Q2

Interim Report

as of June 30, 2017

klöckner & co

Interim Group Management Report

Interim Consolidated Financial Statement

Klöckner & Co Group Figures

for the six-month period ending June 30, 2017

Shipments and income statement		Q2 2017	Q2 2016	Variance	HY1 2017	HY1 2016	Variance
Shipments	Tto	1,572	1,643	-71	3,154	3,199	-45
Sales	€ million	1,640	1,517	+123	3,242	2,903	+339
Gross profit	€ million	339	362	-23	705	666	+39
Gross profit margin	%	20.6	23.8	-3.2%p	21.8	22.9	-1.1%p
Earnings before, interest, taxes, depreciation and amortization (EBITDA)	€ million	63	72	-9	140	88	+52
EBITDA margin	%	3.9	4.8	-0.9%p	4.3	3.0	+1.3%p
Earnings before interest and taxes (EBIT)	€ million	41	49	-8	95	41	+54
Earnings before taxes (EBT)	€ million	33	42	-9	79	26	+53
Net income	€ million	24	33	-9	59	19	+40
Net income attributable to shareholders of Klöckner & Co SE	€ million	23	32	-9	59	18	+41
Earnings per share (basic)	€	0.23	0.32	-0.09	0.59	0.18	+0.41
Earnings per share (diluted)	€	0.22	0.32	-0.10	0.56	0.18	+0.38

Cash flow statement		Q2 2017	Q2 2016	Variance	HY1 2017	HY1 2016	Variance
Cash flow from operating activities	€ million	-2	22	-24	-80	27	-107
Cash flow from investing activities	€ million	-15	-18	+3	24	-27	+51
Free cash flow*)	€ million	-17	4	-21	-56	0	-56

Balance sheet		June 30, 2017	December 31, 2016	Variance	June 30, 2017	June 30, 2016	Variance
Net working capital**)	€ million	1,306	1,120	+186	1,306	1,168	+138
Net financial debt	€ million	486	444	+42	486	435	+51
Gearing***)	%	42	40	+2%p	42	43	-1%p
Equity	€ million	1,192	1,148	+44	1,192	1,049	+143
Equity ratio	%	38.7	39.6	-0.9%p	38.7	36.9	+1.8%p
Total assets	€ million	3,084	2,897	+187	3,084	2,842	+242

Employees		June 30, 2017	December 31, 2016	Variance	June 30, 2017	June 30, 2016	Variance
Employees as of the end of the reporting period		8,686	9,064	-378	8,686	9,166	-480

*) Free cash flow: Cash flow from operating activities plus cash flow from investing activities.
**) Net working capital: Inventories plus trade receivables less trade liabilities.
***) Gearing = Net financial debt / (Equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2013).

Interim Group Management Report

Key developments in the first six months of 2017 and outlook

- Increase in EBITDA in the first half of 2017 to €140 million, compared with €88 million in prior-year period; EBITDA of €63 million in Q2 2017 within €60 million to €70 million guidance range

- Shipments slightly down on prior-year level (by 1.4%); adjusted for shipments by divested Spanish activities in Europe and exit from US pipe business, however, shipments show gain of 1.9% on prior-year period

- Sales increased by 11.7% to €3.2 billion, mainly due to higher price levels than in prior-year period

- Proportion of Group sales generated by digital channels further raised to 15%

- Third-quarter EBITDA forecast: €35 million to €45 million

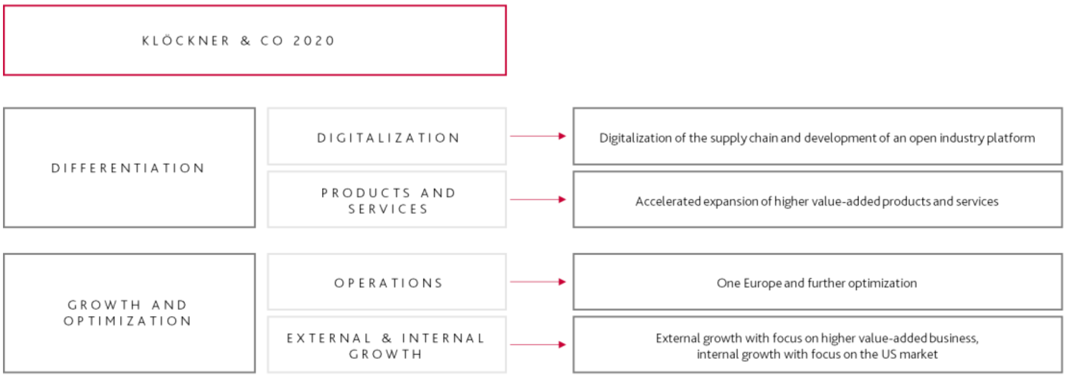
- Unchanged, 10%-plus increase in EBITDA and clear improvement in net income expected for full year

Corporate Strategy

"Klöckner & Co 2020"

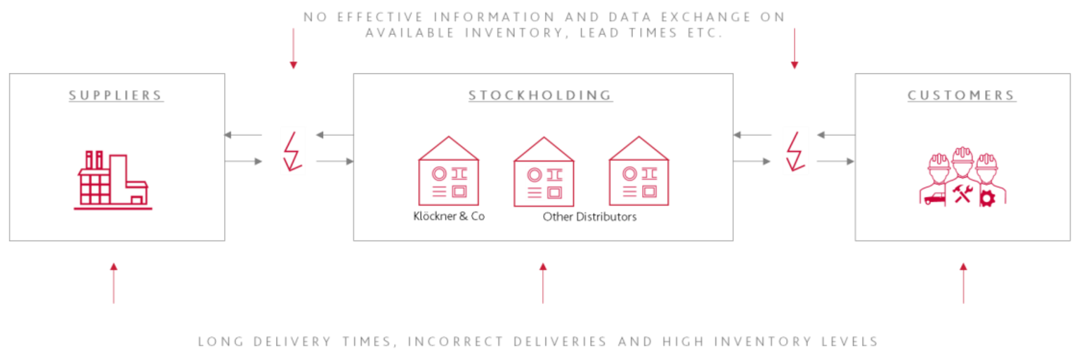
For several years now, the steel and metal industry in our core markets of Europe and North America has labored under large global surplus capacity and meager demand growth outside the automotive sector. The resulting high availability levels leave little scope for differentiation, especially in standard goods. This is exacerbated by a highly fragmented market with too many suppliers competing for the same customers. For years, this fiercely competitive environment has squeezed margins in steel and metal distribution.

In our "Klöckner & Co 2020" strategy, we set ourselves increasingly apart from the competition by applying two main leverage points: First, by digitalizing the supply and value chain with the goal of creating an internet-based open industry platform and, second, by driving forward our business in higher value-added products and processing services. Our "One Europe" optimization program leverages additional earnings potential following successful completion of our restructuring. With regard to acquisitions, we focus on companies in specialized – i.e. higher-margin – market segments, in line with our strategy.

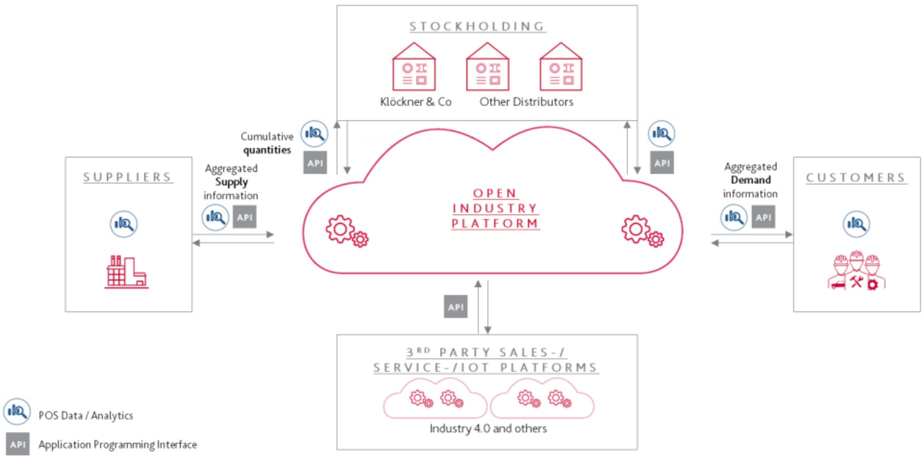


DIGITAL INTEGRATION

The steel industry supply and value chain remains highly inefficient to this day. Many transactions are still made by telephone, fax or e-mail. There is no end-to-end digital order and production management. The resulting multiple break ups of the information flow as well as the related intransparencies lead to stockpiling of too much steel by too many market participants at all levels of the supply chain. Process costs are also too high.



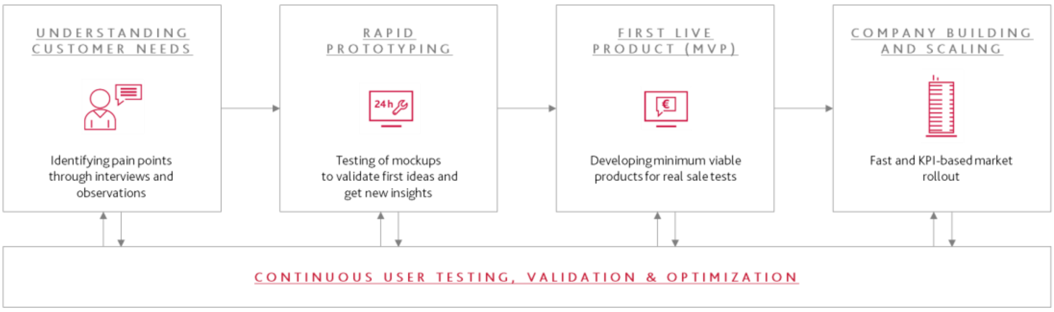
Klöckner developed a strategy of an open industry platform for the steel and metal industry where information asymmetries are eliminated by frictionlessly digitally connecting all market participants, with significant efficiency gains for all.



All projects and initiatives relating to digitalization and digital integration are being driven forward by kloeckner.i, our Group Center of Competence for Digitalization, from the heart of the German start-up scene in Berlin. Over 50 employees now work at kloeckner.i in the fields of product innovation, software development, online marketing and business analytics.

We apply methods such as design thinking, agile product development and the lean start-up approach to design digital solutions for our customers and partners in the shortest possible time. To this end, we first go directly to the customer's premises and evaluate on site how we can create added value. Once we have made our evaluation, we need just a few weeks to develop simple prototypes. The initial prototypes are specifically designed to cover solely the most important functions. Through constant testing, we then check with our customers whether and how far the individual tool meets the given requirements. This ensures that only prototypes that have already been validated with customers are developed into solutions.

APPLICATION OF LEAN START-UP-METHODS



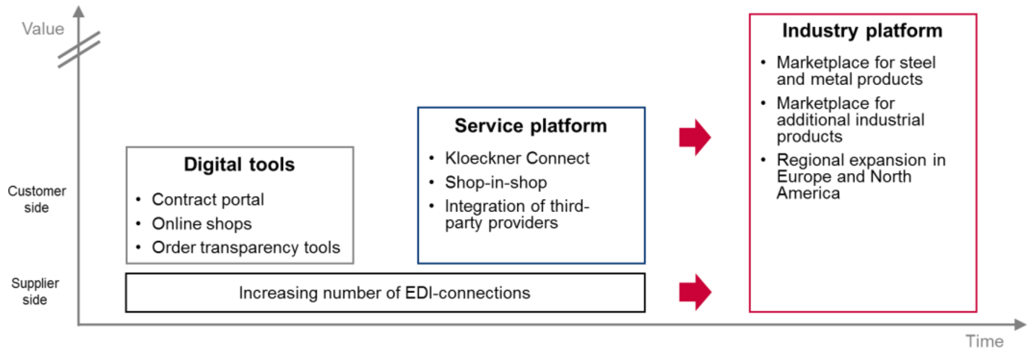
To give us our own start-up enterprise, we founded kloeckner.i as a separate operation in Berlin. The new company is far enough removed from Klöckner for it to act more independently in the development of digital tools and platforms than would be possible from within Klöckner. At the same time, it is connected closely enough with Klöckner for it to harness the Company's in-depth expertise in steel distribution and leverage our relationships with customers and suppliers for implementation of our digitalization strategy.

Not only does this make Klöckner faster than the competition in developing tools, portals and platforms, it also gives us a clear edge over independent start-ups due to our sectoral expertise.

Thanks to our flexible working methods, the online order processing system first outlined in our 2014 Annual Report is now largely a reality. Digital tools such as contract portals, online shops and order reviews are already in successful deployment with customers. Apart from developing new tools, we also continued to roll out existing solutions across the Group during the reporting period. In this way, we have progressively raised the share of sales made through digital channels from 9% in the first quarter of 2016 to 15% in the second quarter of 2017. At the same time, we have connected up with wholesalers and major steel producers on the procurement side.

As the second step of our digitalization strategy, the digital tools are to be integrated into the "Kloeckner Connect" service portal. The platform gives both customers and partners a central access point for all tools and data, which they can use much more efficiently than before.

Starting in Germany, we are currently opening up our online shops, initially to complementary products. That is an important precursor stage to the open industry platform that also includes competitors, the first version of which is planned to be launched before the end of the year. Two types of platform are generally expected to emerge in the B2B sector: cross-sectoral, horizontal platforms for standard products, and sector-specific, vertical platforms for specialty products. Horizontal platforms are likely to be dominated by major players such as Amazon Business and Alibaba. Operating a vertical platform for specialty products, by contrast, takes industry expertise, processing capacity and the right logistics. We not only have these capabilities, we also have the digital know-how to become the operator of the dominant vertical platform for the steel industry.



Alongside digitalization of processes throughout the Group, intelligent use of the generated data is gaining in importance. We entered into an alliance with Arago, one of the leading providers of artificial intelligence, in order to gain an early foothold also in this market. In our first joint project, we have automated standard IT processes at branches in the USA. Going forward, better evaluation of data incorporating a wide variety of factors will make it possible to predict demand for steel with much greater accuracy. At the same time, a more in-depth analysis of customer behavior will open up additional growth potential.

A key component of our digitalization strategy involves establishing direct access to our customers' ERP systems via interfaces in order to fully automate the order process, among other things. One of the alliances we have entered into for this purpose is with Sage Software, a market leader in integrated systems for financial accounting, payroll accounting and payment transfers. Together with Sage, we are marketing "Sage Office Line" – a special version of the accounting and goods management solution preconfigured for steel and metal processors. Klöckner customers will be able to harness the solution to professionally manage their business processes at attractive conditions while gaining online access to our extensive range of steel and metal products.

Not only that, but customers using other ERP or goods management systems will have access to our service portal via the open OCI interface and thus avoid duplicating data entry. We are also partner in Trumpf's Industry 4.0 project Axoom, in which production machines will order steel from us autonomously. To that end, the Klöckner & Co contract portal has already been integrated into the customer solution's software user interface.

While kloeckner.i operates like an internal start-up, we establish links with external start-ups through our venture capital company kloeckner.v. This company invests both through selected venture capital firms and directly in start-ups that support our digitalization strategy with disruptive approaches. In April, we acquired a minority stake in technology start-up BigRep to enter into the growth market of additive manufacture using 3D printers. BigRep is developer and producer of the world's biggest commercially available 3D printer. It also provides consulting on additive manufacturing system solutions. As well as taking a financial stake, we plan to deploy BigRep's industrial-scale 3D printers across our location network in Europe and the USA. A further success was our first exit with the sale of our stake in Contorion, a digital retail specialist for tool and industrial supply. After a holding period of just over one year, we were able to double the value of our investment and, in July, make a profit in the mid-single-digit millions of euros. The closing of the takeover transaction remains subject to regulatory approval.

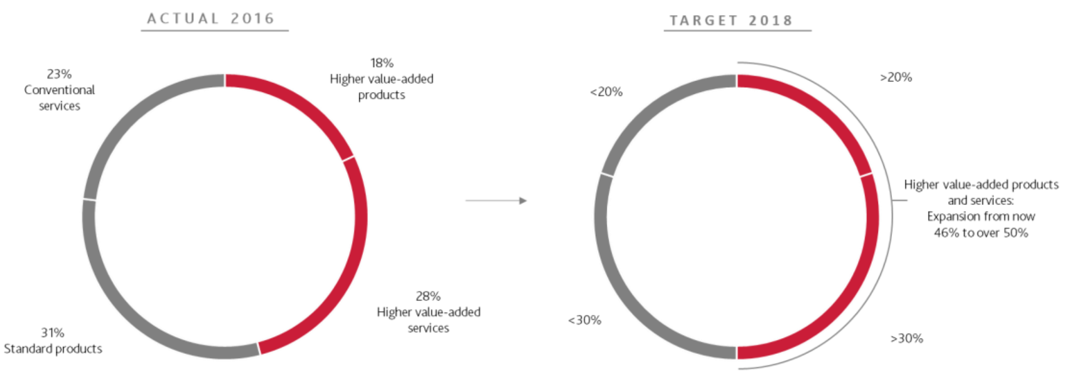
Our digitalization strategy also goes hand in hand with a profound cultural shift within our Company. Innovative working methods employed in the start-up scene are being applied more and more throughout the Group. A new failure culture also plays an important part here. We must be pragmatic rather than formal and allow projects to fail rather than always holding out for the perfect solution. These new ways of working make for faster and more targeted project execution. Those efforts are underpinned by in-depth dialogue between our digitalization subsidiary kloeckner.i and employees from other divisions in all of the country organizations. Online training is also being provided by Klöckner & Co Digital Academy to get the workforce in shape for the digital age. This lends employees support in developing and implementing new ideas, which they can discuss and fine-tune with their colleagues across national and divisional borders in a non-hierarchical atmosphere using innovative communication channels such as Yammer, the Group's internal social network. We have thus broken down the existing vertical communication silos in favor of unfiltered, increasingly horizontal communication.

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

Alongside digitalization, our further strategic blueprint for setting ourselves apart from competitors is to increase the proportion 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 do 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 precision gains. In the United Kingdom, for example, we have built what is now the country's second-largest 3D laser center near Dudley. In Germany, we have already taken our third 3D laser into operation, thus very successfully occupying a market niche. In addition, we will also be undertaking a major expansion of our higher-margin business in higher value-added products. At our Bönen location in North Rhine-Westphalia, Germany, for instance, we are building a service center to process aluminum flat products for the European automotive and manufacturing industries – with a total annual processing capacity of 80,000 tons of aluminum.

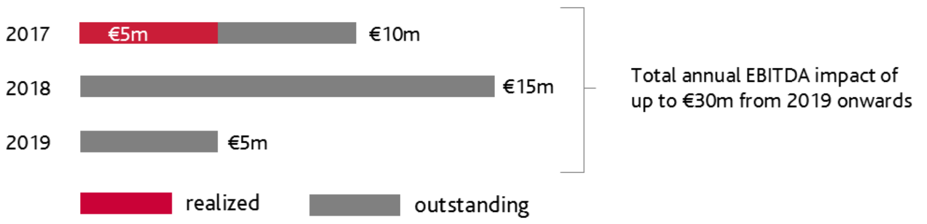
After expanding higher-margin business as a proportion of sales from 39% to 46% in 2016, we plan to generate the majority of sales with higher value-added products and services for 2018.

SHARE OF SALES



"ONE EUROPE" PROGRAM

Over the last few years, we have restructured the European distribution business at the country level, downsized capacity and pooled operations. Under our "One Europe" program, we have now brought the activities of our country organizations in Austria, Belgium, France, Germany, the Netherlands, and the United Kingdom even closer together. In this way, we not only aim to generate cost savings and synergies more readily – especially in purchasing and logistics – but also to enable even faster and more efficient implementation of the "Klöckner & Co 2020" strategy. Plans are for "One Europe" to deliver an incremental contribution to EBITDA totaling some €30 million by 2019. €5 million of the €10 million planned for fiscal 2017 have already been attained in the first six months of the year.



GROWTH PATH THROUGH EXTERNAL AND ORGANIC GROWTH

In terms of regional growth opportunities, we continue to see the USA as an attractive market in the medium to long term. This market is especially attractive for us because of the far better match between steel demand and local supply compared with Europe, coupled with strict separation of producers and distributors. The infrastructure investment announced by the new administration is expected to make the US market even more attractive.

When it comes to strengthening higher-margin business, we have set our sights on a mix of organic and external growth. Following our acquisition of American Fabricators, Inc. in the USA in 2015, we are thus looking to acquire further companies that offer a wide range of higher value-added products and processing services.

Economic environment

Macroeconomic situation

The global economy as a whole picked up during the period under review. The political uncertainty earlier in the year due to the newly appointed US administration eased in Europe thanks to election wins by reformers in the Netherlands and France. Eurozone GDP grew by a total of 2.0% in the second quarter compared with the prior-year quarter.

In the USA, higher than expected private consumption and especially real estate investments enabled economic growth to continue at 2.4% relative to the prior-year period.

The first half year saw the Chinese government move forward with the transition from a debt-driven economy to one geared to private consumption. Second quarter economic growth was 6.9%. The Brazilian economy remained under pressure. This was largely a result of domestic political scandals and the ongoing decline in public and private expenditure. GDP consequently showed no change relative to the prior-year quarter.

Development of GDP (in %)	Q2 2017 vs. Q2 2016
Europe*)	**2.0**
Germany	1.8
Great Britain	1.7
France	1.6
Switzerland	1.0
Americas	
USA	2.4
Brazil	**0.0**
China	**6.9**

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

Industry-specific situation

Despite a good overall economic climate, the market environment in the steel industry is still challenging, although the pressure has eased slightly compared with the last few years. According to the World Steel Association, global crude steel output grew by 4.5% year-on-year in the first six months of 2017, to 836 million tons. Production in the EU went up by around 4.1%. US output went up by 1.3% and Chinese output by 4.6%. The steel industry still faces the problem of massive excess capacity, notably in China and Europe, with current demand levels continuing to result in structural underutilization. At the end of June, capacity utilization at steel producers worldwide stood at just 73%. There is also much surplus capacity at distribution level, fueling ongoing fierce competition.

Trend in key customer industries

CONSTRUCTION INDUSTRY

As the largest user of steel, the construction industry is key to the global trend in steel consumption. On the steel industry association (EUROFER) estimates, European construction activity increased by about 3% in the first six months compared with the prior-year period. As before, the strongest growth driver is private residential construction, primarily in metropolises. Construction activity continued to grow in the USA as it has for many years.

MACHINERY AND MECHANICAL ENGINEERING

Demand in machinery and mechanical engineering grew well in the first six months of 2017. According to EUROFER, sectoral sales volumes in Europe increased by some 4% in the first half of the year compared with the year before, due to stronger production activity and a minor surge in capital spending. In the USA, too, investment in industrial plant and equipment points to an improvement in business.

AUTOMOTIVE INDUSTRY

According to the German Association of the Automotive Industry (VDA), the Western European automotive market grew by a substantial 5% in the first six months relative to the prior-year period. Unit sales were up by 3% in China and about 4% in Brazil. The USA, by contrast, saw an approximately 2% decrease in sales volumes.

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 2017 are as follows:

KEY FIGURES RESULTS OF OPERATIONS

(€ million)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Shipments (Tto)	1,572	1,643	3,154	3,199
Sales	1,640	1,517	3,242	2,903
Gross profit*)	339	362	705	666
Gross profit margin (in %)	20.6	23.8	21.8	22.9
EBITDA**)	63	72	140	88
EBITDA margin (in %)***)	3.9	4.8	4.3	3.0

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

KEY FIGURES NET ASSETS

(€ million)	June 30, 2017	June 30, 2016	December 31, 2016
Net working capital*)	1,306	1,168	1,120
Net financial debt**)	486	435	444

*) Net Working Capital = Inventories plus trade receivables less trade liabilities.
**) Net financial debt = Financial liabilities according to the consolidated balance sheet plus transaction cost less cash and cash equivalents.

OTHER KEY FIGURES

	June 30, 2017	June 30, 2016	December 31, 2016
Gearing (Net financial debt/shareholders' equity*))	42%	43%	40%
Leverage (Net financial debt/EBITDA**))	2.0x	3.4x	2.3x

*) 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 before closing date; 2015: before restructuring expenses.

Shipments and sales

Group shipments totaled 3.2 million tons in the first half of 2017, 1.4% down on the prior-year period. Adjusted for shipments by the divested Spanish activities in Europe and the exit from the pipe business in the USA, shipments show an increase (organic growth) of 1.9%.

In the Europe segment, shipments fell by 0.9% relative to the first half of 2016. This is mainly due to the sale of the Spanish activities mentioned above. On an organic basis, shipments increased by 3.7%. Shipments in Germany by Klöckner & Co Deutschland GmbH and Becker Stahl-Service GmbH followed an especially positive trend, while shipments in France, the Netherlands and the United Kingdom remained stable and shipments in Switzerland showed a slight decrease.

Shipments in the Americas segment were down on the prior-year period (by 2.1%). Alongside the focus on high-margin shipments, the lower figure is mainly due to the sale of the pipe business in the USA in the second quarter of 2016.

SALES BY SEGMENTS

(€ million)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Europe	1,019	963	2,004	1,832
Americas	621	554	1,238	1,071
Group sales	1,640	1,517	3,242	2,903

Group sales grew by 11.7% to €3.2 billion due to the marked improvement in the price level in the first half year.

Compared with the first half of 2016, sales in the Europe segment grew markedly by 9.4% to €2.0 billion. Apart from the Netherlands and the divested Spanish distribution business, all country organizations showed growth in sales, albeit at a lower rate in the second quarter of 2017.

Due to the stronger improvement in the price level compared with Europe, sales in the Americas segment grew even more strongly, by 15.6%, likewise with a slower rate of increase in the second quarter.

RESULTS

(€ million)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Sales	1,640	1,517	3,242	2,903
Gross profit	339	362	705	666
Gross profit margin (in %)	20.6	23.8	21.8	22.9
OPEX*)	-275	-290	-565	-578
EBITDA	63	72	140	88
EBIT	41	49	95	41
EBT	33	42	79	26
Net income	24	33	59	19

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

Gross profit was €705 million, above the prior-year figure of €666 million. The less dynamic price trend during the second quarter and higher input prices in both operating segments made for a decrease in the gross profit margin, however, from 22.9% in the prior year to 21.8%. Other operating income and expenses (OPEX) changed as follows:

OPEX

(€ million)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Other operating income	5	5	12	12
Personnel expenses	-156	-165	-314	-327
Other operating expenses	-124	-130	-263	-263
OPEX	-275	-290	-565	-578

€11 million of the €13 million decrease in OPEX comparing the half-year figures is due to the sale of the Spanish activities at the start of the fiscal year.

Group EBITDA consequently came to €140 million, compared with €88 million in the prior-year period.

EBITDA BY SEGMENTS

(€ million)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Europe	37	49	91	60
Americas	32	30	62	41
Headquarters	-6	-7	-13	-13
Klöckner & Co-Group	63	72	140	88

In the Europe segment, EBITDA for the first half of 2017 was €91 million, significantly higher than the €60 million prior-year figure. Earnings improved substantially at all country organizations except in the Netherlands, where earnings were lower due to weaker performance in the metering business, and in Germany, where earnings were impacted by price-induced inventory valuation allowances. “KCO WIN+” and “One Europe” contributed €8 million to earnings.

As a result of the improved gross profit, EBITDA in the Americas segment, at €62 million, was well above the prior-year comparative figure of €41 million. A major factor in this was the strong trend in selling prices in the USA.

Headquarters’ EBITDA was €-13 million, as in the prior year.

RECONCILIATION TO NET INCOME

(€ million)	HY1 2017	HY1 2016
EBITDA	140	88
Depreciation, amortization and impairments	-45	-47
EBIT	95	41
Financial result	-17	-15
EBT	79	26
Income taxes	-19	-7
Net income	59	19

Mainly due to acquisition-related amortization reaching the end of the amortization period, depreciation and amortization, at €45 million, was below the prior-year figure of €47 million.

In line with EBITDA, EBIT improved from €41 million to €95 million.

The net finance expense increased slightly from €15 million in the prior-year period to €17 million. This was primarily because of the September 2016 convertible bond issue.

EBT amounted to €79 million, compared with €26 million in the prior-year period. A tax expense of €19 million was recorded for the first half of 2017 (H1 2016: €7 million).

In total, net income was in positive figures at €59 million, compared with €19 million in the first half of 2016.

Basic earnings per share came to €0.59, compared with €0.18 in the prior-year period.

CONSOLIDATED BALANCE SHEET

(€ million)	June 30, 2017	December 31,2016
Non-current assets	849	897
Current assets		
Inventories	1,119	1,006
Trade receivables	857	654
Other current assets	90	118
Liquid funds	151	134
Assets held for sale and assets of disposal groups	18	88
Total assets	**3,084**	**2,897**
Equity	1,192	1,148
Non-current liabilities		
Financial liabilities	518	527
Other non–current liabilities	380	422
Current liabilities		
Financial liabilities	112	44
Trade payables	670	540
Other current liabilities	212	194
Liabilities from disposal groups	-	22
Total equity and liabilities	**3,084**	**2,897**

Total assets were €3,084 million as of June 30, 2017, about 6% higher than the year-end 2016 figure due to higher net working capital.

Non-current assets went down from €897 million as of December 31, 2016 to €849 million. €24 million of the reduction is accounted for by intangible assets, mainly relating to amortization and falling exchange rates. Capital expenditure of €31 million in property, plant and equipment was countered by €29 million in depreciation, €3 million in disposals and €22 million in exchange rate effects for an overall decrease of €23 million.

Equity increased by €44 million to approximately €1.2 billion, mainly as a result of net income and adjustments to pension provisions recognized in comprehensive income and, in the opposite direction, exchange rate effects and dividend payments. The equity ratio decreased slightly because of the higher net working capital but remained solid at 39% (December 31, 2016: 40%).

The reduction in assets held for sale and in liabilities from disposal groups relates to the completed sale of the Spanish activities.

The net working capital developed as follows:

NET WORKING CAPITAL

(€ million)	June 30, 2017	June 30, 2016	December 31, 2016
Inventories	1,119	939	1,006
Trade receivables	857	815	654
Trade payables	-670	-586	-540
Net Working Capital	1,306	1,168	1,120

In line with the seasonal trend and as a result of higher average input prices, and despite negative exchange rate effects, net working capital went up relative to the year-end 2016 by €186 million to €1.3 billion.

Cash and cash equivalents stood at €151 million, compared with €134 million as of December 31, 2016.

STABLE FINANCING

Our syndicated loan was extended ahead of term in April by one year to May 2020. This further improves the maturity profile of Klöckner & Co's Group financing. The revised credit documentation once again incorporated an option, subject to the banks' approval, to extend the term in two steps through to May 2022. In light of the ample headroom for borrowing under the available lines of credit, the currently undrawn facility was reduced in size from €360 million to €300 million. In addition, the minimum equity covenant was adjusted in Klöckner & Co's favor from €800 million to €600 million, thus providing greater latitude to exploit entrepreneurial opportunities.

The minimum equity covenant on the European ABS program was subsequently adjusted in the same form in May 2017.

NET FINANCIAL DEBT

(€ million)	June 30, 2017	June 30, 2016	December 31, 2016
Net financial debt	486	435	444
Gearing (Net financial debt/shareholders' equity*))	42%	43%	40%
Leverage (Net financial debt/EBITDA**))	2.0x	3.4x	2.3x

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

The higher net working capital is also the main reason for the rise in net financial debt from €444 million as of December 31, 2016 to €486 million at the end of the first half year. The increase was lessened by the cash inflow from the sale of the Spanish activities (€55 million).

Pension provisions decreased from €359 million as of the prior year-end to €309 million due to a slight rise in the discounting rate and actuarial gains on plan assets.

Consolidated statement of cash flows

(€ million)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Cash flow from operating activities	-2	22	-80	27
Cash flow from investing activities	-15	-18	24	-27
Free cash flow	-17	4	-56	0
Cash flow from financing activities	7	-104	74	-92

The above-mentioned effects of the increase in net working capital were the cause of the negative cash flow from operating activities of €80 million (H1 2016: positive cash flow of €27 million).

Cash outflows for capital expenditure in the amount of €35 million less cash inflows from divestments (including the receipts from the sale of the Spanish activities) in the total amount of €59 million resulted in a positive cash flow from investing activities of €24 million (H1 2016: negative cash flow of €27 million).

After a neutral free cash flow in the prior-year period, free cash flow came to €-56 million.

Cash flow from financing activities came to a positive €74 million (H1 2016: €-92 million); this included a cash inflow of €16 million from derivative financial instruments held for hedging purposes (H1 2016: cash outflow of €54 million).

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

The International Monetary Fund (IMF) expects global economic growth of 3.5% in 2017. As the IMF reports, increased market activity, more robust global demand and optimistic financial markets are countered by geopolitical uncertainties. The latter include the potential negative impacts of Brexit, the trend in the oil price and notably the unpredictable effects of modified US trade policy.

Eurozone economic growth this year is expected to be moderate. It continues to be driven by ECB monetary policy actions, although growth could be affected by the prevailing uncertainties, most notably the possible negative impacts of Brexit and potential punitive US customs tariffs. The IMF estimate for eurozone GDP growth is 1.9%.

It anticipates 2.1% economic growth for the USA in 2017, most likely driven by the tax cuts pledged by the US administration and the planned infrastructure spending, even though details so far remain unclear.

The IMF expects that, due to a lack of further policy stimulus and uncertainties because of the new US trade policy, economic growth in China will cool down to 6.7% in 2017. As the impacts of past economic shocks taper off, the IMF is forecasting growth of 0.3% for Brazil in 2017.

Expected development of GDP (in %)	2017e
Europe*)	1.9
Germany	1.8
Great Britain	1.7
France	1.5
Switzerland	1.4
Americas	
United States	2.1
Brazil	0.3
China	6.7

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

Expected steel sector trend

The World Steel Association currently predicts that global steel consumption will grow by 1.3% in 2017. For the EU, the Association anticipates an increase of 0.5%, while the North American Free Trade Agreement (NAFTA) region is forecast to grow by 2.2% and South and Central America by 3.5%. Consumption in China is expected to be flat.

Expected trend in our core customer sectors

CONSTRUCTION INDUSTRY

EUROFER, the steel industry association, currently projects 3.1% growth for the European construction industry in 2017. This continues to be carried along by strong public and private residential construction. In the USA, the sector is expected to grow by approximately 7%. The sector is driven by government infrastructure projects and rising employment rates.

MACHINERY AND MECHANICAL ENGINEERING

EUROFER, the steel industry association, anticipates 3.3% growth for European machinery and mechanical engineering in 2017. Supporting influences such as the weak euro and rising capacity utilization continue to be countered by potential negative impacts such as Brexit and global political uncertainties. Growth of 5% is expected in the USA, supported as before by low energy prices.

AUTOMOTIVE INDUSTRY

According to the German Association of the Automotive Industry (VDA), the global passenger car market will grow by about 2% in 2017. About 2% growth is likewise forecast for Europe. The US market is expected to hold its prior-year level. Growth in China is projected to be 2% – a sharp slowdown compared with the prior year – while the Brazilian market is anticipated to see a recovery after a period of contraction.

Current assessment of opportunities and risks

The detailed information provided in the Opportunities and Risks section on pages 83 to 97 of the 2016 Annual Report continues to apply for the most part. For a detailed description of the risk management system in the Klöckner & Co Group, please see pages 79 et seq. of the 2016 Annual Report.

Market risk for Klöckner & Co is mostly determined by trends in demand and prices. After a marked recovery from the first quarter of 2016, steel prices in Europe once again fell in the second quarter of 2017. At the current price level, persistent surplus capacity means it is impossible to rule out a further decline in prices, which would impact negatively on our earnings performance.

Risk may also stem from the sustained mood of uncertainty on financial markets. The high sovereign debt levels in a number of European countries, for example, could lead to restrictions on lending or increased borrowing costs for customer industries and thus a decrease in capital investment. Italy remains a notable focus with regard to political risk. In addition, the impacts of the Brexit negotiations on the European economy might be more negative than generally expected. Additional risks faced by the global economy are the possibility of a stronger than anticipated growth slowdown in China combined with rapidly burgeoning debt, the potential proliferation of trade barriers, and a further increase in geopolitical risks. 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 comparatively optimistic for the Americas segment given the business-friendly operating conditions. There are signs, however, that implementation of the new US administration's economic policy plans is going to be difficult. More restrictive monetary policy on the part of the US Federal Reserve could also 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.

Group forecast

For fiscal year 2017, we continue to expect a slight rise in real steel demand in both of our primary sales markets, Europe and the USA. Without the sale of the Spanish activities at the beginning of the year, we would expect the trend in Group shipments to be the same. As a result of the portfolio streamlining, we expect a slight decrease in the Europe segment, as against a slight increase of shipments in the USA. The net outcome is likely to be that Group shipments stay constant.

In the second half year, prices in Europe are expected to rise slightly after an initial corrective movement; for the USA, on the other hand, depending on the stimulus package adopted by the US administration, we assume a slight or even substantial rise in prices during the second half of the year.

We expect Group sales to pick up noticeably, as both operating segments should attain substantial sales growth in view of the higher overall price level.

For gross profit, we expect a slight increase at Group level. We anticipate a slight decrease in Europe due to the sale of our Spanish activities and a noticeable increase in the Americas segment. The gross profit margin, on the other hand, is likely to be substantially down at Group level. We expect a noticeable decrease in the Europe segment but only a slight decrease for the Americas segment.

With regard to operating income (EBITDA), we continue to expect an increase in excess of 10% in EBITDA at Group level due to operating costs not rising in proportion with sales; this should mean a moderate improvement in the EBITDA margin despite the sales growth. This will be driven by the Americas segment, where both figures are likely to improve strongly. Segment EBITDA in Europe benefited in the prior year in the amount of €13 million from earnings contributions from the sale of non-core assets. Despite the positive impact of the "One Europe" program, we therefore anticipate that the Europe segment will see a noticeable decrease in EBITDA and a sharp drop in the corresponding margin.

Overall, we foresee a very strong improvement in net income – driven by the Americas segment – compared with the prior year.

With regard to net working capital, we are expecting a measurable increase at Group level. We anticipate a substantial rise in Europe due to the sales growth. Due to the impact of a program to reduce inventories, we anticipate that net working capital in the Americas segment will increase only moderately. Net financial debt at Group level is forecast to be moderately higher due to the rise in net working capital.

For the third quarter, we expect an initially decreasing and thereafter slightly rising price trend in Europe. In the USA, we are expecting a slight to substantial improvement in the price situation. Overall, we anticipate operating income (EBITDA) for the third quarter of between €35 million and €45 million and positive net income.

Duisburg, July 26, 2017

Klöckner & Co SE

The Management Board

Klöckner & Co Share

Klöckner & Co share: Key data

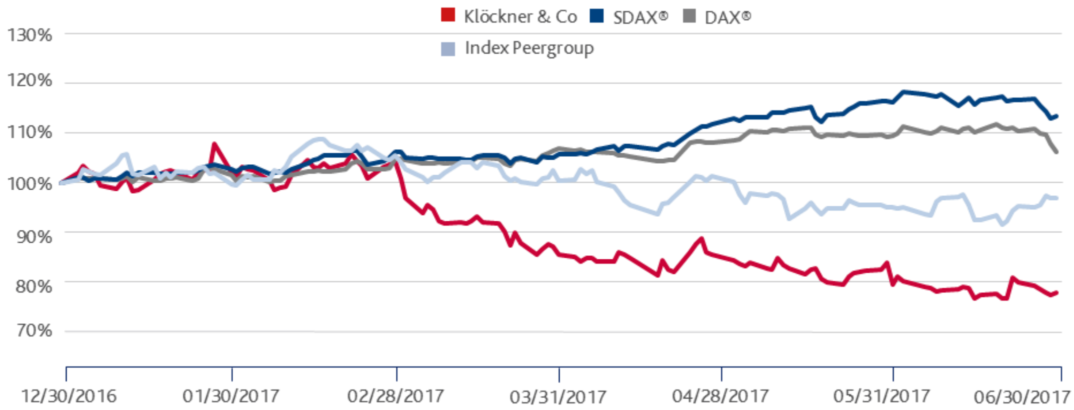
ISIN DE000KC01000 – German Securities Code (WKN) KC0100

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

SHARE PRICE PERFORMANCE

The Klöckner & Co share price gained at the start of the reporting period to reach its high point for the year so far at €12.89 on January 27. It subsequently followed a marked downward track, with the share price marking its lowest level during the reporting period at €9.05 on June 21. This was mainly a result of the fall in steel prices in Europe during the second quarter. The share price went up slightly during the remainder of June to close the month at €9.22, corresponding to a decrease of approximately 23% on the 2016 closing price. In the same period, the DAX® gained around 7% and the SDAX® about 14%, while the Peergroup index fell by about 3%.

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



During the second quarter, the average trading volume in Klöckner & Co shares was close to €9 million per day, an increase on the first quarter (around €4.6 million per day). Klöckner & Co shares consequently ranked 43rd by trading volume and 68th by free float market capitalization in Deutsche Börse AG's ranking for MDAX® and SDAX® stocks in June.

KEY DATA – KLÖCKNER & CO SHARE

		Q2 2017	Q2 2016	HY1 2017	HY1 2016
Share Capital	€	249,375,000	249,375,000	249,375,000	249,375,000
Number of shares	in shares	99,750,000	99,750,000	99,750,000	99,750,000
Closing price (Xetra, Close)	€	9.22	9.92	9.22	9.92
Market capitalization	€ million	920	990	920	990
High (Xetra, Close)	€	10.56	11.51	12.89	11.51
Low (Xetra, Close)	€	9.05	8.42	9.05	7.08
Average daily trading volume	in shares	932,938	586,745	655,536	601,936

ANNUAL GENERAL MEETING

The eleventh Annual General Meeting of Klöckner & Co SE took place in Düsseldorf on May 12, 2017. Around 300 shareholders and shareholder representatives attended the meeting. In all, approximately 60% 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 were SWOCTEM GmbH/Friedhelm Loh with a shareholding of between 25% and 30% and Franklin Mutual Advisors with a shareholding of between 5% and 10%. There followed Franklin Mutual Series Funds 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 2017, the management and members of the IR team of Klöckner & Co SE provided interested capital market participants with information at six conferences in Germany and internationally, as well as in many additional one-on-one discussions. Talks with investors focused on the business results of the Klöckner & Co Group and progress with the digitalization strategy.

In the first six months, Klöckner & Co was covered by 21 banks and securities houses in over 60 research reports. As of the end of the reporting period, five of the securities houses rated Klöckner & Co shares a “buy”, 12 gave a “hold” recommendation and four rated Klöckner & Co shares a “sell”.

Klöckner & Co also provides information on current Group developments in the Investor Relations section of the corporate website, www.kloeckner.com/en/investors.php. Topics include financial reports, the financial calendar, information on corporate governance as well as current data on share performance. All details relating to our Annual General Meeting are also published on the website. Shareholders and interested parties can also sign up for our newsletter at ir@kloeckner.com.

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

CONTACT
Investor Relations & Sustainability
Phone: + 49 203 307-2290
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Klöckner & Co SE
Consolidated statement of income

for the six-month period ending June 30, 2017

(€ thousand)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Sales	1,639,854	1,517,011	3,241,742	2,902,840
Other operating income	5,426	5,289	11,983	11,693
Changes in inventory	6,855	2,110	11,463	-2,473
Cost of materials	-1,308,144	-1,157,357	-2,547,788	-2,234,255
Personnel expenses	-156,337	-164,777	-314,423	-326,890
Depreciation and amortization	-22,561	-22,785	-44,667	-46,967
Other operating expenses	-124,312	-130,160	-263,074	-262,686
Operating result	40,781	49,331	95,236	41,262
Finance income	1,755	437	2,228	540
Finance expenses	-10,030	-7,630	-18,736	-15,810
Financial result	-8,275	-7,193	-16,508	-15,270
Income before taxes	32,506	42,138	78,728	25,992
Income taxes	-8,936	-9,536	-19,232	-7,095
Net income	23,570	32,602	59,496	18,897
thereof attributable to				
– shareholders of Klöckner & Co SE	*23,251*	*32,141*	*58,866*	*18,265*
– non-controlling interests	*319*	*461*	*630*	*632*
Earnings per share (€/share)				
– basic	0.23	0.32	0.59	0.18
– diluted	0.22	0.32	0.56	0.18

Statement of comprehensive income

for the six-month period ending June 30, 2017

(€ thousand)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Net income	**23,570**	**32,602**	**59,496**	**18,897**
Other comprehensive income not reclassifiable				
Actuarial gains and losses (IAS 19)	32,020	-25,215	37,481	-88,988
Related income tax	-4,254	309	-5,559	9,087
Total	**27,766**	**-24,906**	**31,922**	**-79,901**
Other comprehensive income reclassifiable				
Foreign currency translation	-27,552	10,640	-30,348	-3,702
Gain/loss from net investment hedges	-	46	-	-326
Related income tax	-	102	-	218
Gain/loss from cash flow hedges	301	-24	474	-2
Fair value changes of available for sale securities	4,693	-	4,693	-
Total	**-22,558**	**10,764**	**-25,181**	**-3,812**
Other comprehensive income	**5,208**	**-14,142**	**6,741**	**-83,713**
Total comprehensive income	**28,778**	**18,460**	**66,237**	**-64,816**
thereof attributable to				
– shareholders of Klöckner & Co SE	*28,453*	*18,007*	*65,602*	*-65,425*
– non-controlling interests	*325*	*453*	*635*	*609*

Consolidated statement of financial position

as of June 30, 2017

Assets

(€ thousand)	June 30, 2017	December 31, 2016
Non-current assets		
Intangible assets	182,635	206,317
Property, plant and equipment	638,890	661,548
Non-current investments	3,528	5,732
Other assets	9,551	10,162
Current income tax receivable	9,525	8,415
Deferred tax assets	4,820	4,855
Total non-current assets	848,949	897,029
Current assets		
Inventories	1,118,765	1,006,255
Trade receivables	857,090	653,784
Current income tax receivable	18,244	19,725
Other assets	71,464	97,606
Cash and cash equivalents	150,994	134,228
Assets held for sale	18,200	87,909
Total current assets	2,234,757	1,999,507
Total assets	3,083,706	2,896,536

Equity and liabilities

(€ thousand)	June 30, 2017	December 31, 2016
Equity		
Subscribed capital	249,375	249,375
Capital reserves	682,412	682,412
Retained earnings	240,603	201,687
Accumulated other comprehensive income	12,458	5,722
Equity attributable to shareholders of Klöckner & Co SE	**1,184,848**	**1,139,196**
Non-controlling interests	7,094	8,757
Total equity	**1,191,942**	**1,147,953**
Non-current liabilities		
Provisions for pensions and similar obligations	309,045	358,887
Other provisions and accrued liabilities	22,667	22,614
Financial liabilities	518,214	527,494
Other liabilities	248	275
Deferred tax liabilities	48,317	39,308
Total non-current liabilities	**898,491**	**948,578**
Current liabilities		
Other provisions and accrued liabilities	128,552	137,737
Income tax liabilities	18,098	14,422
Financial liabilities	112,396	44,013
Trade payables	669,799	540,130
Other liabilities	64,428	41,296
Liabilities of disposal groups	-	22,407
Total current liabilities	**993,273**	**800,005**
Total liabilities	**1,891,764**	**1,748,583**
Total equity and liabilities	**3,083,706**	**2,896,536**

Consolidated statement of cash flows

for the six-month period ending June 30, 2017

(€ thousand)	Q2 2017	Q2 2016	HY1 2017	HY1 2016
Net income	23,570	32,602	59,496	18,897
Income taxes	8,936	9,536	19,232	7,095
Financial result	8,275	7,193	16,508	15,270
Depreciation and amortization	22,561	22,785	44,667	46,967
Other non-cash income/expenses	17	-277	51	279
Gain on disposal of non-current assets	-848	-168	-912	-866
Change in net working capital				
Inventories	-15,632	-10,553	-148,750	2,917
Trade receivables	-28,205	-79,397	-228,793	-171,376
Trade payables	-1,299	56,601	151,895	106,250
Change in other operating assets and liabilities	-6,128	-3,599	29,644	22,473
Interest paid	-6,685	-9,526	-12,627	-14,003
Interest received	186	220	631	396
Income taxes paid	-7,229	-3,715	-11,032	-7,356
Cash flow from operating activities	-2,481	21,702	-79,990	26,943
Proceeds from the sale of non–current assets and assets held for sale	3,337	2,151	3,753	5,107
Proceeds from the sale of consolidated subsidiaries (incl. businesses)	- 1,166	9,420	55,090	9,420
Payments for intangible assets, property, plant and equipment (incl. financial assets)	-16,757	-28,894	-34,673	-41,395
Cash flow from investing activities	-14,586	-17,323	24,170	-26,868
Dividend payments to shareholders of Klöckner & Co SE	- 19,950	-	- 19,950	-
Repayment convertible bond	-	-	-	- 24,850
Repayment promissory notes	-	- 133,000	-	- 133,000
Drawing syndicated loan	-	25,000	-	50,000
Net change of other financial liabilities	27,031	4,485	94,299	15,882
Cash flow from financing activities	7,081	-103,515	74,349	-91,968
Changes in cash and cash equivalents	-9,986	-99,136	18,529	-91,893
Effect of foreign exchange rates on cash and cash equivalents	-1,623	-1,814	-1,763	-5,589
Cash and cash equivalents at the beginning of the period	162,603	168,321	134,228	164,853
Cash and cash equivalents at the end of the reporting period as per statement of financial position	150,994	67,371	150,994	67,371

Summary of changes in equity

for the six-month period ending June 30, 2017

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	Accumulated other comprehensive income: Currency translation adjustments	Accumulated other comprehensive income: Actuarial gains and losses (IAS 19)	Accumulated other comprehensive income: Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non-controlling interests	Total
Balance as of January 1, 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 investment hedges						-326	-326		-326
Related income tax						218	218		218
Gain/Loss from cash flow hedges						-2	-2		-2
Actuarial gains and losses (IAS 19)					-88,964		-88,964	-24	-88,988
Related income tax					9,087		9,087		9,087
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
Balance as of January 1, 2017	249,375	682,412	201,687	190,842	-182,782	-2,338	1,139,196	8,757	1,147,953
Other comprehensive income									
Foreign currency translation				-30,348			-30,348		-30,348
Fair value changes of available for sale securities						4,693	4,693		4,693
Gain/Loss from cash flow hedges						474	474		474
Actuarial gains and losses (IAS 19)					37,473		37,473	8	37,481
Related income tax					-5,556		-5,556	-3	-5,559
Other comprehensive income							6,736	5	6,741
Net income			58,866				58,866	630	59,496
Total comprehensive income							65,602	635	66,237
Change of non–controlling interests								-2,298	-2,298
Dividends			-19,950				-19,950		-19,950
Balance as of June 30, 2017	249,375	682,412	240,603	160,494	-150,865	2,829	1,184,848	7,094	1,191,942

Selected explanatory notes to the condensed interim consolidated financial statements for the six-month period ending June 30, 2017

(1) Basis of presentation

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2017 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.

The accounting policies applied to the interim consolidated financial statements as of June 30, 2017 – with the exception of the changes presented in Note (2) – are consistent with those used for the consolidated financial statements of Klöckner & Co SE as of December 31, 2016 in accordance with IAS 34 (Interim Financial Reporting). A detailed description of those policies is provided in the notes to the consolidated financial statements on pages 113 to 129 of the 2016 Annual Report. Consistency of presentation is observed.

The exchange rates used to translate the financial statements of foreign subsidiaries included in the consolidated financial statements were as follows:

	Closing rate		Average rate	
€1 =	June 30, 2017	December 31, 2016	HY1 2017	HY1 2016
Brazilian Real (BRL)	3.7600	3.4305	3.4431	4.1296
Pound Sterling (GBP)	0.8793	0.8562	0.8606	0.7788
Swiss Franc (CHF)	1.0930	1.0739	1.0767	1.0961
US Dollar (USD)	1.1412	1.0541	1.0830	1.1160

As part of the preparation of interim consolidated financial statements in accordance with IAS 34 for the period ending June 30, 2017, the Management Board of Klöckner & Co SE is required to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. The actual amounts may differ from these estimates.

The Group's market capitalization as of June 30, 2017 was below the carrying amount of its net assets. The impairment test carried out in response to this triggering event confirmed the carrying amounts for the assets of the Group's cash-generating units. We additionally refer in this connection to the related information in the 2016 consolidated financial statements on pages 142 to 145 of the Annual Report 2016.

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, 2017 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2017 were authorized for issuance by the Management Board on July 26, 2017 after discussion with the Audit Committee of the Supervisory Board. Unless otherwise indicated, all amounts are stated in million euros (€ million). Discrepancies may arise relative to the unrounded figures.

(2) New accounting standards and interpretations

The following amendments to existing standards have been adopted by the IASB and, pending EU endorsement, must be applied by the Klöckner & Co Group in fiscal year 2017:

Standard/Interpretation
Amendments to IAS 7: Disclosure Initiative
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses
Improvements to IFRS 2014-2016: Amendments to IFRS 12

First-time application of the amendments has no material impact on the consolidated financial statements of Klöckner & Co SE.

(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 2017	HY1 2016
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	58,866	18,265
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	(€/share)	0.59	0.18
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	58,866	18,265
Interest expense on dilutive convertible bonds (net of tax)	(€ thousand)	2,301	14
Net income used to determine diluted earnings per share	(€ thousand)	61,167	18,279
Weighted average number of shares	(thousands of shares)	99,750	99,750
Dilutive potential shares from convertible bonds	(thousands of shares)	10,024	67
Weighted average number of shares for diluted earnings per share	(thousands of shares)	109,774	99,817
Diluted earnings per share	(€/share)	0.56	0.18

(4) Inventories

(€ million)	June 30, 2017	December 31, 2016
Cost	1,152	1,036
Valuation allowance (net realizable value)	-33	-30
Inventories	1,119	1,006

(5) Financial liabilities

The composition of financial liabilities is as follows:

(€ million)	June 30, 2017	December 31, 2016
Non-current financial liabilities		
Bonds	130	128
Liabilities to banks	26	77
Liabilities under ABS programs	339	298
Finance lease liabilities	23	24
Total non-current financial liabilities	518	527
Current financial liabilities		
Bonds	1	1
Liabilities to banks	109	41
Liabilities under ABS programs	1	1
Finance lease liabilities	1	1
Total current financial liabilities	112	44
Financial liabilities as per consolidated balance sheet	631	572

Net financial debt developed as follows:

(€ million)	June 30, 2017	December 31, 2016
Financial liabilities as per consolidated balance sheet	631	572
Transaction costs	6	6
Gross financial liabilities	637	578
Cash and cash equivalents	151	134
Net financial debt (before deduction of transaction cost)	486	444

(6) Financial instruments

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

Financial assets as of June 30, 2017		Measurement in accordance with					
		IAS 39			IAS 17		
(€ thousand)	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	*3,528*	*3,528*	-	-	-	-	*3,528*
Loans and receivables	4	4	-	-	-	-	4
Financial assets available for sale	3,524	3,524	-	-	-	-	3,524
Other non–current assets	*9,551*	*6,217*	-	-	-	*3,334*	*6,217*
Loans and receivables	6,217	6,217	-	-	-	-	6,217
Not covered by the scope of IFRS 7	3,334	-	-	-	-	3,334	-
Current financial assets							
Trade receivables	*857,090*	*857,090*	-	-	-	-	*857,090*
Loans and receivables	857,090	857,090	-	-	-	-	857,090
Other current assets	*71,464*	*63,374*	*635*	*474*	-	*6,981*	*64,483*
Loans and receivables	63,374	63,374	-	-	-	-	63,374
Derivative financial instruments not designated in hedge accounting (held for trading)	635	-	635	-	-	-	635
Derivative financial instruments designated in hedge accounting	474	-	-	474	-	-	474
Not covered by the scope of IFRS 7	6,981	-	-	-	-	6,981	-
Liquid funds	*150,994*	*150,994*	-	-	-	-	*150,994*
Loans and receivables	148,835	148,835	-	-	-	-	148,835
Financial assets available for sale	2,159	2,159	-	-	-	-	2,159
Total	1,092,627	1,081,203	635	474	-	10,315	1,082,312

Other non-current financial assets not covered by the scope of IFRS 7 mainly comprise pension-related receivables and pension liability claims against pension funds. Other current assets not covered by the scope of IFRS 7 are mostly other tax receivables.

Financial liabilities as of June 30, 2017		Measurement in accordance with					
		IAS 39			IAS 17		
(€ thousand)	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 liabilities							
Non-current financial liabilities	*518,214*	*495,598*	-	-	*22,616*	-	*535,861*
Liabilities measured at amortized costs	495,598	495,598	-	-	-	-	513,245
Liabilities held under finance leases	22,616	-	-	-	22,616	-	22,616
Other non–current liabilities	*248*	*232*	*16*	-	-	-	*248*
Liabilities measured at amortized costs	232	232	-	-	-	-	232
Derivative financial instruments not designated in hedge accounting (held for trading)	16	-	16	-	-	-	16
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*112,396*	*111,582*	-	-	*814*	-	*112,396*
Liabilities measured at amortized costs	111,582	111,582	-	-	-	-	111,582
Liabilities held under finance leases	814	-	-	-	814	-	814
Current trade liabilities	*669,799*	*669,799*	-	-	-	-	*669,799*
Liabilities measured at amortized costs	669,799	669,799	-	-	-	-	669,799
Other current liabilities	*64,428*	*18,814*	*148*	-	-	*45,466*	*18,962*
Liabilities measured at amortized costs	18,814	18,814	-	-	-	-	18,814
Derivative financial instruments not designated in hedge accounting (held for trading)	148	-	148	-	-	-	148
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	45,466	-	-	-	-	45,466	-
Total	1,365,085	1,296,025	164	-	23,430	45,466	1,337,266

Other current financial liabilities not covered by the scope of IFRS 7 mainly comprise other tax liabilities, such as VAT liabilities.

Financial assets as of December 31, 2016

(€ thousand)	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	*5,732*	*5,732*	-	-	-	-	*5,732*
Loans and receivables	5	5	-	-	-	-	5
Financial assets available for sale	5,727	5,727	-	-	-	-	5,727
Other non–current assets	*10,162*	*6,716*	-	-	-	*3,446*	*6,716*
Loans and receivables	6,716	6,716	-	-	-	-	6,716
Not covered by the scope of IFRS 7	3,446	-	-	-	-	3,446	-
Current financial assets							
Trade receivables	*653,784*	*653,784*	-	-	-	-	*653,784*
Loans and receivables	653,784	653,784	-	-	-	-	653,784
Other current assets	*97,606*	*84,448*	*1,638*	-	-	*11,520*	*86,086*
Loans and receivables	84,448	84,448	-	-	-	-	84,448
Derivative financial instruments not designated in hedge accounting (held for trading)	1,638	-	1,638	-	-	-	1,638
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	11,520	-	-	-	-	11,520	-
Liquid funds	*134,228*	*134,228*	-	-	-	-	*134,228*
Loans and receivables	131,452	131,452	-	-	-	-	131,452
Financial assets available for sale	2,776	2,776	-	-	-	-	2,776
Total	901,512	884,908	1,638	-	-	14,966	886,546

Financial liabilities as of December 31, 2016		Measurement in accordance with					
		IAS 39			IAS 17		
(€ thousand)	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 liabilities							
Non-current financial liabilities	*527,494*	*503,384*	-	-	*24,110*	-	*553,469*
Liabilities measured at amortized costs	503,384	503,384	-	-	-	-	529,359
Liabilities held under finance leases	24,110	-	-	-	24,110	-	24,110
Other non–current liabilities	*275*	*247*	*28*	-	-	-	*275*
Liabilities measured at amortized costs	247	247	-	-	-	-	247
Derivative financial instruments not designated in hedge accounting (held for trading)	28	-	28	-	-	-	28
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*44,013*	*43,192*	-	-	*821*	-	*44,013*
Liabilities measured at amortized costs	43,192	43,192	-	-	-	-	43,192
Liabilities held under finance leases	821	-	-	-	821	-	821
Current trade liabilities	*540,130*	*540,130*	-	-	-	-	*540,130*
Liabilities measured at amortized costs	540,130	540,130	-	-	-	-	540,130
Other current liabilities	*41,296*	*15,802*	*270*	*260*	-	*24,964*	*16,332*
Liabilities measured at amortized costs	15,802	15,802	-	-	-	-	15,802
Derivative financial instruments not designated in hedge accounting (held for trading)	270	-	270	-	-	-	270
Derivative financial instruments designated in hedge accounting	260	-	-	260	-	-	260
Not covered by the scope of IFRS 7	24,964	-	-	-	-	24,964	-
Total	1,153,208	1,102,755	298	260	24,931	24,964	1,154,219

Other current financial liabilities not covered by the scope of IFRS 7 mainly comprise other tax liabilities, such as VAT liabilities.

The fair values of current financial assets are largely identical to their carrying amounts. The fair values of financial liabilities reflect the current market situation for the respective financial instruments as of the balance sheet date. Their fair values are not reduced by transaction costs. For current financial liabilities, when there are no transaction costs to be deducted, their carrying amount is identical to fair value.

Fair values for derivative financial instruments are determined on the basis of banks' quoted prices or by quantitative finance methods using standard banking models. Counterparty risk as of the measurement date is taken into account in the determination of fair values. Where market prices exist, these correspond to the price a third party 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 the value of hedged items.

All financial instruments are measured using the three-level hierarchy under IFRS 13. Financial instruments are classified as Level 1 if the fair value is obtained from quoted prices in active markets. If fair values are derived from directly observable market inputs, these instruments are included in Level 2. Financial instruments with fair values which cannot be derived from directly observable markets are included in Level 3. All financial instruments are classified in Level 2 of the hierarchy.

(7) Subsequent events

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

(8) Related party transactions

In the course of its ordinary business activities, the Klöckner & Co Group has business relationships with numerous companies. These also include related parties. Business relations with these companies do not fundamentally differ from trade relationships with other companies. Under a contract concluded in October 2016 to provide consulting services for the Group's Digital Academy, Professor Kollmann was paid remuneration in the amount of €78 thousand. There were no other material related party transactions in the reporting period.

(9) Segment reporting

(€ million)	Europe		Americas		Headquarters/ Consolidation		Total	
	HY1 2017	HY1 2016	HY1 2017	HY1 2016	HY1 2017	HY1 2016	HY1 2017	HY1 2016
Sales	2,004	1,832	1,238	1,071	-	-	3,242	2,903
Gross profit	448	429	257	237	-	-	705	666
Segment result (EBITDA)	91	60	62	41	-13	-13	140	88
Earnings before interest and taxes (EBIT)	67	36	43	20	-15	-15	95	41

(€ million)	Europe		Americas		Headquarters/ Consolidation		Total	
	HY1 2017	FY 2016	HY1 2017	FY 2016	HY1 2017	FY 2016	HY1 2017	FY 2016
Net Working Capital as of closing date	879	706	424	411	3	3	1,306	1,120
Net financial debt as of closing date	480	376	379	410	-373	-342	486	444
Number of employees as of closing date	6,070	6,419	2,498	2,531	118	114	8,686	9,064

External sales comprise all sales generated with customers. EBITDA, a key performance indicator, is defined as earnings before interest, taxes, depreciation and amortization and reversals of impairments of intangible assets and property, plant and equipment. Net working capital comprises inventories and trade receivables less trade payables.

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

(€ million)	HY1 2017	HY1 2016
Earnings before interest and taxes (EBIT)	95	41
Group financial result	-17	-15
Income before taxes	79	26

Duisburg, July 26, 2017

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 have reviewed the condensed interim consolidated financial statements of the Klöckner & Co SE - comprising the consolidated statement of financial position as of June 30, 2017, the consolidated statement of income, statement of comprehensive income, consolidated statement of cash flow and summary of changes in equity for the period from January 1 to June 30, 2017, as well as selected explanatory notes on the interim consolidated financial statements together with the interim group management report of the Klöckner & Co SE in conjunction with Sec. 37w of the German Securities Trading Act (Wertpapierhandelsgesetz, 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) and additionally observed 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 auditor's report.

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

Düsseldorf, July 26, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Markus Zeimes	**Ulrich Keisers**
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 and generally accepted accounting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Duisburg, July 26, 2017

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Financial Calendar

September 29, 2017	Capital Markets Day, Frankfurt am Main
October 25, 2017	Q3 interim management statement 2017 Conference call with journalists Conference call with analysts
February 28, 2018	Annual financial statements 2017 Financial statements press conference Conference with analysts
April 25, 2018	Q1 interim management statement 2018 Conference call with journalists Conference call with analysts
May 16, 2018	Annual General Meeting 2018, Düsseldorf
July 24, 2018	Q2 interim report 2018 Conference call with journalists Conference call with analysts
October 24, 2018	Q3 interim management statement 2018 Conference call with journalists Conference call with analysts

Subject to subsequent changes

Klöckner & Co SE

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Disclaimer

This report (particularly the “Forecast” section) contains forward-looking statements 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.

Valuation statements are unified and are presented as follows:

+/- 0-1%	+/- 1-5%	+/- 5-10%	+/- 10-15%	> +/- 15%
constant, stable	moderate, slight	measureable, noticeable, substantial	considerable, dynamic, significant	sharp, strong