value-added products and processing services from 34% in 2014 to 45% by 2017. We want to generate the lion's share of sales with higher-margin products and services by 2020.



KCO WIN+ program

We combined the measures designed to improve workflows and processes in our business operations in the KCO WIN+ program. One of the focuses is on improving sales and distribution. Our prime objective in this area is to fine-tune pricing in order to raise the gross profit margin. Appropriate measures supported by specialized tools have been introduced in all major countries in the course of the year. As explained earlier, we have expanded the program considerably by adding additional restructuring and improvement measures, primarily in France, but also in other European countries such as Spain and the United Kingdom. The extended program is expected to have an additional annual impact on EBITDA of some €30 million from 2017, the majority of which will be realized as early as 2016. This boosts the annual contribution from the program to as much as €60 million from 2017.



The cash outflows resulting from the additional restructuring and optimization measures are expected to be more than offset by the amount of working capital freed up in 2016. In the medium term, further cash inflows are anticipated from sales of land.

The additional restructuring measures in France* became necessary largely due to the further deterioration in the situation of the French construction industry, which represents by far our most important customer group in this region. In the coming years, we only expect a moderate improvement in the market there at best. We therefore plan a further consolidation of our network relative to the 63 locations we have today and in particular largely to pull out of the low-margin key account business with standard merchandise. This will entail the closure of eleven locations and a significant downsizing of the country headquarters. The size of the workforce will decrease as a result by 310 to 1,360.

Structural improvements are planned or already in the process of being implemented at other European country organizations as well. These include downsizing the country organizations' headquarters and closing persistently unprofitable sites and non-core activities. In total, a further five sites will be closed and the number of employees reduced by around 260 as a result of the measures.

Due to the poor economic trend and the subdued outlook for the local steel market, we also plan to close our service center in China, which has a headcount of 35, in the current quarter.

This means that we are planning to close what will probably be a total of 17 sites and reduce the workforce by approximately 600 in 2015 and 2016.

Return to growth path through external and internal growth

Our key organic growth drivers are expanding our higher value-added products and processing services business and digitalization.

In terms of regional growth opportunities, we see the US as our most attractive market over the medium and long term, despite the slump in steel prices at the beginning of the year. This market is also especially attractive for us because of the far better match between steel supply and demand compared with Europe, plus the strict separation of producers and distributors. We aim to increase the US share of shipments from 42% in 2014 to more than 50% in the medium term.

When it comes to expanding higher-margin business, we aim to achieve this through both organic and external growth. Consequently, alongside a market increase in capital expenditure in this area, further acquisitions of companies offering a wide range of higher value-added products and processing services are also an option.

Target of over 5% EBITDA margin by 2017

The next milestone in our "Klöckner & Co 2020" strategy is an increase in the EBITDA margin from 2.9% in the last fiscal year to over 5% in 2017. The main contributing factors here are investments in higher value-added processing and products, the extended KCO WIN+ program, and increasingly the digitalization of our business processes.

* Planned measures that in accordance with French law have been communicated to the works council requesting its opinion.

Economic environment

Macroeconomic situation

Global economic performance continued to be influenced by geopolitical and fiscal policy issues in the first half of 2015. In the eurozone, growth was held in check by the tight financial situation in some European economies. One source of stimulus, though, was the weak euro, which made the European economy more competitive. Overall, eurozone GDP increased by 1.4% compared with the prior-year quarter.

The US saw a continuation of the upturn under way since 2009. Buoyed by good labor market data and a related rise in consumer spending, growth reached 2.3% compared with the previous quarter.

At 6.8%, second-quarter economic growth in China was once again lower than in preceding quarters. Both domestic demand and exports showed lower rates of growth.

With economic output down by 1.2% on the prior-year quarter, Brazil found itself in recession in the second quarter. Following a contraction of 1.5% in the first quarter, rises in the benchmark interest rate and sustained high inflation prevented the situation from easing significantly.

Development of GDP in our core countries (in percent)	Q2 2015 vs. Q2 2014
Europe*)	**1.4**
Germany	1.6
United Kingdom	2.4
France	1.1
Spain	2.8
Switzerland	0.8
China	**6.8**
Americas	
United States	2.3
Brazil	–1.2

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

Industry-specific situation

Although overall economic conditions are good, the market environment in the steel industry remains challenging. According to the World Steel Association, global production of raw steel declined by 2.0% year-on-year to 813 million tons in the first six months of 2015. The EU saw a small rise in production volumes of 0.5%, while in the US steel production declined by 6.9%. Production was also down in China where it fell by 1.3%. Brazil, on the other hand, saw an increase of 2.0%.

In Europe, Eurometal reports that shipments in steel distribution fell by 3% in the first six months of this year. Shipments in the US were down by 5% according to the Metals Service Center Institute (MSCI).

The steel industry still faces the problem of massive excess capacity, notably in China and Europe, with the current level of demand continuing to result in structural underutilization. At the end of June, the capacity utilization of steel producers in Europe and the US stood at just 76% and 73% respectively. There is also considerable surplus capacity at distribution level, with competition remaining fierce as a result.

Trend in key customer industries

Construction industry

As the largest processor of steel, the construction industry is key to the global trend in steel consumption. The weak first quarter in Europe due to the weather conditions was largely offset by catch-up effects in the second quarter, meaning that construction activity held more or less constant in the first half of the year according to estimates from Eurofer. In the US, the construction industry benefited primarily from rising demand in the commercial construction segment. The US Census Bureau puts the growth in construction spending at 8% compared with the first half of 2014. In China, the downward trend in the construction industry continued during the reporting period.

Machinery and mechanical engineering

Demand in machinery and mechanical engineering showed a mixed picture in the first half of 2015. According to Eurofer, the sector in Europe made a weak start to 2015, posting zero growth year-on-year. Companies held back from investing due to the many political uncertainties. The US, on the other hand, saw moderate growth, driven mainly by rising demand in machine tools and construction machinery. China, the largest market, continued to expand at a robust rate, although not as strongly as in previous years.

Automotive industry

The international automotive industry showed a mostly positive trend in the first half of 2015. In Europe, demand increased by around 8.2% year-on-year according to the German Association of the Automotive Industry (VDA). Shipments rose by 4.4% in the US and by 6.9% in China. Only Brazil recorded a sharp decline of 19.7%.

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 2015 are as follows:

Key figures results of operations

(€ million)	Q2 2015	Q2 2014*)	HY1 2015	HY1 2014*)
Shipments (Tto)	1,645	1,720	3,306	3,353
Sales	1,693	1,680	3,391	3,252
Gross profit	320	325	630	627
Gross profit margin	18.9 %	19.3 %	18.6 %	19.3 %
EBITDA	– 17	58	– 7	97
EBITDA before restructuring expenses	36	58	46	97
EBITDA margin	– 1.0 %	3.5 %	– 0.2 %	3.0 %
EBITDA margin before restructuring	2.1 %	3.5 %	1.4 %	3.0 %

*) Comparative amounts for the first half of 2014 adjusted due to the initial application of IFRIC 21 (Levies).

The key figures for the financial position changed as follows:

Key figures net assets

(€ million)	June 30, 2015	June 30, 2014	December 31, 2014
Net working capital	1,452	1,463	1,321
Net financial debt	571	579	472

Other key figures

(€ million)	June 30, 2015	June 30, 2014*)	December 31, 2014
Gearing (Net financial debt/shareholders' equity**))	41 %	41 %	34 %
Leverage (Net financial debt/EBITDA***))	4.1x	3.2x	2.5x

*) Comparative amounts for the first half of 2014 adjusted due to the initial application of IFRIC 21 (Levies).
**) Consolidated shareholders' equity less non-controlling interests and less goodwill from business combinations subsequent to May 23, 2013.
***) EBITDA before restructuring is calculated on the basis of the last twelve months prior to the reporting date.

Discussion of the key figures in detail:

Shipments and sales

Group shipments in the first six months of 2015, at 3.3 million tons, were slightly down on the prior-year period (–1.4 %). Performance varied in our two operating segments, Europe and Americas:

The Europe segment increased shipments by 0.3% compared with the first six months of 2014. This rise was mainly driven by the ongoing strong performance at Becker Stahl-Service GmbH (BSS), which serves the automotive business, and the acquisition of Riedo by the Swiss country organization early in the second quarter of 2014. The remaining European country organizations recorded a drop in shipments due to the ongoing difficult market environment.

By contrast, shipments in the Americas segment decreased by 3.8% year-on-year. This affected both the USA and Brazil. While shipments in Brazil continued to be depressed by structural problems in the first half of the year, the decline in shipments in the US was mainly attributable to our customers holding back from buying in expectation of further falls in prices.

In contrast to the trend in shipments, Group sales climbed from €3.3 billion to €3.4 billion (+4.3%) due to the rise in exchange rates, in particular the rate of the US dollar and the Swiss franc, against the euro. Despite the movement of exchange rates in our favor and the inclusion of Riedo, sales in the Europe segment declined by 0.4% due to low price levels. At constant exchange rates, sales were down by 4.8%. While prices likewise fell in the Americas segment, notably in the flat steel business that is important to Klöckner, this was more than offset by the sharp rise in the US dollar exchange rate. In total, the segment saw sales rise by 12.7%; at constant exchange rates, sales were 8.0% down on the first half of 2014.

Results

(€ million)	Q2 2015	Q2 2014*)	HY1 2015	HY1 2014*)
Sales	1,693	1,680	3,391	3,252
Gross profit	320	325	630	627
OPEX**)	–337	–266	–636	–530
EBITDA	–17	58	–7	97
EBITDA before restructuring expenses	36	58	46	97
EBIT	–44	36	–59	52
EBT	–56	19	–84	19
Net income	–55	12	–76	10

*) Comparative amounts for the first half of 2014 adjusted due to the initial application of IFRIC 21 (Levies).
**) Personnel expenses plus other operating expenses less other operating income and less income from investments.

Due to the fall in prices, above all in the USA, and strong price pressure in Switzerland as a result of the appreciation of the Swiss franc, the gross profit margin dropped from 19.3% in the first half of the previous year to 18.6%; at 18.9%, however, the gross margin in the second quarter of 2015 was significantly higher than the 18.2% recorded in the first quarter of 2015. Gross profit, depressed by restructuring expenses of €5 million, was up slightly year-on-year (0.5%) to €630 million. This was, however, mostly due to the exchange rate changes already mentioned (+€61 million).

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

(€ million)	HY1 2015	HY1 2014*)
Other operating income	20	17
Personnel expenses	– 354	– 287
Other operating expenses	– 302	– 260
Income from investments	0	0
OPEX	– 636	– 530

*) Comparative amounts for the first half of 2014 adjusted due to the initial application of IFRIC 21 (Levies).

At €20 million, other operating income was up slightly on the prior-year figure of €17 million.

Personnel expenses showed a substantial increase of €67 million, €33 million of which was mainly due to the change in the US dollar and Swiss franc exchange rates against the euro. The redundancy plan expenses related to the restructuring measures resulted in further charges to this item of €29 million.

Likewise, the €42 million rise in other operating expenses is mainly due to exchange rate changes (€25 million) and restructuring (€18 million). Other operating expenses include €5 million (HY1 2014: €4 million) relating to the first-time application of new rules on accounting for levies (IFRIC 21).

As a result, EBITDA was a negative €7 million. Excluding restructuring expenses of €52 million EBITDA came in at €46 million compared to €97 million in the first half year of 2014.

EBITDA before restructuring expenses by segments

(€ million)	Q2 2015	Q2 2014*)	HY1 2015	HY1 2014*)
Europe	29	33	36	56
Americas	13	30	20	50
Headquarters	– 6	– 5	– 10	– 9
Klöckner & Co Group	36	58	46	97

*) Comparative amounts for the first half of 2014 adjusted due to the initial application of IFRIC 21 (Levies).

EBITDA in the Europe segment decreased significantly to €36 million in the first six months of 2015 compared with €56 million a year earlier. With the exception of BSS and the Netherlands, earnings performance was unsatisfactory at all country organizations. The most severe impact on earnings came from the price pressure (euro discount) induced by the removal of the cap on the Swiss franc exchange rate as well as from the very weak business situation in France and the United Kingdom. Earnings improved significantly in the course of the first half of the year, however, due to the dissipating effects of the appreciation of the Swiss franc and seasonal factors. Segment EBITDA before restructuring effects climbed from €8 million in the first quarter of the fiscal year to €29 million in the second quarter.

Gross profit declined due to price factors and, in the second quarter, quantity factors as well. As a result, EBITDA in the Americas segment dropped to €20 million, which is also well under the prior-year comparative figure of €50 million. In particular, the significantly lower market prices for heavy plate at the beginning of the first quarter of 2015 resulted in inventory effects and pressure on margins, whereas the first quarter of the prior year saw prices rising. The negative price trend eased significantly in the course of the second quarter. Due to lower cost prices, the gross margin also started to recover, rising by 1% in the second quarter compared with the first.

Headquarters EBITDA was approximately on a par with the prior-year period, at a negative €10 million (HY1 2014: negative €9 million).

Reconciliation to net income

(€ million)	HY1 2015	HY1 2014*)
EBITDA	–7	97
Depreciation, amortization and impairments	–52	–45
EBIT	–59	52
Financial result	–25	–33
EBT	–84	19
Income taxes	7	–9
Net income	–76	10

*) Comparative amounts for the first half of 2014 adjusted due to the initial application of IFRIC 21 (Levies).

After deducting depreciation and amortization, which was higher due to exchange rate effects (up €6 million) and impairment losses (up €4 million), EBIT came out at a negative €59 million, compared with a positive €52 million in the prior-year period. On the other hand, the financial result improved significantly, from a negative €33 million to a negative €25 million. The main alleviating factor here lay in interest expense following the redemption of promissory notes and convertible bonds in the prior year. Accordingly, EBT was a negative €84 million as against a positive €19 million in the first half of 2014.

Notwithstanding the inability to offset tax losses between countries combined with restrictions on the recognition of deferred tax assets for current losses, income tax income still amounted to €7 million in the first half of the year (HY1 2014: income tax expense of €9 million).

All in all, net income thus amounted to a negative €76 million (HY1 2014: positive €10 million). Basic earnings per share amounted to a negative €0.75 compared with a positive €0.10 in the prior-year period.

Consolidated balance sheet

(€ million)	June 30, 2015	December 31, 2014
Non-current assets	1,168	1,103
Current assets		
Inventories	1,216	1,318
Trade receivables	918	746
Other current assets	108	146
Liquid funds	304	316
Total assets	**3,714**	**3,629**
Equity	1,407	1,429
Non-current liabilities		
Financial liabilities	427	522
Other non–current liabilities	505	479
Current liabilities		
Financial liabilities	442	259
Trade payables	682	743
Other current liabilities	251	197
Total equity and liabilities	**3,714**	**3,629**

Compared with December 31, 2014, total assets increased by €85 million or 2.4% to €3,714 million. Most of the increase is due to seasonal factors and exchange rate changes.

Of the €65 million increase in non-current assets, €25 million relates to intangible assets and €36 million to property, plant and equipment. On a constant exchange rate basis, however, there was a decrease both in intangible assets (by €15 million) and in property, plant and equipment (by €16 million).

The reduction in other current assets is due to lower supplier bonus receivables during the year and the disposal of assets held for sale.

Cash and cash equivalents amounted to €304 million, approximately the same as at the end of the past fiscal year (€316 million).

In spite of the increase in total assets, the equity ratio of nearly 38% as of June 30, 2015 continues to reflect the solid balance sheet and remained at the level of December 31, 2014 (39%).

The increase of €26 million in other non-current liabilities primarily relates to the fair value measurement of derivatives used for hedging purposes (€23 million) and higher deferred taxes due to exchange rate factors (€3 million).

The increase in other current liabilities from €197 million to €251 million includes €47 million in allocations to restructuring provisions.

Net working capital

(€ million)	June 30, 2015	June 30, 2014	December 31, 2014
Inventories	1,216	1,238	1,318
Trade receivables	918	914	746
Trade payables	–682	–689	–743
Net working capital	1,452	1,463	1,321

Net working capital rose to €1,452 million compared with the end of fiscal year 2014 (€1,321 million). However, it remained at approximately the prior-year level (€1,463 million). Exchange rate effects accounted for €83 million of the increase relative to the prior year-end.

Net financial debt

(€ million)	June 30, 2015	June 30, 2014*)	December 31, 2014
Net financial debt	571	579	472
Gearing (Net financial debt/shareholders' equity**))	41 %	**41 %**	**34 %**

*) Comparative amounts for the first half of 2014 adjusted due to the initial application of IFRIC 21 (Levies).
**) Consolidated shareholders' equity less non-controlling interests and less goodwill from business combinations subsequent to May 23, 2013.

Net financial debt came to €571 million and thus surpassed the figure as of December 31, 2014 (€472 million), predominantly due to the increase in resources tied up in net working capital and exchange rate effects (up €24 million). At 41%, gearing remained well below the 150% maximum applicable for financing purposes.

Our syndicated loan was prolonged ahead of term in an amend and extend process in April by one year to May 2018 while retaining the €360 million loan amount. In addition, some of the loan terms were amended in Klöckner & Co's favor effective May 2015. Klöckner & Co therefore succeeded in negotiating more favorable financing terms while improving the maturity profile.

Key substantive changes also include the accession of Kloeckner Metals Corporation as a borrower and the ability to draw on up to 50% of the facility amount in US dollars. This gives Klöckner & Co added financial flexibility. The new loan documentation once again includes the option, subject to the banks' approval, to extend the loan term in two stages up to May 2020. The banking syndicate was reduced from eleven to ten banks, thus strengthening the business relationship with Klöckner & Co's core banks.

Consolidated statement of cash flows

(€ million)	Q2 2015	Q2 2014*)	HY1 2015	HY1 2014*)
Cash flow from operating activities	96	−76	−15	−142
Cash flow from investing activities	7	−86	6	−92
Free cash flow	102	−162	−9	−234
Cash flow from financing activities	−78	−15	−10	−13

*) Comparative amounts for 2014 adjusted due to change in presentation of cash flows from certain hedging instruments. Further information can be taken from Note 1 (Basis of Presentation) to the consolidated financial statements.

Due to strict net working capital management, the cash outflow from operating activities of €15 million, which was impacted by seasonal factors, was less than the prior-year cash outflow of €142 million as of December 31, 2014. Cash flow from investing activities was €6 million, representing the balance of €38 million in cash inflows from divestments and €32 million in cash outflows for capital expenditure. This compares with a cash outflow of €92 million in the prior period, which was impacted by the Riedo acquisition.

In total, the free cash flow came to a negative €9 million, compared with a negative €234 million in the prior-year period. Cash flow from financing activities came to a negative €10 million (HY1 2014: negative €13 million). That figure includes the dividend paid by Klöckner & Co SE in May 2015 in the amount of €20 million.

Subsequent events

Pursuant to Section 104 (2) Sentence 2 of the German Stock Corporation Act (AktG), Prof. Dr. Tobias Kollmann, Cologne, was appointed to the Supervisory Board of the Company by the Local Court of Duisburg, Germany, by way of a decision dated July 14, 2015 to replace the late Robert J. Koehler.

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

The International Monetary Fund (IMF) expects global economic growth of 3.3% in 2015. Nevertheless, there is still a substantial risk of setbacks, as geopolitical crises could escalate further. Market participants are also unnerved by the uncertainty surrounding the further course of events in Greece.

The eurozone is expected to continue its moderate economic recovery. The upward trend is likely to be driven by a gain in household spending power and an improvement in the labor market. Rising exports as a result of the weaker euro are expected to boost economic growth. Overall, the IMF anticipates that economic output in the eurozone will increase by 1.5% in 2015.

Although US economic growth was dampened in the first quarter of the year, the IMF forecasts point to a positive trend this year. The stimulus from low energy prices, tax relief and a rising real estate market are likely to more than offset weaker exports as a result of the strong dollar. Therefore, the forecast for the US economy is for stronger growth of 2.5%.

In China, the uncertainty associated with the high level of government debt is proving an increasing drag on the economy. In addition, the sharp falls on the Chinese stock markets are dampening consumer confidence. Due to the deteriorating environment, the Chinese government is considering further economic stimulus measures. Overall, the economy is expected to grow by 6.8%, slightly less than in the previous year.

The outlook for the Brazilian economy is still poor. In light of high interest rates, fiscal adjustments and weak consumer confidence, the IMF expects economic output to decline by 1.5%. Although the government is launching economic stimulus programs, these will probably only lend impetus in the medium term.

Expected development of GDP in our core countries (in percent)	2015
Europe*)	**1.5**
Germany	1.6
United Kingdom	2.4
France	1.2
Spain	3.1
Switzerland	0.8
China	**6.8**
Americas	
United States	2.5
Brazil	−1.5

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

Expected sector trend

The World Steel Association currently predicts that global steel consumption will grow by 0.5% in 2015. For the European Union, the Association anticipates an increase of 2.1%, while the North American Free Trade Agreement (NAFTA) region is expected to contract by 0.9% and South and Central America by 3.4%. A slight decline (0.5%) is also forecast for China.

Expected trend in our core customer sectors

Construction industry

According to Euroconstruct estimates, the European construction industry will grow by some 2% in 2015, driven by civil engineering and residential construction. In the US, the sector is expected to expand by 6% in 2015, with stimulus coming primarily from commercial construction. Growth is also likely to be supported by individual government infrastructure projects. China is forecast to record an increase of around 7%. Infrastructure spending is likely to be supportive of growth, while residential construction is expected to lose momentum. In Brazil, industry investment in construction projects is very subdued due to the weak state of the economy, as a result of which the sector is expected to barely grow at all.

Machinery and mechanical engineering

Global machinery and mechanical engineering is projected to see a further increase in shipments over the year as a whole. In Europe, the favorable exchange rate environment is having a positive impact, while the crisis in Ukraine is acting as a drag. Industry association Eurofer expects the sector in this region to expand by a marginal 0.4% overall. A sharp increase of 3.6% is forecast for the US due to substantial replacement demand. Strong growth is also expected for China, the world's largest machinery producer by far.

Automotive industry

The German Association of the Automotive Industry (VDA) currently estimates that the major automotive markets will remain on a growth track this year, but with the pace slackening to 1%. VDA forecasts growth of 4% in Europe and 2% in the American market. In China, the industry is likely to continue to grow strongly, expanding by 6%. Brazil, on the other hand, is expected to see a sharp decline in automotive production.

Current assessment of opportunities and risks

The detailed information provided in the Opportunities and Risks section on pages 69 to 78 of the 2014 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 66 et seq. of the 2014 Annual Report.

Market risk for Klöckner & Co is mostly determined by trends in demand and prices. Although steel prices remain close to production costs, the persistent surplus capacity means it is impossible to rule out a further decline in prices, which would impact negatively on our earnings performance.

Risk could also result from the continuing uncertainty on the financial markets in the face of high sovereign debt levels in a number of European countries, potentially resulting in a restriction on lending or increased borrowing costs for customer industries, combined with a further decrease in capital investment. Furthermore, economic recovery in Europe could turn out to be weaker than generally expected. The global economy also faces additional risks if the decline in economic growth in China is stronger than expected. Klöckner & Co continues to act with heightened caution in light of the above and is reacting rapidly to changes in expectations regarding the economic environment.

We are relatively optimistic about the Americas segment on account of developments in the USA, including the reindustrialization resulting from lower wage and energy costs. A moderating effect could come from increasingly restrictive monetary policy on the part of the US Federal Reserve.

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 have been recognized to cover all risks identifiable at the time of preparing the interim financial statements and required to be accounted for. Steps 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 are no identifiable risks that raise doubt about the Company's ability to continue as a going concern.

Outlook

We anticipate that steel demand in both Europe and the US will tangibly increase in the second half of the year. For both markets, however, we only expect very moderate growth of less than 1% overall, due to the weak trend in the first half of the year.

For the third quarter, we predict a quarter-on-quarter rise in operating EBITDA before restructuring expenses to €45–55 million in parallel with constant Group sales. The further improvement in profitability compared with the prior quarter is mainly the result of steel prices leveling out in the US and the recovery in Switzerland following the appreciation of the Swiss franc.

Although we anticipate that the second half of the year will be visibly better, this will not be enough to offset the significantly weaker performance year-on-year in the first six months, and we therefore expect a substantial decline in operating earnings (EBITDA) before restructuring expenses for the year as a whole. Net income will decrease even more substantially due to restructuring expenses and will thus be significantly below the prior year.

By 2017, we aim to raise the EBITDA margin from 2.9% in the last fiscal year to over 5%. The main contributing factors here are investment in higher value-added processing and products, the extended KCO WIN+ program, and increasingly the digitalization of our business processes.

Further acquisitions are planned as a growth accelerator. In line with our growth strategy, the focus here is on companies offering higher value-added products and services.

Duisburg, August 6, 2015

Klöckner & Co SE

The Management Board

KLÖCKNER & CO SHARE

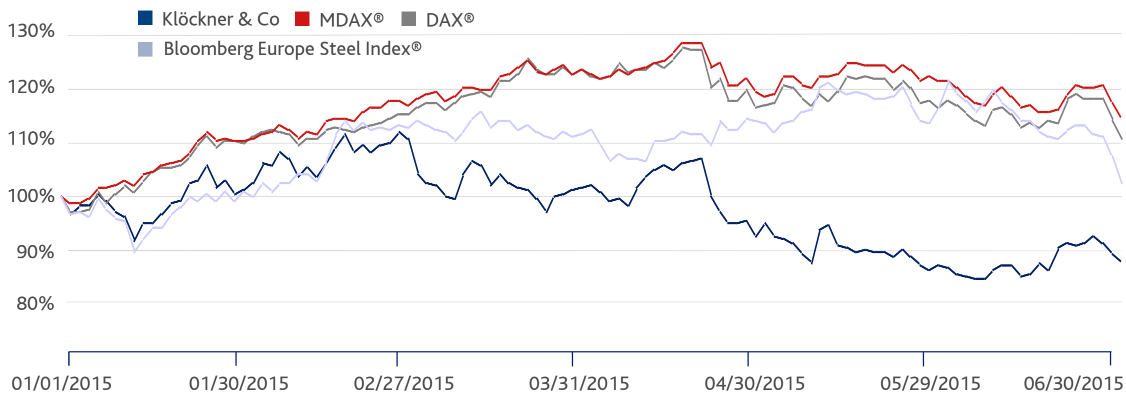
Klöckner & Co share: Key data

ISIN DE000KC01000 – German Securities Code (WKN) KC0100
Stock exchange symbol: KCO
Bloomberg: KCO GY
Reuters Xetra: KCOGn.DE
MDAX® listing since January 29, 2007

Share price performance

Klöckner & Co shares initially gained ground in the first two months of the year, rising to their highest level for the year so far at €10.12 on February 24. After that, however, the share price came under renewed pressure. At the end of June, the shares were trading at €8.10, a decrease of around 10% on the 2014 closing price. The DAX® climbed by about 12% and the MDAX® by roughly 16% in the same period, while the Bloomberg Europe Steel Index® increased by around just 4%.

Performance of Klöckner & Co shares compared with DAX®, MDAX® and Bloomberg Europe Steel Index® (values indexed)



The average trading volume in Klöckner & Co shares during the second quarter was around €9.8 million per day, an increase on the first quarter (around €7.4 million per day). Klöckner & Co shares ranked 32nd by trading volume and 54th by free float market capitalization in Deutsche Börse AG's ranking for MDAX® and SDAX® stocks in June.

Key data – Klöckner & Co share

		Q2 2015	Q2 2014	HY1 2015	HY1 2014
Number of shares	in shares	99,750,000	99,750,000	99,750,000	99,750,000
Closing price (Xetra, Close)	€	8.10	11.01	8.10	11.01
Market capitalization	€ million	808	1,098	808	1,098
High (Xetra)	€	9.87	12.66	10.12	12.66
Low (Xetra)	€	7.71	10.53	7.71	9.90
Average daily trading volume	in shares	1,161,981	611,923	974,261	673,672

2015 Annual General Meeting

The ninth Annual General Meeting of Klöckner & Co SE took place in Düsseldorf on May 12, 2015. Around 300 shareholders and shareholder representatives attended the meeting. In all, approximately 43% of the voting capital took part in voting. Shareholders approved all of the resolutions proposed by the Supervisory and Management Boards by large majorities.

Ownership structure

At the end of the second quarter, our largest shareholders with a shareholding of between 5% and 10% were Federated Global Investment Management Corp., Franklin Mutual Advisors and Templeton Investment Counsel, LLC, and with a shareholding of between 3% and 5%, Swoctem GmbH/Friedhelm Loh, Interfer Holding GmbH and UBS Group AG, Franklin Mutual Series Funds, Franklin Templeton Investments Corp. and Dimensional Holdings Inc./Dimensional Fund Advisors LP.

Capital market communications

During the first half of 2015, the management and members of the IR team of Klöckner & Co SE provided interested capital market participants with information at four roadshows and six conferences in Germany and internationally, as well as in many additional one-on-one discussions. Talks with investors focused on the business results and the digitalization strategy.

In the first six months, Klöckner & Co was covered by 27 banks and securities houses in 76 research reports. As of the end of the reporting period, 13 of the securities houses rated Klöckner & Co shares a “buy”, 12 gave a “hold” recommendation and two rated Klöckner & Co shares a “sell”.

Klöckner & Co also provides information on current Group developments in the Investors section of the corporate website, www.kloeckner.com/en/investors.php. This includes information on our convertible bond, financial reports, the financial calendar and corporate governance, together with current data on share and convertible bond price performance. Shareholders and other interested parties can also sign up for our newsletter at ir@kloeckner.com.

The Investor Relations team looks forward to your questions and suggestions.

KLÖCKNER & CO SE

Consolidated statement of income
for the six-month period ending June 30, 2015

(€ thousand)	Q2 2015	Q2 2014*)	HY1 2015	HY1 2014*)
Sales	1,693,067	1,679,983	3,390,532	3,252,008
Other operating income	7,739	7,326	19,844	16,875
Changes in inventory	–2,424	–3,306	–7,780	–503
Own work capitalized	16	35	21	37
Cost of materials	–1,370,623	–1,352,081	–2,753,209	–2,624,883
Personnel expenses	–192,765	–146,188	–354,102	–287,048
Depreciation and amortization	–26,758	–22,710	–52,316	–44,691
thereof impairment losses	*–3,439*	*–50*	*–3,916*	*–50*
Other operating expenses	–151,780	–127,399	–301,865	–259,475
Operating result	**–43,528**	**35,660**	**–58,875**	**52,320**
Finance income	30	472	908	981
Finance expenses	–12,777	–16,918	–25,805	–34,200
Financial result	**–12,747**	**–16,446**	**–24,897**	**–33,219**
Income before taxes	**–56,275**	**19,214**	**–83,772**	**19,101**
Income taxes	1,406	–7,417	7,341	–9,281
Net income	**–54,869**	**11,797**	**–76,431**	**9,820**
thereof attributable to				
– shareholders of Klöckner & Co SE	*–53,768*	*11,685*	*–75,250*	*9,551*
– non-controlling interests	*–1,101*	*112*	*–1,181*	*269*
Earnings per share (€/share)				
– basic	**–0.54**	**0.12**	**–0.75**	**0.10**
– diluted	**–0.54**	**0.12**	**–0.75**	**0.10**

*) Comparative amounts 2014 adjusted due to initial application of IFRIC 21 (Levies).

KLÖCKNER & CO SE

Statement of comprehensive income for the six-month period ending June 30, 2015

(€ thousand)	Q2 2015	Q2 2014*)	HY1 2015	HY1 2014*)
Net income	– 54,869	11,797	– 76,431	9,820
Other comprehensive income not reclassifiable				
Actuarial gains and losses (IAS 19)	43,881	– 10,320	– 572	– 22,519
Related income tax	– 6,166	640	1,881	1,772
Total	37,715	– 9,680	1,309	– 20,747
Other comprehensive income reclassifiable				
Foreign currency translation	– 10,347	3,824	75,465	6,769
Gain/loss from net investment hedges	– 110	182	– 1,742	400
Gain/loss from cash flow hedges	-	1,715	-	3,400
Related income tax	877	– 608	552	– 1,141
Total	– 9,580	5,113	74,275	9,428
Other comprehensive income	28,135	– 4,567	75,584	– 11,319
Total comprehensive income	– 26,734	7,230	– 847	– 1,499
thereof attributable to				
– shareholders of Klöckner & Co SE	*– 25,968*	*7,006*	*280*	*– 2,056*
– non-controlling interests	*– 766*	*224*	*– 1,127*	*557*

*) Comparative amounts 2014 adjusted due to initial application of IFRIC 21 (Levies).

KLÖCKNER & CO SE

Consolidated statement of financial position as of June 30, 2015

Assets

(€ thousand)	June 30, 2015	December 31, 2014
Non-current assets		
Intangible assets	462,692	438,015
Property, plant and equipment	665,969	630,220
Investment property	10,486	10,486
Non-current investments	1,373	1,321
Other assets	15,266	15,282
Current income tax receivable	4,046	2
Deferred tax assets	7,737	7,817
Total non-current assets	1,167,569	1,103,143
Current assets		
Inventories	1,215,766	1,317,696
Trade receivables	918,197	745,538
Current income tax receivable	24,232	14,072
Other assets	82,011	106,386
Cash and cash equivalents	304,313	316,364
Assets held for sale	2,165	25,478
Total current assets	2,546,684	2,525,534
Total assets	3,714,253	3,628,677

Equity and liabilities

(€ thousand)	June 30, 2015	December 31, 2014
Equity		
Subscribed capital	249,375	249,375
Capital reserves	900,759	900,759
Retained earnings	201,489	289,257
Accumulated other comprehensive income	45,864	−24,690
Equity attributable to shareholders of Klöckner & Co SE	1,397,487	1,414,701
Non-controlling interests	9,266	13,984
Total equity	1,406,753	1,428,685
Non-current liabilities		
Provisions for pensions and similar obligations	330,466	328,190
Other provisions and accrued liabilities	16,468	17,405
Financial liabilities	426,589	522,407
Other liabilities	56,941	34,407
Deferred tax liabilities	102,121	98,576
Total non-current liabilities	932,585	1,000,985
Current liabilities		
Other provisions and accrued liabilities	165,916	110,827
Income tax liabilities	8,108	9,307
Financial liabilities	441,967	258,950
Trade payables	681,959	742,703
Other liabilities	76,965	77,220
Total current liabilities	1,374,915	1,199,007
Total liabilities	2,307,500	2,199,992
Total equity and liabilities	3,714,253	3,628,677

KLÖCKNER & CO SE

Consolidated statement of cash flows for the six-month period ending June 30, 2015

(€ thousand)	Q2 2015	Q2 2014*)	HY1 2015	HY1 2014*)
Net income	– 54,869	11,797	– 76,431	9,820
Income taxes	– 1,406	7,417	– 7,341	9,281
Financial result	12,747	16,446	24,897	33,219
Depreciation and amortization	26,758	22,710	52,316	44,691
Other non–cash expenses/income	– 1,173	–312	– 848	–412
Gain on disposal of non–current assets	– 1,569	–1,349	– 4,983	–3,282
Change in net working capital				
Inventories	100,018	–14	186,229	–52,319
Trade receivables	30,756	–12,174	– 127,974	–206,497
Trade payables	– 48,100	–89,862	– 106,424	44,434
Change in other operating assets and liabilities	49,576	–5,233	71,903	10,113
Interest paid	– 11,716	–22,453	– 16,564	–26,232
Interest received	311	1,042	663	1,657
Income taxes paid	– 5,560	–4,244	– 10,531	–6,519
Cash flow from operating activities	**95,773**	**–76,229**	**– 15,088**	**– 142,046**
Proceeds from the sale of non–current assets and assets held for sale	22,522	2,670	25,657	8,459
Cash inflows from the redemption of current loans	-	5,339	-	5,339
Proceeds from the sale of consolidated subsidiaries (incl. businesses)	-	-	12,168	-
Payments for intangible assets, property, plant and equipment	– 14,738	–11,844	– 30,918	–23,672
Acquisition of subsidiaries and non-controlling interest	– 1,135	–82,022	– 1,135	–82,022
Cash flow from investing activities	**6,649**	**–85,857**	**5,772**	**–91,896**
Dividend payments to shareholders of Klöckner & Co SE	– 19,950	-	– 19,950	-
Repayment convertible bond	-	–97,900	-	–97,900
Repayment Syndicated Loan	– 100,000	-	– 100,000	-
Repayment promissory notes	– 51,500	–50,000	– 51,500	–50,000
Net change of other financial liabilities	93,193	132,428	161,366	135,344
Cash flow from financing activities	**– 78,257**	**– 15,472**	**– 10,084**	**– 12,556**
Changes in cash and cash equivalents	**24,165**	**– 177,558**	**– 19,400**	**–246,498**
Effect of foreign exchange rates on cash and cash equivalents	– 1,096	233	7,349	1,068
Cash and cash equivalents at the beginning of the period	281,244	527,288	316,364	595,393
Cash and cash equivalents at the end of the reporting period as per statement of financial position	**304,313**	**349,963**	**304,313**	**349,963**

*) Comparative amounts 2014 adjusted due to initial application of IFRIC 21 (Levies). In addition, the presentation of cash flows from certain hedging derivatives was changed. For further information refer to Note (1) Basis of presentation.

KLÖCKNER & CO SE

Summary of changes in equity

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings
Balance as of January 1, 2014	249,375	900,759	266,925
Other comprehensive income			
Foreign currency translation			
Gain/loss from net investment hedges			
Gain/loss from cash flow hedges			
Actuarial gains and losses (IAS 19)			
Related income tax			
Other comprehensive income			
Net income			9,551
Total comprehensive income			
Balance as of June 30, 2014*)	249,375	900,759	276,476
Balance as of January 1, 2015	249,375	900,759	289,257
Other comprehensive income			
Foreign currency translation			
Gain/loss from net investment hedges			
Actuarial gains and losses (IAS 19)			
Related income tax			
Other comprehensive income			
Net income			−75,250
Total comprehensive income			
Change of non–controlling interests			7,432
Dividends			−19,950
Balance as of June 30, 2015	249,375	900,759	201,489

*) Comparative amounts 2014 adjusted due to initial application of IFRIC 21 (Levies).

Accumulated other comprehensive income					
Currency translation adjustment	Actuarial gains and losses (IAS 19)	Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non-controlling interests	Total
72,912	–56,648	–3,764	1,429,559	15,913	1,445,472
6,411			6,411	358	6,769
		400	400		400
		3,400	3,400		3,400
	–22,449		–22,449	–70	–22,519
	1,772	–1,141	631		631
			–11,607	288	–11,319
			9,551	269	9,820
			–2,056	557	–1,499
79,323	–77,325	–1,105	1,427,503	16,470	1,443,973
114,797	–138,862	–625	1,414,701	13,984	1,428,685
75,465			75,465		75,465
		–1,742	–1,742		–1,742
	–626		–626	54	–572
	1,881	552	2,433		2,433
			75,530	54	75,584
			–75,250	–1,181	–76,431
			280	–1,127	–847
–4,976			2,456	–3,591	–1,135
			–19,950		–19,950
185,286	–137,607	–1,815	1,397,487	9,266	1,406,753

Selected explanatory notes to the condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2015

(1) Basis of presentation

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2015 were prepared for the interim presentation in accordance with Sec. 37w WpHG as well as International Financial Reporting Standards (IFRS) and the respective interpretations issued by the International Accounting Standards Board (IASB) as adopted for use within the EU.

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

Except for the changes discussed in Note 2 below, the accounting policies applied to the interim financial statements as of June 30, 2015 are generally consistent with those used for the consolidated financial statements of Klöckner & Co SE as of December 31, 2014 under consideration of the IAS 34 regulations (Interim Financial Reporting). A detailed description of those policies is provided in the notes to the consolidated financial statements on pages 92 to 106 of the 2014 Annual Report. The presentation of the financial statements is basically consistent with prior practice. In contrast to the previous year, foreign currency exchange gains and losses arising from financing activities are presented in the financial result beginning with the second quarter of 2015. Under materiality aspects the prior year presentation was not adjusted. Likewise cash flows from hedging derivatives are now presented in cash flows from financing activity (previously: cash flows from operating activities). The prior year presentation was adjusted, accordingly.

In addition, the segment classification for the activities of Klöckner European Operations GmbH, an entity providing services for other European units, was revised. Following the revised internal reporting, the entity is now included in the Europe segment (previously Headquarters/Consolidation segment). Except for headcount information, this change did not have a material impact on segment reporting.

The translation of foreign subsidiaries is based on the following exchange rates:

	Closing rate		Average rate	
1 € =	June 30, 2015	December 31, 2014	HY1 2015	HY1 2014
Brazilian Real (BRL)	3.4699	3.2207	3.3102	3.1499
Pound Sterling (GBP)	0.7114	0.7789	0.7323	0.8214
Swiss Franc (CHF)	1.0413	1.2024	1.0567	1.2214
US Dollar (USD)	1.1189	1.2141	1.1158	1.3704

As part of the preparation of an interim consolidated financial statement in accordance with the IAS 34 for the period ending June 30, 2015, Klöckner & Co SE's management is required to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities as well as income and expenses. The 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, 2015 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2015 were authorized for issuance by the Management Board after discussion with the Audit Committee of the Supervisory Board on August 6, 2015. Unless otherwise indicated, all amounts are stated in million euros (€ million). Discrepancies to the unrounded figures may arise.

(2) New accounting standards and interpretations

The following table summarizes accounting standards and interpretations that were initially applied in fiscal year 2015:

Standard/Interpretation
Annual improvements to IFRSs 2011–2013
IFRIC Interpretation 21 (Levies)

As part of the Annual Improvement Project, modifications were made to four standards under the term "Annual improvements to IFRSs 2011–2013". These changes did not have an impact on the financial statements of Klöckner & Co SE.

IFRIC 21 regulates the closing date of public taxes accrued either upon threshold limits or accrued irregularly within the year and not being subject to IAS 12 (Income Taxes). The initial application of the interpretation led to a change in periodization of such taxes and thus increased other expenses and other liabilities in the amount of €5 million as well as deferred tax liabilities by €1 million in the first six months 2015 for the Klöckner & Co Group. Under consideration of income tax benefit effects totaling €1 million, the net result was decreased by €4 million. Prior year's presentation of other operating expenses and other liabilities in the financial statements as of June 30, 2014 increased accordingly by €4 million. Additionally, deferred tax liabilities decreased by €1 million. The impact on earnings during the first six months 2014 amounted to €3 million after consideration of the tax reducing effects. The initial application of IFRIC 21 will not have an impact on the 2015 full year results.

(3) Changes in ownership interests

By contract dated June 24, 2015 the remaining non-controlling interests of 30% in Klöckner Metals Brasil S.A. - Group, São Paulo, Brazil, was acquired at a purchase price of €1 million. The acquisition, which did not have a material impact on the consolidated financial statements, is accounted for as equity transaction in accordance with IFRS 10.

(4) Special items in the results

Due to the continuously difficult economic situation especially in France a further restructuring program was initiated during the second quarter 2015 (mainly site closures and lay-offs). In addition, the winding down of our Chinese operations commenced. Further measures are attributable to continuously unprofitable actvities in Great Britain and Switzerland.

The program impacted the Klöckner & Co Group results as follows:

(€ thousand)	EBITDA		EBIT		Net income	
	Q2 2015	HY1 2015	Q2 2015	HY1 2015	Q2 2015	HY1 2015
Result as reported	– 16,770	– 6,559	– 43,528	– 58,875	– 54,869	– 76,431
Stock write–downs	5,166	5,166	5,166	5,166	5,166	5,166
Personnel expenses	29,131	29,131	29,131	29,131	29,131	29,131
Other restructuring expenses	18,060	18,060	18,060	18,060	18,060	18,060
Asset impairments			2,514	2,514	2,514	2,514
Tax effects					–1,582	–1,582
Result before restructuring expenses and impairments	35,587	45,798	11,343	– 4,004	– 1,580	– 23,142

(5) Earnings per share

Earnings per share are calculated by dividing net income of the interim period attributable to shareholders by the weighted average number of shares outstanding during the period. In accordance with IAS 33.41, 7,419 thousand dilutive potential shares of the convertible bonds (2014: 12,675 thousand shares) were not included in the computation of diluted earnings per share as they were anti-dilutive.

		HY1 2015	HY1 2014*)
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	– 75,250	9,551
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	(€/share)	– 0.75	0.10
Diluted earnings per share	(€/share)	– 0.75	0.10

*) Comparative amounts 2014 adjusted due to initial application of IFRIC 21 (Levies).

(6) Inventories

(€ million)	June 30, 2015	December 31, 2014
Cost	1,265	1,355
Valuation allowance (net realizable value)	– 49	–37
Inventories	1,216	1,318

(7) Financial liabilities

(€ million)	June 30, 2015	December 31, 2014
Non-current financial liabilities		
Liabilities to banks	140	167
Promissory notes	-	132
Liabilities under ABS programs	284	220
Finance lease liabilities	3	3
	427	522
Current financial liabilities		
Bonds	185	178
Liabilities to banks	123	25
Promissory notes	133	54
Liabilities under ABS programs	-	1
Finance lease liabilities	1	1
	442	259
Financial liabilities as per consolidated balance sheet	869	781

Net financial debt developed as follows:

(€ million)	June 30, 2015	December 31, 2014
Financial liabilities as per consolidated balance sheet	869	781
Transaction costs	6	7
Gross financial liabilities	875	788
Cash and cash equivalents	–304	–316
Net financial debt Klöckner & Co Group	571	472

Our Syndicated Loan was prolonged ahead of term in an amend and extend process in April by one year to May 2018 while retaining the €360 million loan amount. The terms were additionally amended in Klöckner & Co's favor with effect from May 2015. In the transaction, Klöckner & Co succeeded in negotiating more favorable financing terms while improving the maturity profile.

Key substantive changes also include the accession of Kloeckner Metals Corporation as borrower and the ability to draw up to 50% of the facility amount in US dollar. This enhances Klöckner & Co's financial flexibility. The new loan documentation once again includes the option, subject to the banks' approval, to extend the loan term in two stages up to May 2020. The banking syndicate was reduced from eleven to ten banks.

(8) Financial instruments

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

Financial assets as of June 30, 2015

		Measurement in accordance with					
		IAS 39			IAS 17		
(€ million)	Carrying amount	Amortized costs	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non-current financial assets							
Non-current investments	*1*	*1*	-	-	-	-	*1*
Loans and receivables	1	1	-	-	-	-	1
Financial assets available for sale	-	-	-	-	-	-	-
Other non–current assets	*15*	*11*	-	-	-	*4*	*11*
Loans and receivables	11	11	-	-	-	-	11
Not covered by the scope of IFRS 7	4	-	-	-	-	4	-
Current financial assets							
Trade receivables	*918*	*918*	-	-	-	-	*918*
Loans and receivables	918	918	-	-	-	-	918
Other current assets	*82*	*65*	-	-	-	*17*	*65*
Loans and receivables	65	65	-	-	-	-	65
Derivative financial instruments not designated in hedge accounting (held for trading)	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	17	-	-	-	-	17	-
Liquid funds	*304*	*304*	-	-	-	-	*304*
Loans and receivables	303	303	-	-	-	-	303
Financial assets available for sale	1	1	-	-	-	-	1
Total	1,320	1,299	-	-	-	21	1,299

Financial liabilities as of
June 30, 2015

(€ million)	Carrying amount	Measurement in accordance with IAS 39: Amortized costs	IAS 39: Fair value recognized in profit and loss	IAS 39: Fair value recognized in equity	IAS 17: Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non-current financial liabilities							
Non-current financial liabilities	*427*	*424*	-	-	*3*	-	*429*
Liabilities measured at amortized costs	424	424	-	-	-	-	426
Liabilities held under finance leases	3	-	-	-	3	-	3
Other non–current liabilities	*56*	-	-	*56*	-	-	*56*
Liabilities measured at amortized costs	-	-	-	-	-	-	-
Derivative financial instruments not designated in hedge accounting (held for trading)	-	-	-	-	-	-	-
Derivative financial instruments designated in hedge accounting	56	-	-	56	-	-	56
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*442*	*441*	-	-	*1*	-	*446*
Liabilities measured at amortized costs	441	441	-	-	-	-	445
Liabilities held under finance leases	1	-	-	-	1	-	1
Current trade liabilities	*682*	*682*	-	-	-	-	*682*
Liabilities measured at amortized costs	682	682	-	-	-	-	682
Other current liabilities	*77*	*18*	*2*	*2*	-	*55*	*22*
Liabilities measured at amortized costs	18	18	-	-	-	-	18
Derivative financial instruments not designated in hedge accounting (held for trading)	4	-	2	2	-	-	4
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	55	-	-	-	-	55	-
Total	1,684	1,565	2	58	4	55	1,635

Financial assets as of December 31, 2014

(€ million)	Carrying amount	Measurement in accordance with IAS 39: Amortized costs	IAS 39: Fair value recognized in profit and loss	IAS 39: Fair value recognized in equity	IAS 17: Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non-current financial assets							
Non-current investments	*1*	*1*	-	-	-	-	*1*
Loans and receivables	1	1	-	-	-	-	1
Financial assets available for sale	-	-	-	-	-	-	-
Other non–current assets	*15*	*11*	-	-	-	*4*	*11*
Loans and receivables	11	11	-	-	-	-	11
Not covered by the scope of IFRS 7	4	-	-	-	-	4	-
Current financial assets							
Trade receivables	*746*	*746*	-	-	-	-	*746*
Loans and receivables	746	746	-	-	-	-	746
Other current assets	*107*	*93*	-	-	-	*14*	*93*
Loans and receivables	93	93	-	-	-	-	93
Derivative financial instruments not designated in hedge accounting (held for trading)	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	14	-	-	-	-	14	-
Liquid funds	*316*	*316*	-	-	-	-	*316*
Loans and receivables	266	266	-	-	-	-	266
Financial assets available for sale	50	50	-	-	-	-	50
Total	1,185	1,167	-	-	-	18	1,167

Financial liabilities as of December 31, 2014

(€ million)	Carrying amount	Measurement in accordance with IAS 39: Amortized costs	IAS 39: Fair value recognized in profit and loss	IAS 39: Fair value recognized in equity	IAS 17: Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non-current financial liabilities							
Non-current financial liabilities	*522*	*519*	-	-	*3*	-	*525*
Liabilities measured at amortized costs	519	519	-	-	-	-	522
Liabilities held under finance leases	3	-	-	-	3	-	3
Other non–current liabilities	*34*	-	-	*34*	-	-	*34*
Liabilities measured at amortized costs	-	-	-	-	-	-	-
Derivative financial instruments not designated in hedge accounting (held for trading)	-	-	-	-	-	-	-
Derivative financial instruments designated in hedge accounting	34	-	-	34	-	-	34
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*259*	*258*	-	-	*1*	-	*265*
Liabilities measured at amortized costs	258	258	-	-	-	-	264
Liabilities held under finance leases	1	-	-	-	1	-	1
Current trade liabilities	*743*	*743*	-	-	-	-	*743*
Liabilities measured at amortized costs	743	743	-	-	-	-	743
Other current liabilities	*77*	*20*	*5*	*4*	-	*48*	*29*
Liabilities measured at amortized costs	20	20	-	-	-	-	20
Derivative financial instruments not designated in hedge accounting (held for trading)	5	-	5	-	-	-	5
Derivative financial instruments designated in hedge accounting	4	-	-	4	-	-	4
Not covered by the scope of IFRS 7	48	-	-	-	-	48	-
Total	1,635	1,540	5	38	4	48	1,596

The fair values of current financial assets are largely identical to their carrying amounts. The fair values of financial liabilities reflect the current market environment as of the reporting date for the respective financial instruments. The fair value is not reduced by transaction costs. For current financial liabilities for which no transaction costs are to be considered, the carrying amount approximates the fair value.

Any assets and liabilities recognized are accounted for at fair value and are regularly remeasured.

The fair values of the derivative financial instruments are determined on the basis of banks' quoted market prices or on the basis of financial models commonly used by banks. The fair value calculation also considers counterparty risk at the respective valuation date. If fair values exist, they correspond to the amount third parties would pay for the rights or obligations arising from the financial instruments. The fair values are the market values of the derivative financial instruments, irrespective of any offsetting changes in value in the underlying transactions.

The valuation of all financial instruments follows the hierarchy concept of IFRS 13. Financial instruments for which the fair value is obtained from quoted prices for similar instruments are classified as Level 1. If fair values are derived from directly observable market inputs, those instruments are included in Level 2. Financial instruments for which the fair values are not based on observable market data are assigned to Level 3. All financial instruments are allocated to Level 2 of the measurement hierarchy.

(9) Subsequent events

By resolution of the registry court dated July 14, 2015 the Supervisory Board of Klöckner & Co SE was extended in accordance with Sec. 104 para. 2 sentence 2 AktG with Prof. Dr. Tobias Kollmann, Köln, Germany, as member of the Supervisory Board to replace the deceased member Robert J. Koehler.

(10) Related party transactions

Within the framework 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 third parties. No material transactions were conducted with any of these related parties in the reporting period.

(11) Segment reporting

Starting with the second quarter of 2015, the activities of Klöckner European Operations GmbH are included in the Europe segment (previously Headquarter/Consolidation segment). Further information is provided in Note (1) Basis of presentation.

	Europe		Americas		Headquarters/ Consolidation		Total	
(€ million)	HY1 2015	HY1 2014*)	HY1 2015	HY1 2014*)	HY1 2015	HY1 2014*)	HY1 2015	HY1 2014*)
Segment sales	2,079	2,087	1,312	1,165	-	-	3,391	3,252
EBITDA (segment result)	– 16	56	19	50	– 10	– 9	– 7	97
EBIT	– 43	33	– 4	30	– 12	– 11	– 59	52
Net working capital as of June 30, 2015 (December 31, 2014)	869	764	581	555	2	2	1,452	1,321
Employees as of June 30, 2015 (December 31, 2014)	7,087	7,104	2,551	2,559	81	77	9,719	9,740

*) Comparative amounts 2014 adjusted due to initial application of IFRIC 21 (Levies).

Reconciliation of EBIT to income before taxes:

(€ million)	HY1 2015	HY1 2014*)
Earnings before interest and taxes (EBIT)	– 59	52
Financial result	– 25	– 33
Income before taxes	**– 84**	**19**

*) Comparative amounts 2014 adjusted due to initial application of IFRIC 21 (Levies).

Duisburg, August 6, 2015

Klöckner & Co SE

Management Board

Gisbert Rühl
Chairman
of the Management Board

Marcus A. Ketter
Member
of the Management Board

Karsten Lork
Member
of the Management Board

William A. Partalis
Member
of the Management Board

Review report

To Klöckner & Co SE, Duisburg

We reviewed the condensed interim consolidated financial statements - comprising the consolidated balance sheet as of June 30, 2015 as well as the consolidated income statement, the statement of comprehensive income, the consolidated cash flow statement and the statement of changes in consolidated equity for the period from January 1 to June 30, 2015 as well as selected notes to the interim consolidated financial statements and selected explanatory notes - and the interim group management report of Klöckner & Co SE as of June 30, 2015 that are part of the semi-annual financial report according to § 37w WpHG. 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) as well as in additional consideration of the International Standard on Review Engagements 2410 (ISRE 2410). 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 auditors' report.

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

Düsseldorf, August 6, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Markus Zeimes	Hélio Rodrigues
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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, August 6, 2015

Klöckner & Co SE

Management Board

Gisbert Rühl
Chairman
of the Management Board

Marcus A. Ketter
Member
of the Management Board

Karsten Lork
Member
of the Management Board

William A. Partalis
Member
of the Management Board

Financial Calendar

October 28, 2015	Q3 interim report 2015 Conference call with journalists Conference call with analysts
March 1, 2016	Annual financial statements 2015 Financial statements press conference Conference with analysts
May 4, 2016	Q1 interim report 2016 Conference call with journalists Conference call with analysts
May 13, 2016	Annual General Meeting 2016 Düsseldorf
August 4, 2016	Q2 interim report 2016 Conference call with journalists Conference call with analysts
November 3, 2016	Q3 interim report 2016 Conference call with journalists Conference call with analysts

Subject to subsequent changes

Klöckner & Co SE

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E-mail: ir@kloeckner.com

Disclaimer

This report (particularly the "Forecast" section) contains forward-looking statements that are based on the current estimates of the Klöckner & Co SE management with respect to future developments. They are generally identified by the words "expect", "anticipate", "assume", "intend", "estimate", "target", "aim", "plan", "will", "endeavor", "outlook" and comparable expressions, and include generally any information that relates to expectations or targets for economic conditions, sales or other performance measures.

Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Klöckner & Co's control. Among the relevant factors are the impacts of important strategic and operating initiatives, including the acquisition or disposal of companies. If these or other risks or uncertainties materialize, or if the assumptions underlying any of the statements prove incorrect, Klöckner & Co's actual results may be materially different from those stated or implied by such statements. Klöckner & Co SE can offer no assurance that its expectations or targets will be achieved.

Without prejudice to existing legal obligations, Klöckner & Co SE does not assume any obligation to update forward-looking statements to take information or future events into account or otherwise. In addition to the figures prepared in line with IFRS or HGB (Handelsgesetzbuch – German Commercial Code), Klöckner & Co SE presents non-GAAP financial performance measures, e.g., EBITDA, EBIT, net working capital and net financial debt.

These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS or HGB. Non-GAAP measures are not subject to IFRS or HGB, or to other generally accepted accounting principles. Other companies may define these terms in different ways.

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

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