Q2

Interim Report

as of June 30, 2016

klöckner & co

Interim Group Management Report

Interim Consolidated Financial Statements

Klöckner & Co Group Figures

Shipments and income statement		Q2 2016	Q2 2015	Variance	HY1 2016	HY1 2015	Variance
Shipments	Tto	1,643	1,645	–2	3,199	3,306	–107
Sales	€ million	1,517	1,693	–176	2,903	3,391	–488
Gross profit	€ million	362	320	+42	666	630	+36
Gross profit margin	%	23.8	18.9	+4.9%p	22.9	18.6	+4.3%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	72	–17	+89	88	–7	+95
EBITDA before restructuring expenses	€ million	72	36	+36	88	46	+42
EBITDA margin	%	4.8	–1.0	+5.8%p	3.0	–0.2	+3.2%p
EBITDA margin before restructuring	%	4.8	2.1	+2.7%p	3.0	1.4	+1.6%p
Earnings before interest and taxes (EBIT)	€ million	49	–44	+93	41	–59	+100
Earnings before taxes (EBT)	€ million	42	–56	+98	26	–84	+110
Net income	€ million	33	–55	+88	19	–76	+95
Net income attributable to shareholders of Klöckner & Co SE	€ million	32	–54	+86	18	–75	+93
Earnings per share (basic)	€	0.32	–0.54	+0.86	0.18	–0.75	+0.93
Earnings per share (diluted)	€	0.32	–0.54	+0.86	0.18	–0.75	+0.93

Cash flow statement/Cash flow		Q2 2016	Q2 2015	Variance	HY1 2016	HY1 2015	Variance
Cash flow from operating activities	€ million	22	96	–74	27	–15	+42
Cash flow from investing activities	€ million	–18	7	–25	–27	6	–33
Free cash flow*)	€ million	4	102	–98	0	–9	+9

Balance sheet		June 30, 2016	December 31, 2015	Variance	June 30, 2016	June 30, 2015	Variance
Net working capital**)	€ million	1,168	1,128	+40	1,168	1,452	–284
Net financial debt	€ million	435	385	+50	435	571	–136
Equity	€ million	1,049	1,113	–64	1,049	1,407	–358
Equity ratio	%	36.9	39.2	–2.3%p	36.9	37.9	–1.0%p
Balance sheet total	€ million	2,842	2,841	+1	2,842	3,714	–872

Employees		June 30, 2016	December 31, 2015	Variance	June 30, 2016	June 30, 2015	Variance
Employees at end of period		9,166	9,592	–426	9,166	9,719	–553

*) Free cash flow: Cash flow from operating activities plus cash flow from investing activities.
**) Net working capital: Inventories plus trade receivables less trade liabilities.

Interim Group Management Report

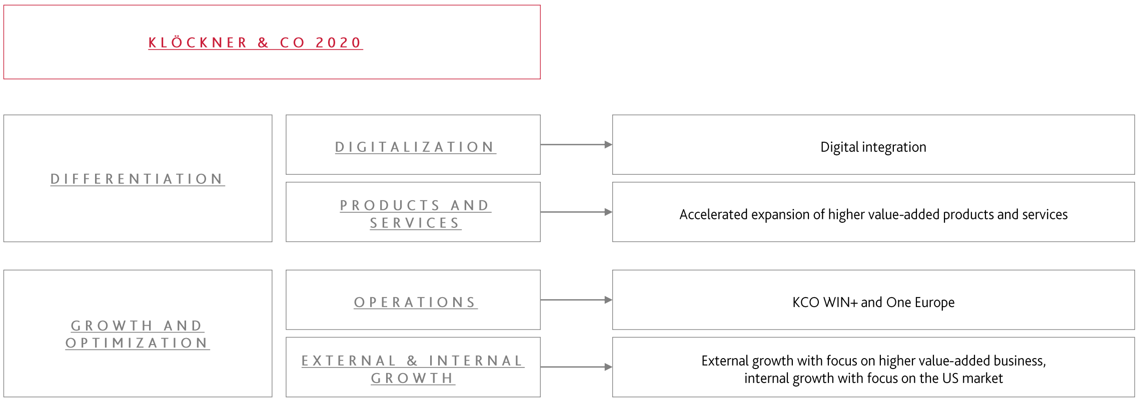
Key developments in the first six months of 2016 and outlook

- Best quarterly results in over five years with Q2 EBITDA of €72 million
- Digital pricing tools amplify positive earnings impact of rising steel prices
- Q2 sees proportion of Group sales generated via digital channels hit 10% mark
- New program "One Europe" for the European steel distribution business developed to further boost profitability
- Positive earnings trend expected to continue with an EBITDA of €65 to €75 million in the third quarter
- Full year targets of an significantly higher EBITDA and a positive net income confirmed

Corporate Strategy

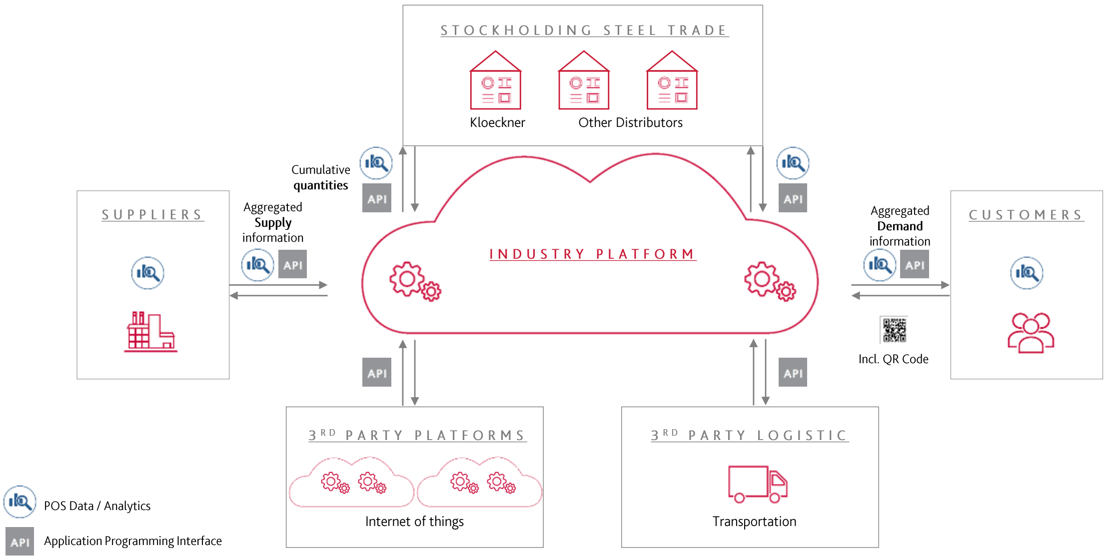
"Klöckner & Co 2020" strategy

Steel distribution in our European and American core markets is highly fragmented, with a large share of commodity products and hence also strong competition. We are increasingly setting ourselves apart from competitors with our "Klöckner & Co 2020" strategy. The two main thrusts of this strategy are digital integration and the accelerated expansion of business involving higher value-added products and processing services. In this way, we are increasingly breaking free from the environment of sector-wide overcapacity and steel price volatility while leveraging new options for growth.



DIGITAL INTEGRATION

We were very early movers in the digital integration that will redraw the face of many industries in the years ahead. Internet-based platforms will gradually supersede traditional cascading value chains. This process will be driven forward by the more distributed production that follows from enhanced digitalization, and also by the leaps and bounds being made in artificial intelligence. The future belongs to open platforms that link market players by plug and play. Platforms that succeed in integrating the greatest possible numbers of market participants will generate substantial value – not through assets as in the past, but by orchestrating physical and digital resources as well as by capitalizing on data. There is no stopping this trend, even if much of the technical groundwork is yet to be laid. But converting linear value chains into integrated platforms is not just technically challenging. It will also profoundly alter organizations traditionally marked by hierarchical structures. And as if that were not enough, digitalization – most of all when driven by artificial intelligence – will also radically change the way we work.

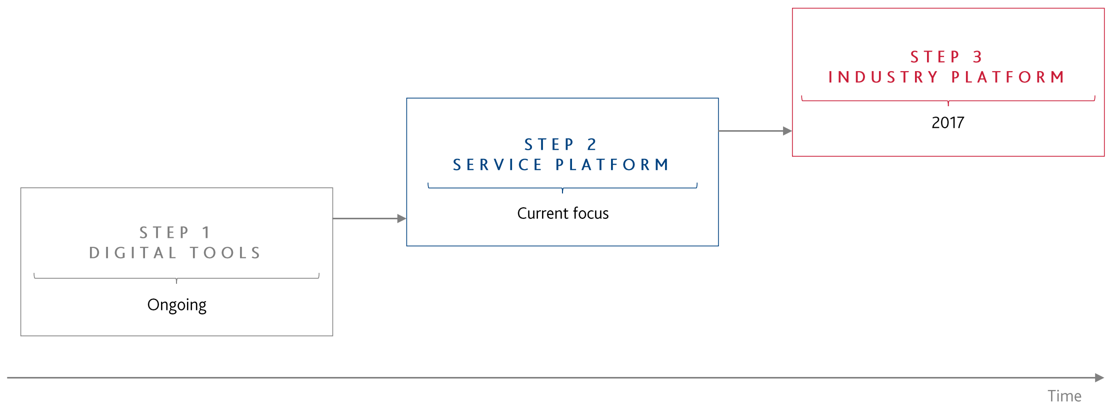


It is hard to tell how fast these changes will take place. But one thing is for sure: Only the early movers can hope to shape them. For this purpose we have initiated the following activities and change processes:

- Launch and establishment of kloeckner.i, Berlin, Germany, harnessing the creativity of "digital natives" and the agility of a startup to develop innovative tools and the first version of a platform. kloeckner.i currently has a staff of 30.
- Launch and establishment of kloeckner.v, Berlin, as a vehicle for us to take direct and indirect stakes in startups that will ultimately be compatible with and enhance the value of our industry platform. So far, we have invested indirectly in two venture capital funds in Berlin and Palo Alto, and directly in a startup, Contorion – an online specialist dealer for craftsmen and industry needs.
- Creation of an in-house social network as a management tool for us to dismantle traditional hierarchies moving forward
- Launch and establishment of the "Kloeckner Digital Academy" for employees to continue learning online during working hours

Today we have already digitally linked up with several producers, wholesalers and other business partners. Initial digital tools, including contract portals and web shops, are already being used successfully by customers. All the tools introduced so far will be integrated into the Klöckner Service Platform during 2016 and further enhanced. This will give customers and business partners one-stop access to all digital services and all relevant data. Further on, from 2017, we plan to launch the first version of our Industry Platform that will also be open to competitors and others in the market.

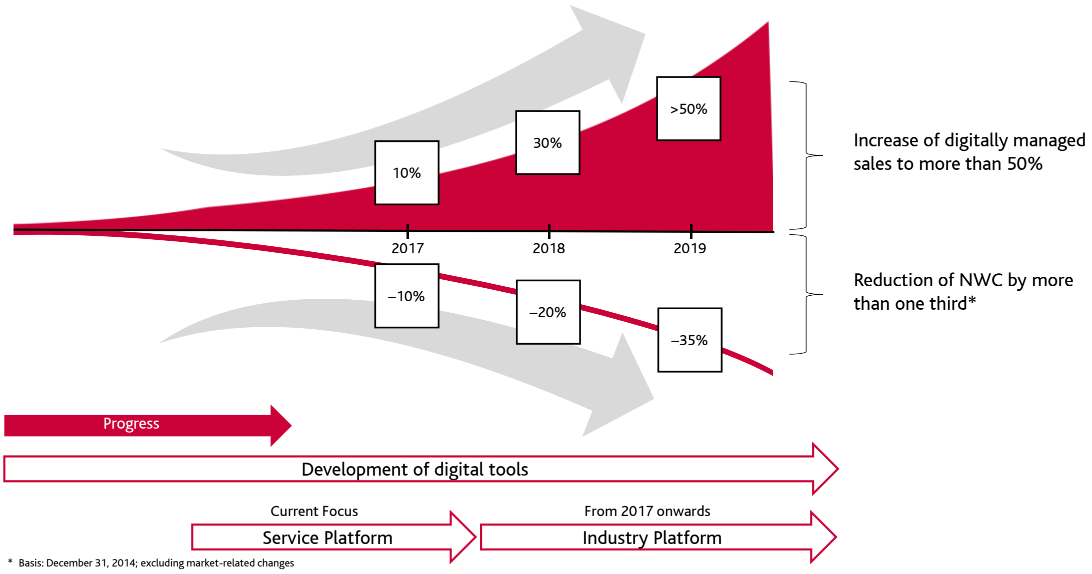
BUSINESS MODEL TRANSFORMATION IN THREE STEPS



The second quarter of this year also saw us make further progress in our digital transformation. In sales, we continued the rollout of digital pricing tools. These enabled us to benefit more strongly than in the past from rising prices for steel and metal products.

The Klöckner & Co contract portals and our web shops quickly ramped up sales. In total, some 10% of Group sales were generated via digital channels.

We have set ourselves ambitious goals for the ongoing implementation of our digitalization strategy: As early as 2019, we aim to generate more than half of Group sales online and cut net working capital by about a third relative to the 2014 year-end.

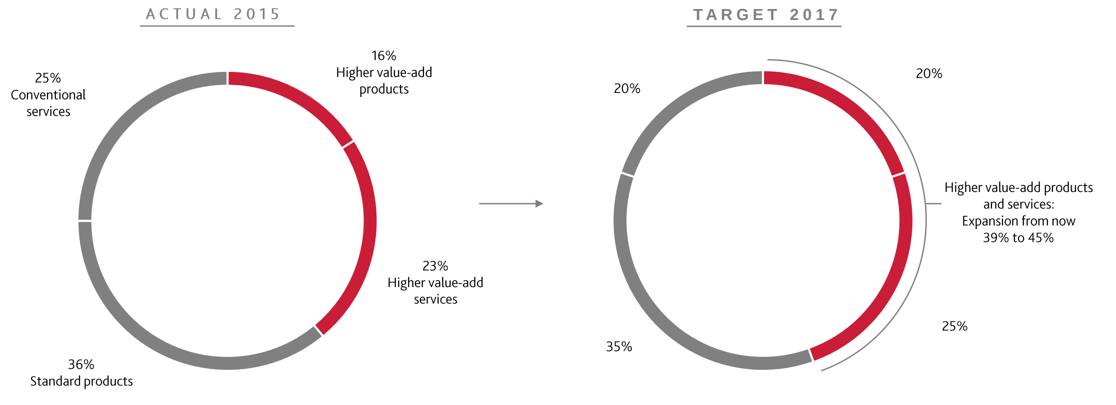


ACCELERATING THE SHIFT TO HIGHER VALUE-ADDED PRODUCTS AND PROCESSING SERVICES

Alongside digitalization, our second source of strategic leverage for setting ourselves apart from competitors is by boosting the share of higher value-added products and processing services. There is huge market potential here as many of our customers are highly vertically integrated and still carry out tasks 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 will also be undertaking a major expansion of higher-margin business with higher value-added products. At our Bönen location in North Rhine-Westphalia, Germany, for example, we recently celebrated the groundbreaking ceremony for a service center to process aluminum flat products for the European automotive and manufacturing industries. Slated for completion in the coming year, the facility will have an annual capacity of around 50,000 tons.

In total, we plan to further increase the percentage of sales accounted for by higher value-added products and processing services to 45% by 2017, having already raised it from 34% to 39% in 2015. By 2020, we aim to generate the lion's share of sales with such higher-margin products and services.

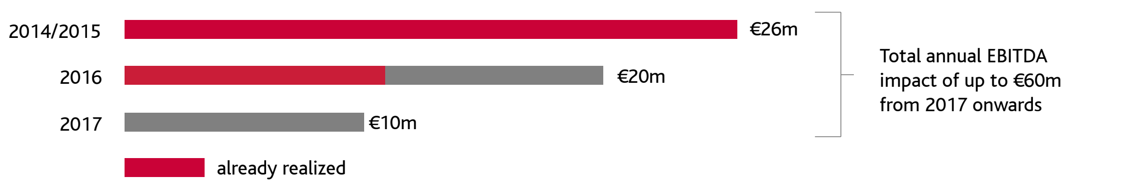
SHARE OF SALES



KCO WIN+ PROGRAM

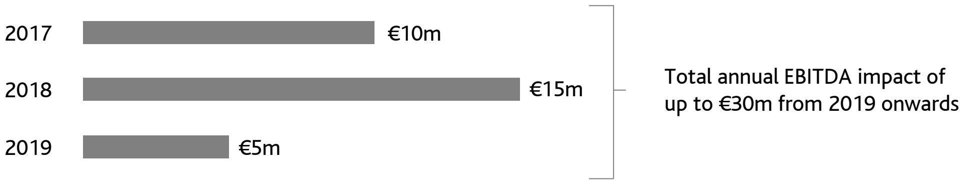
The restructuring measures under the KCO WIN+ optimization program were completed in the second quarter of 2016. These measures saw a total of 16 persistently unprofitable locations closed and the headcount reduced by over 600. The main focus was on France, where eleven locations were shuttered. In other European countries, another four locations were closed and the country headquarters downsized. Due to the poor outlook for the local steel market, closures also included Klöckner & Co's only service center in China, with 35 employees affected.

Further measures under KCO WIN+ target business process improvements. After €11 million in the first half year, KCO WIN+ is budgeted to deliver an incremental EBITDA contribution of €20 million for 2016 as a whole, with another €10 million earmarked for 2017.



NEW PROGRAM: "ONE EUROPE"

Over the last few years, we have restructured the European distribution business at country level, downsized capacity and pooled operations, and further stepped up cross-border procurement. Under the "One Europe" program, we are now bringing the activities of our country organizations in Austria, Belgium, Germany, France, the Netherlands, Spain and the United Kingdom even closer together. In this way, we not only aim to reap cost savings and synergies more easily, but to enable even faster and more efficient implementation of the "Klöckner & Co 2020" strategy. "One Europe" is set to deliver an incremental EBITDA contribution of in total some €30 million in the next three years.



RETURN TO GROWTH PATH THROUGH EXTERNAL AND ORGANIC GROWTH

Our key organic growth drivers are the expansion of higher value-added products and processing services along with digitalization.

In terms of regional growth opportunities, we see the USA as our most attractive market over the medium and long term, despite the slump in steel prices last year. This market is especially attractive for us because of the far better match between steel demand and local supply compared with Europe, coupled with the strict separation of producers and distributors. We aim to increase the US share of shipments from 41% in 2015 to more than 50% in the medium term.

When it comes to strengthening higher-margin business, we target a mix of organic and external growth. Consequently, alongside a marked increase in capital expenditure in this area – and following the acquisition of American Fabricators, Inc. in the USA and Riedo in Switzerland – we envisage further acquisitions of companies that offer a wide range of higher value-added products and processing services.

Economic environment

Macroeconomic situation

The development of the global economy was affected during the reporting period by political uncertainties and increasing risks on the financial markets. Growth in the euro zone slowed due to continued high unemployment and low investment activity. Gross Domestic product (GDP) in the region grew by 1.5% in total during the second quarter compared with the prior-year quarter.

In the USA, a noticeable increase in private consumption and a slight rise in industrial production toward the end of the first half year were the main factors contributing to the solid overall economic growth of 1.7% compared with the second quarter of 2015.

China saw a further slowdown in export growth. The stimulus measures recently implemented by the government took effect, however, and the services sector, too, picked up more speed, resulting in second-quarter growth of 6.6%.

By contrast, the difficult economic situation in Brazil continued. Higher unemployment resulted in a further fall in consumer spending in the second quarter. In total, GDP was down 3.7% on the prior-year quarter.

Development of GDP (in percent)	Q2 2016 vs. Q2 2015
Europe*)	**1.5**
Germany	1.5
United Kingdom	1.7
France	1.6
Spain	2.9
Switzerland	0.9
China	**6.6**
Americas	
United States	1.7
Brazil	–3.7

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. Global crude steel production dropped by about 2% in the first six months to some 795 million tons. According to the World Steel Association, production volumes fell by around 6% in the European Union and by around 1% in North America and China. Eurometal reports that shipments in Europe grew by around 3% during the period under review. According to the Metals Service Center Institute (MSCI), the decline in the USA was roughly 7%.

Persistently large surplus capacity in China and Europe poses huge challenges for the steel industry. At the end of June 2016, the capacity utilization of steel producers in Europe and the US stood at just 76% and 75% respectively. There is also considerable surplus capacity at distribution level, fueling sustained fierce competition.

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. On Eurofer estimates, European construction activity increased by about 1% in the first half of the year compared with the prior-year period. Residential construction – most of all in large cities – remains the main growth driver. The pickup in residential construction was likewise the main factor behind construction industry growth in the USA.

MACHINERY AND MECHANICAL ENGINEERING

Demand in machinery and mechanical engineering showed a checkered picture in the first six months of 2016. According to Eurofer, sales for the European industry evolved only slightly positively in comparison with the prior-year period due to restrained investment and lower demand from China. In the USA, by contrast, the sector as a whole suffered a slight decrease in sales despite stable demand for construction machinery and machine tools.

AUTOMOTIVE INDUSTRY

The economic situation in the international automotive industry varied from region to region in the first half of the year. According to the German Association of the Automotive Industry (VDA), the Western European market grew by a substantial 9% in the first six months relative to the prior-year period. While growth of around 1% was observed in the USA, shipments in China were up by 12%.

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 2016 are as follows:

KEY FIGURES RESULTS OF OPERATIONS

(€ million)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Shipments (Tto)	1,643	1,645	3,199	3,306
Sales	1,517	1,693	2,903	3,391
Gross profit	362	320	666	630
Gross profit margin	23.8%	18.9%	22.9%	18.6%
EBITDA	72	−17	88	−7
EBITDA before restructuring expenses	72	36	88	46
EBITDA margin	4.8%	−1.0%	3.0%	−0.2%
EBITDA margin before restructuring	4.8%	2.1%	3.0%	1.4%

KEY FIGURES NET ASSETS

(€ million)	June 30, 2016	June 30, 2015	December 31, 2015
Net working capital	1,168	1,452	1,128
Net financial debt	435	571	385

OTHER KEY FIGURES

	June 30, 2016	June 30, 2015	December 31, 2015
Gearing (Net financial debt/shareholders' equity*))	43%	41%	36%
Leverage (Net financial debt/EBITDA**))	3.4x	4.1x	4.5x

*) Consolidated shareholders' equity less non-controlling interests and less goodwill from business combinations subsequent to May 23, 2013.
**) EBITDA calculation based on the last 12 months; 2015: before restructuring expenses

Shipments and sales

Group shipments totaled 3.2 million tons in the first half of 2016, 3.2% down on the comparative period (3.3 million tons).

In the Europe segment, shipments fell by 4.9% relative to the first half of 2015. This was mainly down to the KCO WIN+ restructuring and optimization program for the closure of unprofitable locations in France and the United Kingdom. Adjusted for the effects of the restructuring measures, shipments increased by 4.6%. Shipments showed especially healthy growth in Germany via Klöckner & Co Deutschland GmbH and Becker Stahl-Service GmbH.

Shipments in the Americas segment were slightly down on the prior-year period (by 0.8%). US shipments dropped at the start of the year due to our customers' reluctance to buy in expectation of further falls in prices. A recovery set in during the second quarter, however, leaving second-quarter shipments in the USA 3.2% higher than in the second quarter of 2015. The market environment in Brazil, on the other hand, further deteriorated, and shipments fell significantly as a result.

EBITDA BY SEGMENTS

(€ million)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Europe	963	1,054	1,832	2,079
Americas	554	639	1,071	1,312
Group sales	1,517	1,693	2,903	3,391

Due to the lower price levels in the first half year, Group sales went down more steeply than shipments, falling by 14.4% to €2.9 billion.

Compared with the first half of 2015, sales in the Europe segment decreased by 11.8%. This affected all country organizations; in France and the United Kingdom especially, the decrease was driven not only by the lower price level, but also by the restructuring and optimization programs already mentioned.

Because of a steeper drop in the price level than in Europe, sales in the Americas segment fell by an even more substantial 18.4%, although steel prices began to recover sharply in the course of the second quarter.

RESULTS

(€ million)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Sales	1,517	1,693	2,903	3,391
Gross profit	362	320	666	630
Gross profit margin (in %)	23.8	18.9	22.9	18.6
OPEX*)	−290	−337	−578	−636
EBITDA	72	−17	88	−7
EBITDA before restructuring expenses	72	36	88	46
EBIT	49	−44	41	−59
EBT	42	−56	26	−84
Net income	33	−55	19	−76

*) OPEX = other operating income less personnel expenses less other operating expenses.

The improved level of margins in both operating segments and additional positive inventory effects pushed up the gross profit margin from 18.6% in the prior-year period to 22.9%. Gross profit itself, at €666 million, was likewise above the prior-year figure (HY1 2015: €630 million).

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

OPEX

(€ million)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Other operating income	5	8	12	20
Personnel expenses	–165	–193	–327	–354
Other operating expenses	–130	–152	–263	–302
OPEX	–290	–337	–578	–636

Interperiod comparability of OPEX is impaired by the €47 million in restructuring expenses included in the prior-year figure (€29 million in personnel measures and €18 million in other costs of closure). The KCO WIN+ program delivered cost savings of €24 million in the first half of 2016.

Taking the aforementioned effects into account, EBITDA was €88 million, compared with €–7 million (or €46 million adjusted for restructuring expenses) in the prior-year period.

EBITDA (2015 BEFORE RESTRUCTURING EXPENSES) BY SEGMENTS

(€ million)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Europe	49	29	60	36
Americas	30	13	41	20
Headquarters	–7	–6	–13	–10
Klöckner & Co Group	72	36	88	46

In the Europe segment, EBITDA for the first half of 2016 was €60 million, significantly higher than the prior-year figure of €36 million adjusted for restructuring expenses. Except for lower earnings in the Netherlands due to weaker metering business, all country organizations substantially improved earnings. The contribution to earnings from KCO WIN+ was €8 million.

As a result of the improved gross profit, EBITDA in the Americas segment, at €41 million, was well above the prior-year comparative figure of €20 million. The main factor here was the significant recovery in selling prices in the USA over the course of the second quarter. The contribution to earnings from KCO WIN+ amounted to €3 million.

Headquarters EBITDA was a negative €13 million (HY1 2015: negative €10 million). The increase in net expenses results from increased personnel expenses as well as consulting fees associated with the realization of the "One Europe" program.

RECONCILIATION TO NET INCOME

(€ million)	HY1 2016	HY1 2015
EBITDA	88	–7
Depreciation and amortization	–47	–52
EBIT	41	–59
Financial result	–15	–25
EBT	26	–84
Income taxes	–7	7
Net income	19	–76

Due to acquisition-related amortization reaching the end of the amortization period, depreciation and amortization, at €47 million, was below the prior-year figure of €52 million. Prior year figures also included impairments of €3 million.

As a result, EBIT was €41 million, compared with a negative €59 million in the prior-year period.

The financial result improved further, from a negative €25 million to a negative €15 million. The main alleviating factor here lay in interest expense following the redemption of promissory notes and convertible bonds.

EBT was €26 million, compared with a negative €84 million in the prior-year period. An income tax expense of €7 million was recognized under income tax for the first half of 2016 (HY1 2015: tax income of €7 million).

In total, net income was in positive figures at €19 million, compared with a loss of €76 million in the first half of 2015.

Basic earnings per share came to €0.18, compared with a negative €0.75 in the prior year.

CONSOLIDATED BALANCE SHEET

(€ million)	June 30, 2016	December 31, 2015
Non-current assets	926	945
Current assets		
Inventories	939	961
Trade receivables	815	656
Other current assets	95	114
Liquid funds	67	165
Total assets	**2,842**	**2,841**
Equity	1,049	1,113
Non-current liabilities		
Financial liabilities	292	337
Other non–current liabilities	480	469
Current liabilities		
Financial liabilities	205	208
Trade payables	586	489
Other current liabilities	230	225
Total equity and liabilities	**2,842**	**2,841**

Total assets as of June 30, 2016 came to €2,842 million, showing virtually no change relative to the 2015 year-end.

Non-current assets decreased from €945 million as of December 31, 2015 to €926 million. €14 million of the reduction is accounted for by intangible assets, mainly relating to amortization. Property, plant and equipment decreased (by €11 million) mostly due to exchange rate changes.

Despite the positive net income, equity went down due to the remeasurement of defined benefit obligations recognized in comprehensive income (a decrease of €89 million) from €1,113 million to €1,049 million. The equity ratio, however, remained a solid 37% (December 31, 2015: 39%).

Net working capital developed as follows:

NET WORKING CAPITAL

(€ million)	June 30, 2016	June 30, 2015	December 31, 2015
Inventories	939	1,216	961
Trade receivables	815	918	656
Trade payables	–586	–682	–489
Net working capital	**1,168**	**1,452**	**1,128**

Digital integration with key suppliers helped avoid the usual marked seasonal increase in net working capital, which, at €1,168 million, was consequently only slightly higher than at the prior year-end (€1,128 million), while active net working capital management kept it well below the figure as of June 30, 2015 (€1,452 million).

Cash and cash equivalents, partly due to payments on derivative financial instruments used for hedging purposes, fell to €67 million (December 31, 2015: €165 million).

NET FINANCIAL DEBT

(€ million)	June 30, 2016	June 30, 2015	December 31, 2015
Net financial debt	435	571	385
Gearing (Net financial debt/shareholders' equity*))	43%	41%	36%

*) Consolidated shareholders' equity less non-controlling interests and less goodwill from business combinations subsequent to May 23, 2013.

Net financial debt in the consolidated statement of financial position increased from €385 million as of the prior year-end to €435 million. Besides the slight rise in net working capital, the increase reflects payments on derivative financial instruments used for hedging purposes.

Pension provisions went up because of a further decrease in discount rates from €340 million as of the prior year-end to €420 million.

Consolidated statement of cash flows

(€ million)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Cash flow from operating activities	22	96	27	–15
Cash flow from investing activities	–18	7	–27	6
Free cash flow	4	102	0	–9
Cash flow from financing activities	–104	–78	–92	–10

Contrary to the usual seasonal trend – and helped along by further improvements in working capital management and progress in digitalization – cash flow from operations was positive at €27 million in the first half of 2016 (HY1 2015: cash outflow of €15 million).

A €41 million cash outflow for capital expenditure was partly offset by €14 million in receipts from divestments to produce a cash outflow from investing activities of €27 million (HY1 2015: cash inflow of €6 million).

In total, this resulted in a neutral free cash flow (HY1 2015: €–9 million).

Cash flow from financing activities came to a negative €92 million (HY1 2015: negative €10 million); this includes payments on derivative financial instruments held for hedging purposes.

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

The International Monetary Fund (IMF) estimates growth of 3.2% for the world economy in 2016. However, together with geopolitical tensions, the cyclical slowdown in China and emerging markets combined with an overly hasty retreat from what has been highly expansionary monetary policy in the USA could prove to be factors that weigh down the global economy.

In the euro zone, economic growth is mainly buoyed by a favorable borrowing climate, low energy prices and private consumption. In total, the IMF projects GDP growth for the region of 1.5% in 2016.

The IMF forecasts stronger economic growth of 2.4% for the USA. Positive impetus is mainly expected to come from the construction industry and private consumption.

For China, the IMF expects that economic growth will ease off to 6.5%. The sharpest slowdown is in export growth, and the economy is also hampered by surplus industrial capacity. A more pronounced weakening in the growth rate is prevented by wage rises, a robust labor market and structural reforms supporting private consumption.

The situation in Brazil remains strained. Despite the planned government stimulus programs, the IMF expects GDP to contract by a further 3.8% in 2016.

Expected development of GDP (in percent)	2016e
Europe*)	1.5
Germany	1.5
United Kingdom	1.9
France	1.1
Spain	2.6
Switzerland	1.2
China	6.5
Americas	
United States	2.4
Brazil	–3.8

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

Expected steel sector trend

The World Steel Association expects that global steel consumption will decrease by 0.8% in 2016. For the European Union, the association expects an increase of 1.4%, while the North American Free Trade Agreement (NAFTA) region is anticipated to grow by 3.2%. South and Central America are forecast to decline by 6.0% and China by 4.0%.

Expected trend in our core customer sectors

CONSTRUCTION INDUSTRY

According to Euroconstruct estimates, the European construction industry will grow by about 3% in 2016, with the projected industry growth primarily down to stronger residential construction and the favorable borrowing climate. A slight increase, driven as before by residential construction, is anticipated for the USA. Growth of about 2% is expected for China, with stimulation resulting from infrastructure spending, while demand in residential construction is likely to lose momentum.

MACHINERY AND MECHANICAL ENGINEERING

The 2016 outlook for the machinery and mechanical engineering sector is only moderately positive. In Europe, the low cost of borrowing and the weak euro are expected to deliver a slight stimulus to demand and make for about 1% growth across the industry. Supported by low oil prices, a small increase is also expected for the USA. A more substantial rise in this export-oriented industry is prevented by the strong US dollar. Slight growth is projected for China, the world's largest machinery producer by far.

AUTOMOTIVE INDUSTRY

The German Association of the Automotive Industry (VDA) anticipates continued global growth of around 3% in 2016. A strong increase of 5% is expected for Western Europe, while the industry is projected to stay flat in the USA. China is expected to record a substantial 8% growth.

Current assessment of opportunities and risks

The detailed information provided in the Opportunities and Risks section on pages 81 to 92 of the 2015 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 76 et seq. of the 2015 Annual Report.

Market risk for Klöckner & Co is mostly determined by trends in demand and prices. Following the recovery in the second quarter, the ongoing overcapacity means that a renewed drop in prices cannot be ruled out, which would negatively impact our earnings performance.

The continuing uncertainty on the financial markets in the face of high sovereign debt levels in a number of European countries could also pose risks such as a restriction on lending or increased borrowing costs for customer industries and thus a decrease in capital investment. In addition, the impacts of the Brexit decision on the European economy might be more negative than generally expected. Finally, the global economy faces additional risks if the decline in economic growth in China turns out to be stronger than anticipated or if geopolitical risks are further compounded. Klöckner & Co acts with heightened caution in light of the above and is reacting rapidly to changes in expectations regarding the economic environment.

We are comparatively optimistic for the Americas segment given the business-friendly operating conditions. Restrictive monetary policy on the part of the US Federal Reserve could exert a moderating influence.

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. 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.

Subsequent events

In July 2016, the European ABS program was prolonged ahead of term by two years to July 2019 in an amend and extend process while retaining the €300 million loan amount. In addition, Becker Stahl Service was included in the existing program. The terms were furthermore amended in Klöckner & Co's favor with effect from the end of July 2016. The transaction enhanced financial stability and flexibility, secured more favorable borrowing terms and improved the maturity profile of the Group's finances.

Group forecast

While European steel demand has picked up tangibly after a sluggish start to the year, the marked fall in US demand during the first half of the year can no longer be made up in the second. For 2016 as a whole, therefore, we anticipate a 3% increase in real steel demand in Europe and a 3% decrease in the USA. Despite the overall weakness of demand in the first half year, a sharp drop in imports has caused steel prices to rise substantially since the beginning of the year. The average was still below the prior year, however.

Although we project a positive demand trend in Europe, we expect a significant reduction in sales for both of our operating segments and hence for the Group over 2016 as a whole. In the Americas segment, this expectation is mainly based on a comparatively low price level in addition to the weak demand trend. For the Europe segment, the lower sales forecast is mostly due – again aside from the likewise lower price level – to the downscaling of low-margin business as part of the KCO WIN+ restructuring measures.

Even with the decrease in sales, we nonetheless expect a moderate rise in gross profit due to a significantly improved gross profit margin. The main factor behind this improvement is the performance in the Americas segment, with a substantial increase in gross profit and the gross profit margin primarily due to a better price trend than in the prior year, particularly for flat steel. Europe, on the other hand, is projected to see only a slight rise in gross profit on account of restructuring, the gross profit margin, as in the Americas segment, is set to show strong growth.

Operating income (EBITDA) and the EBITDA margin, with an added boost from cost improvements, will rise significantly in both segments and at Group level relative to the 2015 figures adjusted for restructuring expenses.

We do not expect any further expense from goodwill impairments. Additional alleviating factors will follow from lower interest expense due to reductions in financial liabilities. Overall, after a loss in 2015, we expect that net income will be visibly back in the positive range this year.

After the marked improvement in earnings in the first half of the year, the upward trend is set to continue in the third quarter of 2016 despite the current steel price consolidation, with EBITDA between €65 million and €75 million (Q3 2015: €28 million). As in the first half year, the anticipated earnings improvement over the prior-year quarter will be helped along not only by better market conditions but also by internal optimization.

Duisburg, August 4, 2016

Klöckner & Co SE

The Management Board

Klöckner & Co Share

Klöckner & Co share: Key data

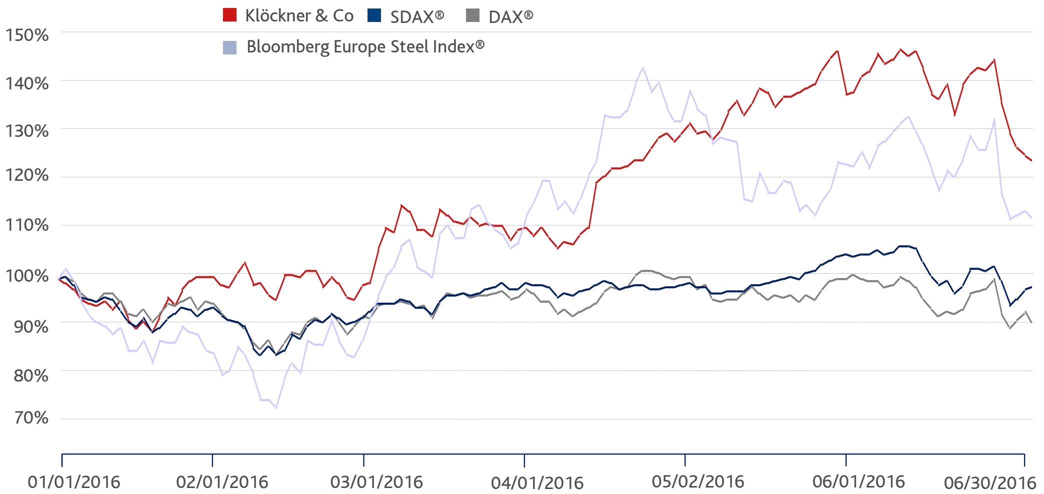
ISIN DE000KC01000 – German Securities Code (WKN) KC0100

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

SHARE PRICE PERFORMANCE

At the start of the reporting period, Klöckner & Co shareholders initially sustained a drop in the share price. The shares reached their lowest point of the year so far at €7.08 on January 20. They then embarked on a marked upward trend that saw the share price reach its highest level in the reporting period at €11.51 on June 7. It then gave up part of the gains over the remainder of the month to close June at €9.92, which represents an increase of about 23% on the 2015 year-end closing price. The DAX® lost around 10% and the SDAX® about 4% in the same period, while the Bloomberg Europe Steel Index® climbed by roughly 11%.

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



The average trading volume in Klöckner & Co shares during the second quarter was close to €6.1 million per day, an increase on the first quarter (around €5.0 million per day). Klöckner & Co shares consequently ranked 40nd by trading volume and 56th by free float market capitalization in Deutsche Börse AG's ranking for MDAX® and SDAX® stocks in June.

KEY DATA – KLÖCKNER & CO SHARE

		Q2 2016	Q2 2015	HY1 2016	HY1 2015
Number of shares	in shares	99,750,000	99,750,000	99,750,000	99,750,000
Closing price (Xetra, Close)	€	9.92	8.10	9.92	8.10
Market capitalization	€ million	990	808	990	808
High (Xetra, Close)	€	11.51	9.87	11.51	10.12
Low (Xetra, Close)	€	8.42	7.71	7.08	7.71
Average daily trading volume	in shares	586,745	1,161,981	601,936	974,261

2016 ANNUAL GENERAL MEETING

The tenth Annual General Meeting of Klöckner & Co SE took place in Düsseldorf on May 13, 2016. Around 300 shareholders and shareholder representatives attended. In all, approximately 56% 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 reporting date, our largest shareholders were SWOCTEM GmbH/Friedhelm Loh with a shareholding of between 25% and 30% and Franklin Mutual Advisors with shareholdings of between 5% and 10%. There followed Franklin Mutual Series Funds, Federated Global Investment Management Corp. and Dimensional Holdings Inc./Dimensional Fund Advisors LP with holdings of between 3% and 5% each. Our free float as defined by Deutsche Börse AG thus totaled 74.75% as of the end of the reporting period.

CAPITAL MARKET COMMUNICATIONS

During the first half of 2016, the management and members of the IR team of Klöckner & Co SE provided interested capital market participants with information on the Group's results and strategy at eight 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 25 banks and securities houses in 74 research reports. As of the end of June, seven of these rated Klöckner & Co shares a "buy", nine gave a "hold" recommendation and nine rated the shares a "sell".

Klöckner & Co also provides information on current Group developments at all times in the Investors section of the corporate website, www.kloeckner.com/en/investors.php. This includes information on our financial reports, the financial calendar and corporate governance, together with current data on share price performance. Shareholders and 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
Consolidated statement of income

for the six-month period ending June 30, 2016

(€ thousand)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Sales	1,517,011	1,693,067	2,902,840	3,390,532
Other operating income	5,289	7,739	11,693	19,844
Changes in inventory	2,110	−2,424	−2,473	−7,780
Own work capitalized	-	16	-	21
Cost of materials	−1,157,357	−1,370,623	−2,234,255	−2,753,209
Personnel expenses	−164,777	−192,765	−326,890	−354,102
Depreciation and amortization	−22,785	−26,758	−46,967	−52,316
thereof impairment losses	*−188*	*−3,439*	*−188*	*−3,916*
Other operating expenses	−130,160	−151,780	−262,686	−301,865
Operating result	**49,331**	**−43,528**	**41,262**	**−58,875**
Finance income	437	30	540	908
Finance expenses	−7,630	−12,777	−15,810	−25,805
Financial result	**−7,193**	**−12,747**	**−15,270**	**−24,897**
Income before taxes	**42,138**	**−56,275**	**25,992**	**−83,772**
Income taxes	−9,536	1,406	−7,095	7,341
Net income	**32,602**	**−54,869**	**18,897**	**−76,431**
thereof attributable to				
– shareholders of Klöckner & Co SE	*32,141*	*−53,768*	*18,265*	*−75,250*
– non-controlling interests	*461*	*−1,101*	*632*	*−1,181*
Earnings per share (€/share)				
– basic	0.32	−0.54	0.18	−0.75
– diluted	0.32	−0.54	0.18	−0.75

Statement of comprehensive income

for the six-month period ending June 30, 2016

(€ thousand)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Net income	32,602	–54,869	18,897	–76,431
Other comprehensive income not reclassifiable				
Actuarial gains and losses (IAS 19)	–25,215	43,881	–88,988	–572
Related income tax	309	–6,166	9,087	1,881
Total	–24,906	37,715	–79,901	1,309
Other comprehensive income reclassifiable				
Foreign currency translation	10,640	–10,347	–3,702	75,465
Gain/loss from net investment hedges	22	–110	–328	–1,742
Related income tax	102	877	218	552
Total	10,764	–9,580	–3,812	74,275
Other comprehensive income	–14,142	28,135	–83,713	75,584
Total comprehensive income	18,460	–26,734	–64,816	–847
thereof attributable to				
– shareholders of Klöckner & Co SE	*18,007*	*–25,968*	*–65,425*	*280*
– non-controlling interests	*453*	*–766*	*609*	*–1,127*

Consolidated statement of financial position

as of June 30, 2016

Assets

(€ thousand)	June 30, 2016	December 31, 2015
Non-current assets		
Intangible assets	209,823	223,624
Property, plant and equipment	669,498	680,491
Investment property	8,742	8,742
Non-current investments	5,752	2,069
Other assets	12,604	13,273
Current income tax receivable	6,388	6,388
Deferred tax assets	13,290	10,829
Total non-current assets	**926,097**	**945,416**
Current assets		
Inventories	938,864	961,171
Trade receivables	814,974	655,393
Current income tax receivable	18,595	14,262
Other assets	75,823	99,576
Cash and cash equivalents	67,371	164,853
Assets held for sale	-	627
Total current assets	**1,915,627**	**1,895,882**
Total assets	**2,841,724**	**2,841,298**

Equity and liabilities

(€ thousand)	June 30, 2016	December 31, 2015
Equity		
Subscribed capital	249,375	249,375
Capital reserves	664,182	664,182
Retained earnings	183,117	164,852
Accumulated other comprehensive income	–57,278	26,412
Equity attributable to shareholders of Klöckner & Co SE	1,039,396	1,104,821
Non-controlling interests	9,215	8,606
Total equity	1,048,611	1,113,427
Non-current liabilities		
Provisions for pensions and similar obligations	419,841	340,112
Other provisions and accrued liabilities	20,997	21,221
Financial liabilities	291,773	337,211
Other liabilities	386	64,385
Deferred tax liabilities	39,284	43,955
Total non-current liabilities	772,281	806,884
Current liabilities		
Other provisions and accrued liabilities	149,638	149,906
Income tax liabilities	19,193	17,420
Financial liabilities	205,192	207,999
Trade payables	585,592	489,048
Other liabilities	61,217	56,614
Total current liabilities	1,020,832	920,987
Total liabilities	1,793,113	1,727,871
Total equity and liabilities	2,841,724	2,841,298

Consolidated statement of cash flows

for the six-month period ending June 30, 2016

(€ thousand)	Q2 2016	Q2 2015	HY1 2016	HY1 2015
Net income	32,602	–54,869	18,897	–76,431
Income taxes	9,536	–1,406	7,095	–7,341
Financial result	7,193	12,747	15,270	24,897
Depreciation and amortization	22,785	26,758	46,967	52,316
Other non–cash income/expenses	–277	–1,173	279	–848
Gain on disposal of non–current assets	–168	–1,569	–866	–4,983
Change in net working capital				
Inventories	–10,553	100,018	2,917	186,229
Trade receivables	–79,397	30,756	–171,376	–127,974
Trade payables	56,601	–48,100	106,250	–106,424
Change in other operating assets and liabilities	–3,599	49,576	22,473	71,903
Interest paid	–9,526	–11,716	–14,003	–16,564
Interest received	220	311	396	663
Income taxes paid	–3,715	–5,560	–7,356	–10,531
Cash flow from operating activities	21,702	95,773	26,943	–15,088
Proceeds from the sale of non–current assets and assets held for sale	2,151	22,522	5,107	25,657
Proceeds from the sale of consolidated subsidiaries (incl. businesses)	9,420	-	9,420	12,168
Payments for intangible assets, property, plant and equipment	–28,894	–14,738	–41,395	–30,918
Disbursements for financial investments	-	–1,135	-	–1,135
Cash flow from investing activities	–17,323	6,649	–26,868	5,772
Dividend payments to shareholders of Klöckner & Co SE	-	–19,950	-	–19,950
Repayment convertible bond	-	-	–24,850	-
Repayment Syndicated Loan	-	–100,000	-	–100,000
Repayment promissory notes	–133,000	–51,500	–133,000	–51,500
Net change of other financial liablilites	25,000	-	50,000	-
Net change of other financial liabilities	4,485	93,193	15,882	161,366
Cash flow from financing activities	–103,515	–78,257	–91,968	–10,084
Changes in cash and cash equivalents	–99,136	24,165	–91,893	–19,400
Effect of foreign exchange rates on cash and cash equivalents	–1,814	–1,096	–5,589	7,349
Cash and cash equivalents at the beginning of the period	168,321	281,244	164,853	316,364
Cash and cash equivalents at the end of the reporting period as per statement of financial position	67,371	304,313	67,371	304,313

Summary of changes in equity

for the six-month period ending June 30, 2016

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	Accumulated other comprehensive income: Currency translation adjustment	Accumulated other comprehensive income: Actuarial gains and losses (IAS 19)	Accumulated other comprehensive income: Fair value adjustments of financial instruments	Equity attributable to sharehold-ers of Klöck-ner & Co SE	Non–control-ling interests	Total
Balance as of January 1, 2015	249,375	900,759	289,257	114,797	– 138,862	–625	1,414,701	13,984	1,428,685
Other comprehensive income									
Foreign currency translation				75,465			75,465		75,465
Gain/loss from net invest-ment hedges						–1,742	–1,742		–1,742
Actuarial gains and losses (IAS 19)					–626		–626	54	–572
Related income tax					1,881	552	2,433		2,433
Other comprehensive income							75,530	54	75,584
Net income			–75,250				–75,250	–1,181	–76,431
Total comprehensive income							280	– 1,127	–847
Change of non–controlling inter-ests			7,432	– 4,976			2,456	–3,591	–1,135
Dividends			– 19,950				–19,950		–19,950
Balance as of June 30, 2015	249,375	900,759	201,489	185,286	– 137,607	– 1,815	1,397,487	9,266	1,406,753
Balance as of January 1, 2016	249,375	664,182	164,852	175,109	– 146,849	– 1,848	1,104,821	8,606	1,113,427
Other comprehensive income									
Foreign currency translation				–3,703			–3,703	1	–3,702
Gain/loss from net invest-ment hedges						–328	–328		–328
Actuarial gains and losses (IAS 19)					–88,964		–88,964	–24	–88,988
Related income tax					9,087	218	9,305		9,305
Other comprehensive income							–83,690	–23	–83,713
Net income			18,265				18,265	632	18,897
Total comprehensive income							–65,425	609	–64,816
Balance as of June 30, 2016	249,375	664,182	183,117	171,406	–226,726	– 1,958	1,039,396	9,215	1,048,611

Selected explanatory notes to the condensed interim consolidated financial statements for the six-month period ending June 30, 2016

(1) Basis of presentation

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2016 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, 2016 are generally consistent with those used for the consolidated financial statements of Klöckner & Co SE as of December 31, 2015 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 107 to 121 of the 2015 Annual Report. The presentation of the financial statements is basically consistent with prior practice.

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

	Closing rate		Average rate	
1 € =	June 30, 2016	December 31, 2015	Jan. 1 – June 30, 2016	Jan. 1 – June 30, 2015
Brazilian Real (BRL)	3.5898	4.3117	4.1296	3.3102
Pound Sterling (GBP)	0.8265	0.7340	0.7788	0.7323
Swiss Franc (CHF)	1.0867	1.0835	1.0961	1.0567
US Dollar (USD)	1.1102	1.0887	1.1160	1.1158

As part of the preparation of an interim consolidated financial statement in accordance with the IAS 34 for the period ending June 30, 2016, 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, 2016 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2016 were authorized for issuance by the Management Board after discussion with the Audit Committee of the Supervisory Board on August 4, 2016. 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 2016:

Standard/Interpretation
Amendments to IAS 27: Equity Method in Separate Financial Statements
Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
Annual Improvements to IFRSs 2012–2014 Cycle
Amendments to IAS 1: Disclosure Initiative

As part of the Annual Improvement Project, modifications were made to seven (2010–2012) standards. The editorial changes in selected IFRS will clarify existing regulations.

The changes to IAS 19 (Employee Benefits) limit adjustments regarding service cost entries of contributions by employees or third parties.

The amendments to IFRS 11 (Accounting for Acquisitions of Interests in Joint Operations) were published on May 6, 2014. This clarification relates to the acquisition of interests in joint operations if they are classified as a business.

On May 12, 2014, the Clarifications of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38) were published. These amendments are a clarification that revenue-based methods for calculating the depreciation may not be applied.

On September 25, 2014, the Annual Improvements to IFRSs 2012–2014 were issued. The publication of this project leads to changes in five standards. The changes of the standards are applicable for financial years beginning on or after January 1, 2016.

Also on December 18, 2014, the amendments to IAS 1 (Disclosure Initiative) were issued. The amendments contain substantial information regarding the assessment of materiality, clarification of aggregation and disaggregation of items on the balance sheet and the statement of comprehensive income as well as the structure of notes to the consolidated statement of financial position. The amendments are to be initially applied to periods of financial statements beginning on or after January 1, 2016.

Neither the initial application of the modifications and amendments had an impact on the Klöckner & Co SE Group's financial statements, nor the remaining new or revised pronouncements (Amendments to IAS 27: Equity Method in Separate Financial Statements) not discussed individually.

The following overview summarizes all issued standards and interpretations not yet applied in the Klöckner & Co Group:

Standard/Interpretation	Mandatory application*)
IFRS 9 Financial Instruments (final standard)	2018
IFRS 14 Regulatory Deferral Accounts	outstanding
IFRS 15 Revenue from Contracts with Customers	2018
Amendments to IFRS 10, IFRS 12, IAS 28: Investment Entities – Applying the Consolidation Exception	2016
Amendments to IFRS 10, IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	outstanding
IFRS 16 Leases	2019
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	2017
Amendments to IAS 7: Disclosure Initiative	2017
Clarifications to IFRS 15 Revenue from Contracts with Customers	2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	2019

*) Related to the financial year of Klöckner & Co SE. The EU endorsement is partly outstanding.

On May 28, 2014, the IASB published the new standard IFRS 15 (Revenue from Contracts with Customers). The standard summarizes regulations for revenue recognition from different standards and requires extended disclosures depending on the kind of business. Provided that it will be endorsed by the EU, the standard is applicable for financial years beginning on or after January 1, 2018. Klöckner & Co is currently analyzing the impact of this standard on the annual financial statements. Due the primary business of Klöckner & Co as stockholding distributor it is not expected that the new standard will have a material impact on Klöckner & Co SE Group's financial statements.

On July 24, 2014, the IASB issued the final standard IFRS 9 (Financial Instruments), whereas the previous releases issued in 2009, 2010 and 2013 were integrated partly modified. IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities as well as for hedge accounting (excl. macro-hedge accounting, which is addressed in a separate project). The standard will be effective for financial years starting on or after January 1, 2018. Klöckner & Co is currently analyzing the impact of this standard on the annual financial statements.

The amendments to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) issued on September 11, 2014 clarify the gain recognition on a sale or contribution of assets between an investor and its associate or joint venture. A gain or loss is recognized when a transaction represents a business. The adoption of these amendments was postponed indefinitely by the EU. The changes of these standards will not have an impact on the annual financial statements of Klöckner & Co.

The narrow-scope amendments to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 28 (Investments in Associates and Joint Ventures) issued on December 18, 2014 introduce clarifications to the requirements of the consolidation exemption for investment entities. The standard will be effective for financial years starting on or after January 1, 2016. The initial application of these additions by the EU is expected for Q3 2016. This clarification will not have an impact on Klöckner & Co SE Group's financial statements.

On January 13, 2016, IFRS 16 (Leases) was published. The new standard replaces the previous standard IAS 17 (Leases) and eliminates the distinction between operating lease contracts and finance lease contracts. Therefore, all lease contracts are to be recognized in the balance sheet. The standard has to be applied to all business periods starting on or after January 1, 2019. Currently, the impact on the annual financial statements are being reviewed.

On January 19, 2016, the IASB published amendments to IAS 12 (Income Taxes) with Recognition of Deferred Tax Assets for Unrealised Losses. This is to particularly clarify the recognition of deferred tax assets for unrealised losses of financial assets measured at fair value, which is applied differently in practice at present. Currently, the impact on the annual financial statements are being reviewed.

On January 29, 2016, the IASB published amendments to IAS 7 (Cash Flow Statement). The disclosure requirements focuses on financial debts creating current or future cash flows relating to a company's financing activity in terms of IAS 7. Currently, the impact on the annual financial statements are being reviewed.

The amendment to IFRS 15 (Clarifications to IFRS 15 Revenues from Contracts with Customers) were published on April 12, 2016 by the IASB, clarifying some of the standard's subjects and allowing for an additional transition relief upon initial application.

On June 20, 2016, the IASB published amendments to IFRS 2 (Share-based Payments), providing clarity regarding individual questions relating to the accounting methods of cash-settled share-based payments. The main amendments and additions are the newly introduced regulations in IFRS 2 regarding the determination of the fair value of the liability incurred in cash-settled share-based payments. In line with the treatment of equity-settled share-based payments only special vesting conditions are included in the determination of the fair value while other vesting conditions impact the quantity structure.

The remaining amendments not described in detail (IFRS 14 Regulatory Deferral Accounts) will not have an impact on Klöckner & Co SE Group's financial statements.

(3) 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.

		HY1 2016	HY1 2015
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	18,265	–75,250
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	**(€/share)**	**0.18**	**–0.75**
Diluted earnings per share	**(€/share)**	**0.18**	**–0.75**

(4) Inventories

(€ million)	June 30, 2016	December 31, 2015
Cost	974	1.007
Valuation allowance (net realizable value)	–35	–46
Inventories	939	961

(5) Financial liabilities

The details of financial liabilities are as follows:

(€ million)	June 30, 2016	December 31, 2015
Non-current financial liabilities		
Liabilities to banks	174	70
Liabilities under ABS programs	107	264
Finance lease liabilities	11	3
	292	337
Current financial liabilities		
Bonds	-	25
Liabilities to banks	77	47
Promissory notes	-	134
Liabilities under ABS programs	127	1
Finance lease liabilities	1	1
	205	208
Financial liabilities as per consolidated balance sheet	497	545

Net financial debt developed as follows:

(€ million)	June 30, 2016	December 31, 2015
Financial liabilities as per consolidated balance sheet	497	545
Transaction costs	5	5
Gross financial liabilities	502	550
Cash and cash equivalents	–67	–165
Net financial debt (before deduction of transaction cost)	435	385

During the first six months of 2016, the remaining amount of €25 million of the convertible bond 2010 was repaid by a clean-up call. In addition, the remaining promissory notes of €133 million were settled at maturity. The resulting financial requirements are covered by the utilization of the syndicated loan of €50 million.

(6) Financial instruments

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

Financial assets as of June 30, 2016		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	*6*	*6*	*-*	*-*	*-*	*-*	*6*
Loans and receivables	-	-	-	-	-	-	-
Financial assets available for sale	6	6	-	-	-	-	6
Other non–current assets	*13*	*9*	*-*	*-*	*-*	*4*	*9*
Loans and receivables	9	9	-	-	-	-	9
Not covered by the scope of IFRS 7	4	-	-	-	-	4	-
Current financial assets							
Trade receivables	*815*	*815*	*-*	*-*	*-*	*-*	*815*
Loans and receivables	815	815	-	-	-	-	815
Other current assets	*76*	*66*	*1*	*-*	*-*	*10*	*66*
Loans and receivables	66	66	-	-	-	-	66
Derivative financial instruments not designated in hedge accounting (held for trading)	1	-	1	-	-	-	1
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	10	-	-	-	-	10	-
Liquid funds	*67*	*67*	*-*	*-*	*-*	*-*	*67*
Loans and receivables	65	65	-	-	-	-	65
Financial assets available for sale	2	2	-	-	-	-	2
Total	976	963	1	-	-	13	963

Other non-current financial assets not covered by the scope of IFRS 7 mainly include pension-related receivables as well as reinsurance claims against pension funds. The current financial assets not covered by the scope of IFRS 7 primarily concern other tax receivables.

Financial liabilities as of June 30, 2016

(€ 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	*292*	*280*	-	-	*12*	-	*294*
Liabilities measured at amortized costs	280	280	-	-	-	-	283
Liabilities held under finance leases	12	-	-	-	12	-	12
Other non–current liabilities	-	-	-	-	-	-	-
Liabilities measured at amortized costs	-	-	-	-	-	-	-
Derivative financial instruments not designated in hedge accounting (held for trading)	-	-	-	-	-	-	-
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*205*	*205*	-	-	*1*	-	*205*
Liabilities measured at amortized costs	205	205	-	-	-	-	205
Liabilities held under finance leases	1	-	-	-	1	-	1
Current trade liabilities	*586*	*586*	-	-	-	-	*586*
Liabilities measured at amortized costs	586	586	-	-	-	-	586
Other current liabilities	*61*	*17*	-	-	-	*44*	*17*
Liabilities measured at amortized costs	17	17	-	-	-	-	17
Derivative financial instruments not designated in hedge accounting (held for trading)	-	-	-	-	-	-	-
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	44	-	-	-	-	44	-
Total	1,143	1,087	-	-	12	44	1,102

Other current financial liabilities not covered by the scope of IFRS 7 mainly concern liabilities resulting from taxes such as VAT liabilities.

Financial assets as of December 31, 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 assets							
Non-current investments	*2*	*2*	-	-	-	-	*2*
Loans and receivables	1	1	-	-	-	-	1
Financial assets available for sale	1	1	-	-	-	-	1
Other non–current assets	*13*	*10*	-	-	-	*4*	*10*
Loans and receivables	10	10	-	-	-	-	10
Not covered by the scope of IFRS 7	4	-	-	-	-	4	-
Current financial assets							
Trade receivables	*655*	*655*	-	-	-	-	*655*
Loans and receivables	655	655	-	-	-	-	655
Other current assets	*100*	*84*	*1*	-	-	*15*	*85*
Loans and receivables	84	84	-	-	-	-	84
Derivative financial instruments not designated in hedge accounting (held for trading)	1	-	1	-	-	-	1
Not covered by the scope of IFRS 7	15	-	-	-	-	15	-
Liquid funds	*165*	*165*	-	-	-	-	*165*
Loans and receivables	163	163	-	-	-	-	163
Financial assets available for sale	2	2	-	-	-	-	2
Total	935	916	1	-	-	18	917

Financial liabilities as of December 31, 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	*337*	*334*	-	-	*3*	-	*339*
Liabilities measured at amortized costs	334	334	-	-	-	-	336
Liabilities held under finance leases	3	-	-	-	3	-	3
Other non–current liabilities	*64*	-	-	*64*	-	-	*64*
Liabilities measured at amortized costs	-	-	-	-	-	-	-
Derivative financial instruments not designated in hedge accounting (held for trading)	-	-	-	-	-	-	-
Derivative financial instruments designated in hedge accounting	64	-	-	64	-	-	64
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*208*	*207*	-	-	*1*	-	*208*
Liabilities measured at amortized costs	207	207	-	-	-	-	207
Liabilities held under finance leases	1	-	-	-	1	-	1
Current trade liabilities	*489*	*489*	-	-	-	-	*489*
Liabilities measured at amortized costs	489	489	-	-	-	-	489
Other current liabilities	*57*	*16*	*2*	-	-	*38*	*18*
Liabilities measured at amortized costs	16	16	-	-	-	-	16
Derivative financial instruments not designated in hedge accounting (held for trading)	2	-	2	-	-	-	2
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	38	-	-	-	-	38	-
Total	1,155	1,047	2	64	4	38	1,118

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 balance sheet date for the respective financial instruments. The fair value is not reduced by transaction costs. For current financial liabilities, when not considering transaction costs, the carrying amount approximates fair value.

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 classification of all financial instruments is carried out according to the level concept of IFRS 13. Financial instruments are classified as Level 1 if the fair value is obtained from quoted prices on active markets. If fair values are derived from directly observable market inputs, they are included in Level 2. Financial instruments with fair values, which cannot be derived from directly observable markets are included in Level 3. Any financial instruments are classified in level 2 of the hierarchy levels.

(7) Subsequent events

In July 2016, the European ABS program was prolonged ahead of term by two years to July 2019 in an amend and extend process while retaining the €300 million loan amount. The terms were additionally amended in Klöckner & Co's favor with effect from the end of July 2016. This transaction enhanced financial stability and flexibility, secured more favorable borrowing terms and improved the maturity profile of the Group's finances.

(8) 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.

(9) Segment reporting

	Europe		Americas		Headquarters/ Consoli-dation		Total	
(€ million)	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Segment sales	1,832	2,079	1,071	1,312	-	-	2,903	3,391
Gross profit	429	424	237	206	-	-	666	630
EBITDA (segment result)	60	–16	41	19	–13	–10	88	–7
EBIT	36	–43	20	–4	–15	–12	41	–59
Net working capital as of June 30, 2016 (December 31, 2015)	788	686	378	437	2	5	1,168	1,128
Employees as of June 30, 2016 (December 31, 2015)	6,471	6,812	2,587	2,687	108	93	9,166	9,592

Reconciliation of EBIT to income before taxes:

(€ thousand)	H1 2016	H1 2015
Earnings before interest and taxes (EBIT)	41	–59
Financial result	–15	–25
Income before taxes	26	–84

Duisburg, August 4, 2016

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, 2016 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, 2016 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, 2016 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 4, 2016

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 4, 2016

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Financial Calendar

November 3, 2016	Q3 interim report 2016 Conference call with journalists Conference call with analysts
March 1, 2017	Annual financial statements 2016 Financial statements press conference Conference with analysts
April 26, 2017	Q1 interim report 2017 Conference call with journalists Conference call with analysts
May 12, 2017	Annual General Meeting 2017 Düsseldorf
July 26, 2017	Q2 interim report 2017 Conference call with journalists Conference call with analysts
October 25, 2017	Q3 interim report 2017 Conference call with journalists Conference call with analysts

Subject to subsequent changes

Klöckner & Co SE

Christian Pokropp

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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.