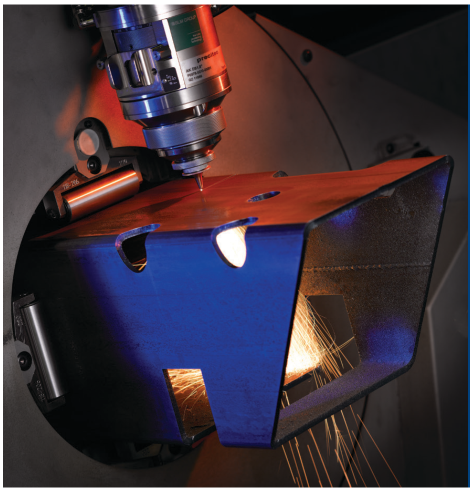
klöckner & co



Klöckner & Co SE

A Leading Multi Metal Distributor

Interim Report

as of June 30, 2014

INTERIM REPORT AS OF JUNE 30, 2014

KLÖCKNER & CO SE

Klöckner & Co Group Figures

Shipments and income statement		Q2 2014	Q2 2013	Variance	HY1 2014	HY1 2013	Variance
Shipments	Tto	**1,720**	1,690	+30	**3,353**	3,336	+17
Sales	€ million	**1,680**	1,698	–18	**3,252**	3,322	–70
Gross profit	€ million	**325**	305	+20	**627**	608	+19
Gross profit margin	%	**19.3**	18.0	+1.3%p	**19.3**	18.3	+1.0%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	**56**	43	+13	**101**	72	+29
EBITDA margin	%	**3.3**	2.5	+0.8%p	**3.1**	2.2	+0.9%p
Earnings before interest and taxes (EBIT)	€ million	**33**	17	+16	**56**	19	+37
Earnings before taxes (EBT)	€ million	**17**	–2	+19	**23**	–18	+41
Net income	€ million	**10**	–4	+14	**13**	–20	+33
Net income attributable to shareholders of Klöckner & Co SE	€ million	**10**	–4	+14	**13**	–19	+32
Earnings per share (basic)	€	**0.10**	–0.04	+0.14	**0.13**	–0.19	+0.32
Earnings per share (diluted)	€	**0.10**	–0.04	+0.14	**0.13**	–0.19	+0.32

Cash flow statement/Cash flow		Q2 2014	Q2 2013	Variance	HY1 2014	HY1 2013	Variance
Cash flow from operating activities	€ million	**–82**	–12	–70	**–148**	–47	–101
Cash flow from investing activities	€ million	**–86**	–8	–78	**–92**	–14	–78
Free cash flow*)	€ million	**–168**	–20	–148	**–240**	–61	–179

Balance sheet		June 30, 2014	December 31, 2013	Variance	June 30, 2014	June 30, 2013	Variance
Net working capital**)	€ million	**1,463**	1,216	+247	**1,463**	1,456	+7
Net financial debt	€ million	**579**	325	+254	**579**	489	+90
Equity	€ million	**1,447**	1,445	+2	**1,447**	1,514	–67
Equity ratio	%	**39.6**	40.2	–0.6%p	**39.6**	38.9	+0.7%p
Balance sheet total	€ million	**3,658**	3,595	+63	**3,658**	3,897	–239

Employees		June 30, 2014	December 31, 2013	Variance	June 30, 2014	June 30, 2013	Variance
Employees at end of period		**9,748**	9,591	+157	**9,748**	9,995	–247

*) Free cash flow = Cash flow from operating activities plus cash flow from investing activities.
**) Net working capital = Inventories plus trade accounts receivable minus trade accounts payable.

Interim Group Management Report

Highlights in the first six months of 2014 and outlook

- Shipments up 0.5% to 3.4 million tons despite restructuring and scaling-back of low-margin business
- Sales marginally down by 2.1% to around €3.3 billion due to weaker US dollar and lower price level in Europe
- Focus on higher-margin business lifts gross profit margin from 18.3% to 19.3%
- EBITDA improves by 41% from €72 million to €101 million and EBIT nearly tripled from €19 million to €56 million
- Positive net income of €13 million posted compared with a net loss of €20 million in the prior-year period
- KCO 6.0 and KCO WIN self-help measures contribute €27 million to EBITDA
- Swiss reinforcing steel specialist Riedo fully acquired
- Third-quarter EBITDA expected to be on a par with the prior quarter at €50 million to €60 million
- Significant increase in EBITDA to between €190 million and €210 million targeted for the current fiscal year
- Resumption of dividend payments planned for the 2014 fiscal year

Corporate strategy

At the end of 2013, we successfully completed our restructuring measures, thereby laying the foundations for the further implementation of our "Klöckner & Co 2020" long-term strategy. This features three core elements: Growth and optimization, differentiation and enabling activities.

Klöckner & Co 2020		
Stabilization	Restructuring	Finished by successful implementation of KCO 6.0
Growth and optimization	External & internal growth	External growth with focus on higher value-added business Internal growth with focus on US market
	Operations	Improvements through KCO WIN
Differentiation	Sourcing	Realization of higher scale-effects through expansion of partnerships with specific suppliers
	Products and services	Broad product range and accelerated expansion of higher value-added processing and services
	Digitalization	Digitalization of supply chain
Enabling activities	Management & pers. development	Increased effort in management capabilities and measurability of people management
	Controlling & IT systems	Deployment of most modern controlling and IT systems

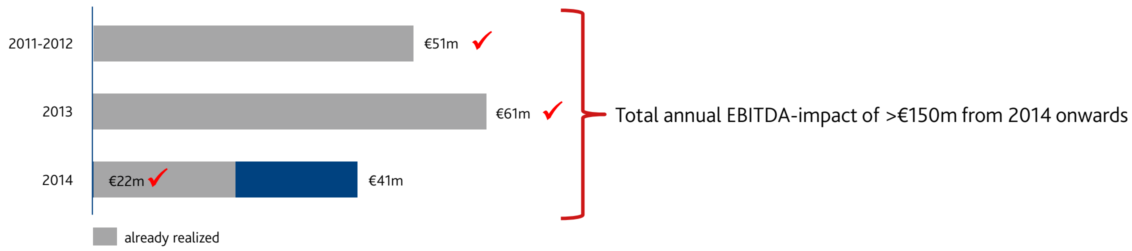
Stabilization

Restructuring

We acted on the impending decline in demand as early as September 2011, launching the KCO 6.0 restructuring program. Subsequently extended in view of the further drop in demand for steel in Europe, this program was successfully completed by the 2013 year-end. Action taken among other things included a complete withdrawal from Eastern Europe and a significant cutback in activities in Spain and France. Overall, we sold or closed over 70 persistently unprofitable locations and reduced the workforce by approximately 2,300.

The €22 million year-on-year earnings contribution delivered by the restructuring program was the main driver behind the €29 million increase in EBITDA from €72 million to €101 million and the increase in EBIT from €19 million to €56 million in the first half of the year.

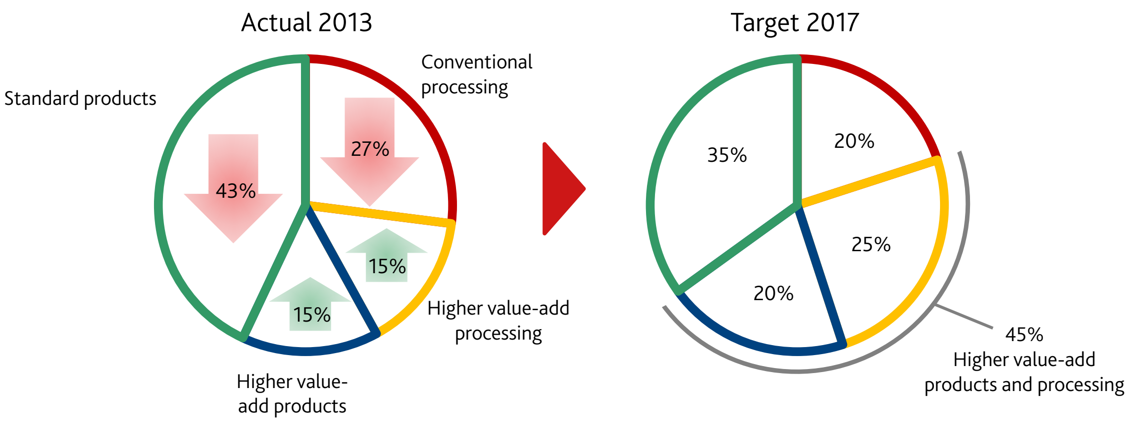
Over the year as a whole, we expect the restructuring program (KCO 6.0) to make an additional contribution to EBITDA of €41 million and therefore to combine with the measures already implemented in previous years to yield the full annual contribution to EBITDA of over €150 million for the first time.



Growth and optimization

External and internal growth

Having successfully completed the restructuring measures, we are now pushing growth in higher-margin business in particular. In doing so, we intend to increase the percentage of sales from higher value-added products and services from a total of 30% at present to 45%.

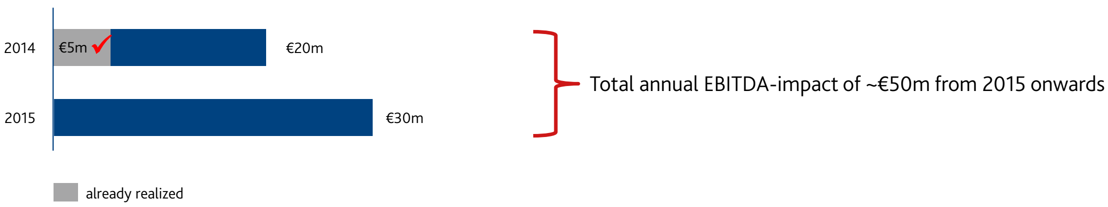


In terms of regional growth prospects, our assumption that steel demand in the US market would continue to outperform that in Europe is coming to pass. Steel demand in the USA is being driven primarily by comparatively low energy prices, which, in particular, are attracting energy-intensive industries. In commercial construction, too, there are increasing signs of a sustained turnaround. Having boosted US shipments to 43% of total shipments in 2013, we now aim to raise this to over 50% in the medium term.

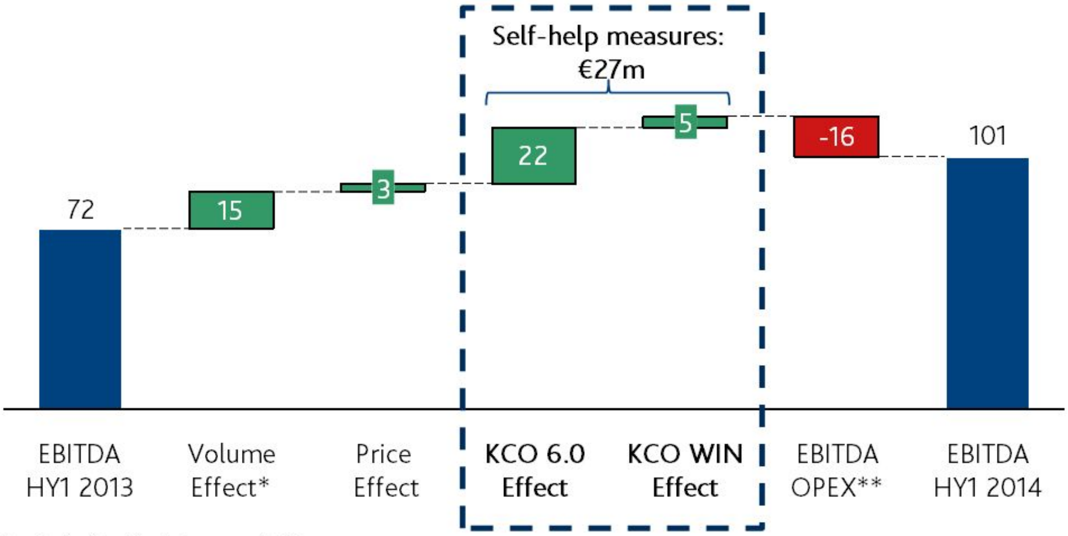
Operations

We combined the measures designed to improve workflows and processes in our business operations in the KCO WIN program. A main focus of the measures is on improvements in sales. Our prime objective in this area is to fine-tune pricing in order to raise the gross profit margin. At the same time, we are planning a range of enhancements in procurement, logistics and stockyard management.

Following an initial contribution of €5 million in the second quarter of 2014, KCO WIN is set to contribute around €20 million to EBITDA over the year as a whole. The program is then scheduled to make its full annual contribution to EBITDA of around €50 million in 2015.



Amounting to a total of €27 million, the knock-on effects from the completed KCO 6.0 restructuring program and the initial contributions from the KCO WIN optimization program were the main drivers behind the increase in EBITDA from €72 million in the first half of 2013 to €101 million in the reporting period:



* Including Riedo impact of €10m
** Including -€7m pension adjustment NL in Q2/2013 and -€4.3m Riedo

Differentiation

To enhance our differentiation, primarily from the many small and mid-size competitors, we are pursuing three core elements: Sourcing, products and services, and digitalization.

Sourcing

The economies of scale achievable thus far in sourcing are still unsatisfactory, as the tendency among producers faced with excess capacity is often to sell smaller quantities of steel products at similar prices to larger quantities. We are therefore seeking to consolidate our procurement volumes to an even greater extent and place them with suppliers who are prepared to grant us terms that appropriately reflect those volumes. If unsuccessful, we may turn more to global producers. Based on the economies of scale that can be achieved by doing so, the further consolidation of the distribution level could also pick up pace.

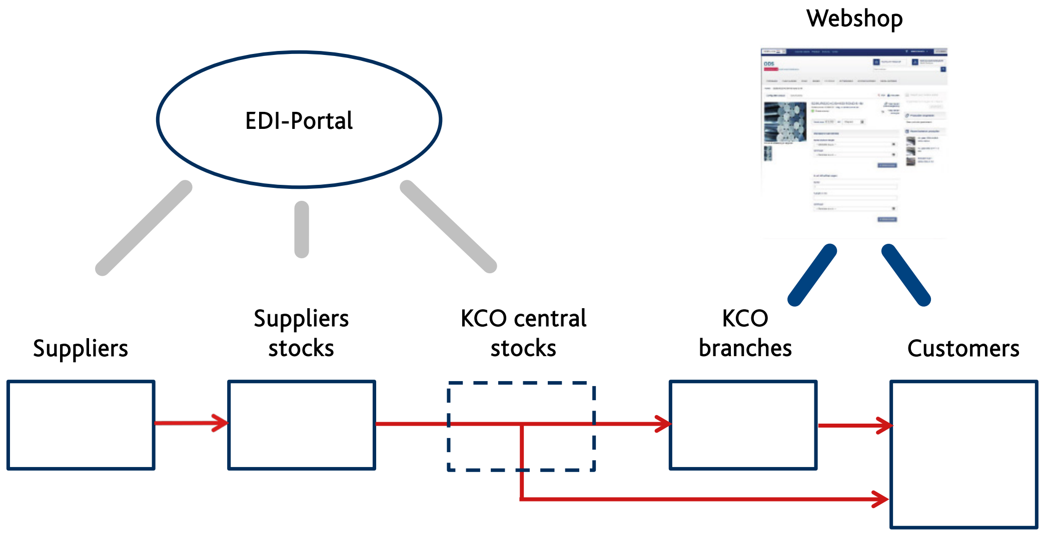
Products and services

Despite scaling back low-margin business, we will continue to offer our customers a wide range of products, but will expand it by adding more higher-margin products and prefabrication services. In doing so, we will concentrate primarily on customers who offer us greater potential to sell higher value-added products and services due to a high degree of vertical integration.

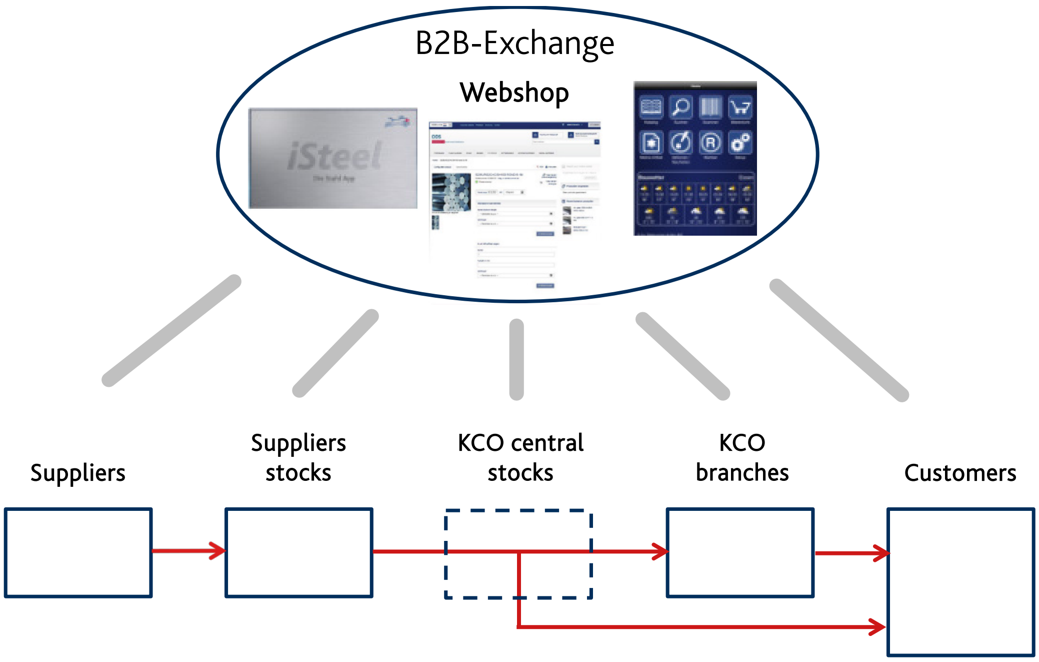
Digitalization

We have stepped up our activities to digitalize the supply chain from supplier to customer significantly. We see considerable potential on this front, as the traditional supply chain in steel and metal distribution is still extremely inefficient. Because the flow of information is not end to end, production often fails to reflect demand, steel and metal products are too frequently shifted between stockyards, and the process from production through to delivery to the customer is too time-consuming. The inefficiencies are offset by higher inventories, further increasing the need for net working capital.

Firstly, we plan to gradually reduce the inefficiencies by increasingly linking up with suppliers online and making greater use of webshops when selling to our customers.



Secondly, we intend to standardize the systems on a B2B platform so as to ensure end-to-end digitalization of the supply chain. We aim to use uniform interfaces to make linking up with suppliers easier. This will enable interim storage of steel and metal products to be further reduced and delivery times to be cut. We intend to offer our customers full online access to our products and services through webshops.

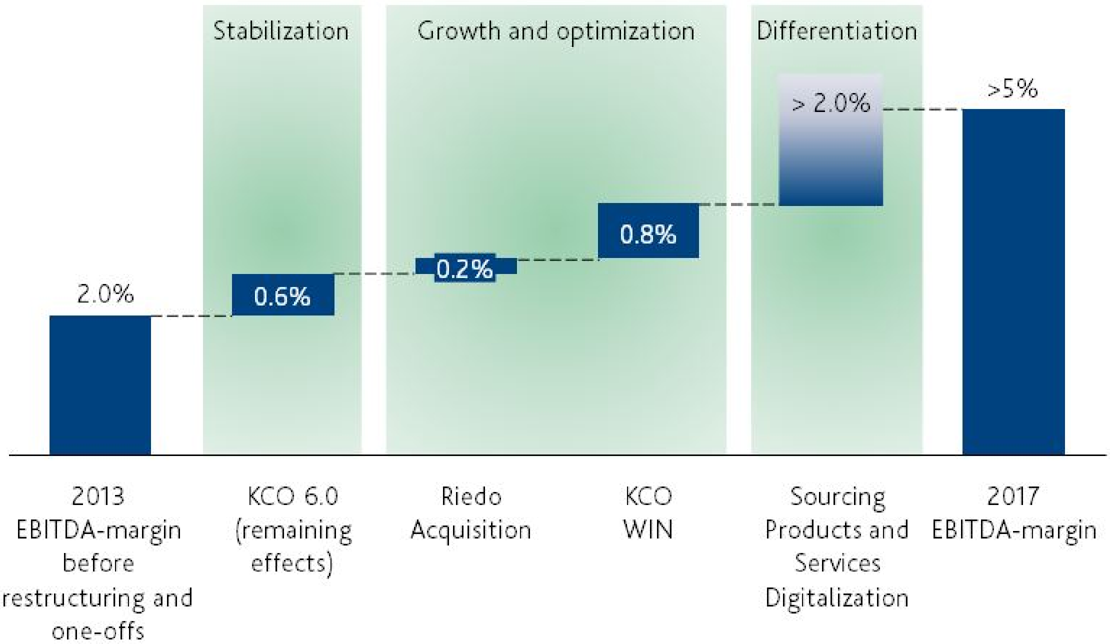


Enabling activities

Management and personnel development, controlling and IT systems

The goals outlined can only be attained with a motivated and highly qualified workforce. Management and personnel development is therefore a key supporting function within our strategy. The latest controlling and IT systems are likewise mission-critical when it comes to making business decisions in our volatile markets at all times on the basis of full and current information.

By implementing the measures that form part of the “Klöckner & Co 2020” strategy, we aim to lift the EBITDA-margin to more than 5% over the next three years.



Economic environment

Macroeconomic situation

Following a restrained start to 2014, global economic growth accelerated to 2.4% in the second quarter, with catch-up effects in the USA and the slight economic recovery in Europe contributing to the stronger rate of global expansion. The emerging economies, on the other hand, failed to fully meet the previous quarters’ expectations for growth.

The eurozone maintained the upward trajectory it embarked upon last year, with the eurozone economy thus expanding by 0.9% year on year in the second quarter. Momentum varies considerably across the various European countries. While Germany remained an engine of growth and the UK economy picked up considerable speed, the rate of expansion in French economic output continued to slow.

After slowing in the first quarter due mainly to weather conditions, growth in the USA rebounded sharply in the second quarter, when – driven by rising consumer spending and catch-up effects following the harsh winter – economic output increased by 4.2%.

In China, economic growth was up 7.5% year on year in the second quarter. Economic activity in China is still dominated by government investment, although the country continues to pursue a more consumer-based economy.

In Brazil, the economy grew by just 0.4% compared with the prior-year quarter. The FIFA World Cup staged there failed to deliver a noticeable boost to the economy. Industrial production was dampened by high energy costs in particular.

Development of GDP in our core countries (in percent)	Q2 2014 vs Q2 2013
Europe*)	**0.9**
Germany	1.8
United Kingdom	3.1
France	0.4
Spain	1.0
Switzerland	1.8
China	7.5
Americas	
United States	4.2
Brazil	0.4

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

Industry-specific situation

Global steel production increased by 2.5% year-on-year in the first six months of 2014 to some 821 million tons of raw steel, although considerable regional differences persisted. According to the World Steel Association, production in the USA increased by just 0.9% in the first six months due to production outages caused by the adverse weather conditions. In the EU, on the other hand, almost all countries recorded tangible rates of growth, as a result of which production increased by 3.8% overall in the first half of the year. Production in China increased by 3.0%, whereas in Brazil it declined by 1.5%.

In Europe, Eurometal says that shipments in steel and metal distribution increased by 5.0% in the first six months of 2014. In the USA, shipments in steel and metal distribution grew by 4.2% in the first half of the year, according to the Metals Service Center Institute (MSCI).

The steel industry still faces the problem of massive excess capacity, most of all in China and Europe, with the balance of supply and demand continuing to result in structural underutilization. At the end of June, the capacity utilization of steel producers in Europe and the USA stood at around 75%. Considerable excess capacities still exist at distribution level as well, with competition remaining fierce as a result.

Trend in key customer industries

Construction industry

As the largest processor of steel, the construction industry is key to the global trend in steel consumption. According to estimates from the industry association Eurofer, European construction activity expanded by 4.3% in the first half of the year. The UK and Germany saw a particularly sharp increase in construction activity due to the mild winter. Following the unusually harsh winter, the construction industry in the USA benefited from catch-up effects in the second quarter. According to figures from the US Census Bureau, construction spending grew by 7.8% here in the first half of the year.

Machinery and mechanical engineering

The trend in demand in machinery and mechanical engineering was predominantly positive. According to Eurofer, European machinery and mechanical engineering grew by 2.7% year-on-year. In the USA, too, demand picked up noticeably in the first six months, while in China growth remained moderate.

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), automotive demand in Europe increased by some 6.2% year-on-year. Demand in southern European countries likewise showed strong growth. The USA recorded an increase of 4.2% in the first six months. In China, shipments once again showed very dynamic growth at 14.5%, while demand in Brazil declined by 7.3%.

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 of 2014 as well as for the entire first half are as follows:

Key figures results of operations

(€ million)	Q2 2014	Q2 2013	HY1 2014	HY1 2013
Shipments (Tto)	**1,720**	1,690	**3,353**	3,336
Sales	**1,680**	1,698	**3,252**	3,322
Gross profit	**325**	305	**627**	608
Gross profit margin	**19.3%**	18.0 %	**19.3%**	18.3%
EBITDA	**56**	43	**101**	72
EBITDA margin	**3.3%**	2.5%	**3.1%**	2.2%

The key figures have developed as follows:

Key figures net assets

(€ million)	June 30, 2014	December 31, 2013	June 30, 2013
Net working capital	**1,463**	1,216	1,456
Net financial debt	**579**	325	489

Other key figures

(€ million)	June 30, 2014	December 31, 2013	June 30, 2013
Gearing (Net financial debt/shareholders' equity*))	**41%**	23%	33%
Leverage (Net financial debt/EBITDA before restructuring expenses**))	**3.2x**	2.2x	4.4x

*) Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2013.
**) EBITDA before restructuring is calculated on a last twelve months' basis before reporting date.

Shipments and sales

Group shipments in the first six months of 2014, at 3.4 million tons, were on a par with the prior-year period (up 0.5%). Performance varied in the two operating segments Europe and Americas.

Favored by the mild winter as well as the first-time inclusion of Riedo in the consolidated financial statements, the Europe segment increased shipments by 3.9% compared with the first six months of 2013. Shipments were sharply up on the prior-year level at Becker Stahl-Service (BSS), the Dutch country organization and – due to acquisitions – the Swiss country organization in particular. Market conditions remained difficult mainly in Spain and France, where shipments continued to decrease. Overall, the declines in shipments related to the restructuring were offset by the first-time inclusion of Riedo. Second-quarter shipments increased by 3.3% compared with the first quarter of the fiscal year, again due mainly to the consolidation of Riedo.

By contrast, shipments in the Americas segment decreased by 3.8% year-on-year as a result of the long and difficult winter in the USA, the consolidation of locations toward the end of last year and the ramped-up reduction of low-margin business. The unprofitable beam business for the construction industry was especially impacted in connection with portfolio restructurings. By contrast, the Americas segment saw a considerable revival in shipments from the first to the second quarter (up 8.1%). In addition to seasonal effects, the increase arose from catch-up effects after the harsh winter in the USA.

In contrast to shipments, sales for the first six months of 2014 decreased by 2.1% to €3.3 billion. This was mainly due to the deterioration in the USD/€ exchange rate, as a result of which sales in the Americas segment dropped by –6.4% and therefore at a sharper rate than shipments. In Europe, sales were up by a marginal 0.5%. Due to lower prices, however, the increase was less than the rise in shipments.

Results

(€ million)	Q2 2014	Q2 2013	HY1 2014	HY1 2013
Sales	**1,680**	1,698	**3,252**	3,322
Gross profit	**325**	305	**627**	608
EBITDA	**56**	43	**101**	72
EBIT	**33**	17	**56**	19
EBT	**17**	–2	**23**	–18
Net income	**10**	–4	**13**	–20

The gross profit margin increased from 18.3% in the first half of the previous year to 19.3%. In addition to a much more stable trend in prices in the USA compared with the prior-year period, this also showed the positive effect of shedding low-margin business under the KCO 6.0 restructuring program. Gross profit therefore rose (by 3.1%) versus the prior year to €627 million in spite of the decrease in sales.

The contribution to operating income of the KCO 6.0 program in the amount of €22 million and the KCO WIN program in the amount of €5 million played a significant part in the increase in EBITDA from €72 million to €101 million. It should be noted that the prior-year figure also includes €7 million in non-recurring income from the reversal of pension provisions at our Dutch country organization. The EBITDA margin increased by 0.9 percentage points to 3.1%.

As a result of acquisition-related amortization coming to an end, EBIT rose at an even sharper rate than EBITDA, from €19 million to €56 million.

The financial result also improved, from a negative €38 million to a negative €33 million. The main alleviating factor here was in interest expense following the redemption of promissory notes in the current fiscal year and in the prior year. Overall, this meant that EBT climbed from a negative €18 million in the previous year to a positive €23 million.

The inability to offset tax losses between countries combined with restrictive recognition rules for deferred taxes resulted in an income tax expense of €–10 million in the first half (2013: €–2 million). Despite the comparatively high tax liability, net income thus amounted to a positive €13 million compared with a net loss of €20 million in the previous year.

Basic earnings per share came to €0.13 compared with a negative €0.19 in the prior year.

EBITDA by segments

(€ million)	Q2 2014	Q2 2013	HY1 2014	HY1 2013
Europe	32	28	58	42
Americas	28	20	52	41
Headquarters	–4	–5	–9	–11
Klöckner & Co Group	**56**	**43**	**101**	**72**

In the Europe segment, EBITDA improved in the first six months of 2014, rising from €42 million to €58 million despite a further drop in prices. Cost savings from the KCO 6.0 restructuring program were the main driver of the increase. EBITDA improved year-on-year in nearly all countries of the Europe segment. The EBITDA margin improved accordingly, increasing by 0.8 percentage points to 2.8%. BSS and the Swiss country organization continued to constitute the main drivers of segment EBITDA, despite the improvements across Europe.

In the Americas segment, EBITDA increased from €41 million to €52 million on the back of the structural measures and the drive to scale back low-margin business. The EBITDA margin improved accordingly, with an increase of 1.2 percentage points to 4.5%.

Headquarters EBITDA improved to a negative €9 million (2013: €–11 million), mainly due to cost savings.

Consolidated balance sheet

(€ million)	June 30, 2014	December 31, 2013
Non-current assets	**1,041**	977
Current assets		
Inventories	**1,238**	1,166
Trade receivables	**914**	687
Other current assets	**115**	170
Liquid funds	**350**	595
Total assets	**3,658**	**3,595**
Equity	**1,447**	1,445
Non-current liabilities		
Financial liabilities	**780**	727
Other non–current liabilities	**385**	350
Current liabilities		
Financial liabilities	**141**	184
Trade payables	**689**	637
Other current liabilities	**216**	252
Total equity and liabilities	**3,658**	**3,595**

Of the €64 million increase in non-current assets, €32 million relates to intangible assets and €31 million to property, plant and equipment. The primary cause of the increase was the initial consolidation of Riedo. Further details on this can be found in Note 3 of the notes to the interim consolidated financial statements.

Most of the reduction in other current assets is accounted for by prior-year withholding tax refunds and lower supplier bonus receivables during the year.

Due to the seasonal increase in net working capital and especially the repayment of promissory notes (€50 million) and the 2009 convertible bond (€98 million), cash and cash equivalents went down from €595 million to €350 million.

The equity ratio of nearly 40% as of June 30, 2014 continues to reflect the solid balance sheet and remained at the level of December 31, 2013 (40%) in spite of the increase in total assets.

The increase of €35 million in other non-current liabilities primarily relates to higher pension provisions (up €26 million) and higher deferred taxes (up €8 million). The rise in pension provisions follows from reduced discount factors.

Net working capital

(€ million)	June 30, 2014	December 31, 2013	June 30, 2013
Inventories	1,238	1,166	1,198
Trade receivables	914	687	960
Trade payables	–689	–637	–702
Net working capital	**1,463**	**1,216**	**1,456**

At €1,463 million, net working capital was up on the end of fiscal year 2013 (€1,216 million) due to seasonal factors and acquisitions. However, it remained at approximately the prior-year level (€1,456 million).

Net financial debt

(€ million)	June 30, 2014	December 31, 2013	June 30, 2013
Net financial debt	579	325	489
Gearing (Net financial debt/shareholders' equity*))	41%	23%	33%

*) Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2013.

Net financial debt came to €579 million and thus surpassed the figure as of December 31, 2013 (€325 million), predominantly due to the increase in resources tied up in net working capital and the Riedo acquisition (including the financial liabilities assumed). At 41%, gearing remained well below the 150% maximum applicable for financing purposes.

The Group continues to have sufficient financial leeway following the early extension of the European ABS program (€360 million) and utilization of the option to extend the syndicated loan (€360 million), both until May 2017. The average remaining term for all credit facilities is around three years.

Consolidated statement of cash flows

(€ million)	Q2 2014	Q2 2013	HY1 2014	HY1 2013
Cash flow from operating activities	–82	–12	–148	–47
Cash flow from investing activities	–86	–8	–92	–14
Free cash flow	**–168**	**–20**	**–240**	**–61**
Cash flow from financing activities	–9	–70	–7	23

Due to the increase in net working capital, the cash outflow from operating activities of €–148 million was greater than the prior-year cash outflow of €–47 million as of December 31, 2013. The cash outflow from investing activities amounted to negative €92 million (HY1 2013: negative €14 million). The primary reason was the completion of the Riedo acquisition, which accounted for €82 million of the net cash outflow.

In total, this resulted in a negative free cash flow of €240 million, compared with a negative €61 million in the prior-year period. Cash flow from financing activities came to a negative €7 million (HY1 2013: positive €23 million). This figure takes account of payments made to service the 2009 convertible bond in the amount of €98 million as well as promissory notes in the amount of €50 million, most of which were offset by an increased use of ABS and bilateral facilities.

Subsequent events

No material events have arisen subsequent to the reporting date.

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

The prospects for the world economy have improved on the whole, even though the economic trend continues to be tempered by considerable uncertainty. Many problems such as the European sovereign debt and banking crisis remain unresolved; added to these are new geopolitical crises such as the political tensions in Ukraine. As a result, there remains considerable potential for setback.

For Europe, the International Monetary Fund (IMF) is forecasting a continuation of the economic recovery in 2014. Growth is projected to amount to 1.1%, driven by stronger domestic demand and an improved competitive position. Forecasts for the USA are at 1.7% due to the more dynamic economy supported by lower energy costs. China's economic growth would be less than in previous years at 7.4%, despite state-initiated infrastructure measures. In Brazil, economic momentum is suffering from the central bank's current restrictive monetary policy, weaker foreign demand and uncertainty regarding the upcoming presidential elections. Growth is therefore only projected to reach 1.3%, which is relatively low for an emerging market. Overall, the IMF is forecasting growth of 3.4% for the world economy in 2014.

Expected development of GDP in our core countries (in percent)	2014
Europe*)	**1.1**
Germany	1.9
United Kingdom	3.2
France	0.7
Spain	1.2
Switzerland	2.0
China	7.4
Americas	
United States	1.7
Brazil	1.3

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

Expected sector trend

According to current projections by the World Steel Association, global steel consumption will grow by 3.1% in 2014. For the European Union, the association anticipates an increase of likewise 3.1%, while the North American Free Trade Agreement (NAFTA) region is forecast to grow by 3.8%, and South and Central America by 3.4%. Relatively restrained growth of 3.0% is expected for China.

Expected trend in our core customer sectors

Construction industry

According to Euroconstruct estimates, the European construction industry will grow by 1.3% in 2014. The market in Europe will benefit above all from an upturn in housing construction with regard to both new projects and renovation and modernization work. In the USA, the upswing in the construction industry will be driven mainly by commercial construction, for which expectations are now stronger. By contrast, the order situation will remain unsatisfactory in the area of infrastructure due to the restrictive stance on allocating public funds. In China, the nationwide process of urbanization is driving demand for residential housing, giving rise to growth forecasts of 5.1% for the construction industry. The Brazilian construction industry is slowly beginning to trend upwards again after a major cooling-off period, driven by stable housing demand, low-interest mortgage loans and a shift from consumption spending to real estate buying.

Machinery and mechanical engineering

The German Engineering Federation (VDMA) is anticipating a 6% increase in global machinery and mechanical engineering sales in 2014, or a quadrupling of growth versus the previous year. In Europe, the market should recover from last year's drop in sales, with growth of 3%, with the sanctions initiated against Russia possibly having a moderating effect. In the course of this the VDMA has already adjusted its forecast for Germany from a growth rate of 3% to only 1%. The VDMA anticipates real growth of 5% in the USA in the current year. Growth of 9% is expected for 2014 in China, the world's largest machinery producer by far. In Brazil, growth is expected to soften to just 2% in 2014 following growth of 9% in the previous year.

Automotive industry

The German Association of the Automotive Industry (VDA) is projecting growth of around 4% for the global automotive market. Growth of around 4% is also anticipated for both Europe and the USA thanks in part to favorable financing options. The Chinese market will once again expand sharply, by 15% according to VDA estimates. On the other hand, the forecast for the Brazilian automotive industry is a rise in production of just 0.7%. The Brazilian government has suspended its planned increase in the industrial product tax as of July 1, 2014 to at least somewhat alleviate the decline in growth.

Current assessment of opportunities and risks

The detailed information provided in the Opportunities and Risks section on pages 59 to 69 of the 2013 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 60 et seq. of the 2013 Annual Report.

Market risk for Klöckner & Co as a stockholding multi metal distributor is mostly determined by trends in demand and prices. The persistent surplus capacity and volatile commodities prices make it impossible to rule out a renewed decline in prices, which would impact negatively on our earnings performance.

Risk could also result from the continuing uncertainty on the financial markets in the face of persistently high sovereign debt levels in a number of European countries, potentially resulting in increased borrowing costs for customer industries, combined with a further decrease in capital investment. Furthermore, further economic recovery in Europe and the USA could turn out to be weaker than generally expected. The current crisis in Ukraine could also negatively impact economic recovery in Europe and thus Klöckner & Co's business performance as well, if not directly then at least indirectly. Klöckner & Co is continuing to act with heightened caution in light of the above and reacting quickly to changes in expectations regarding the economic environment.

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

In summary, the Management Board is confident that the systems for managing opportunities and risks in the Klöckner & Co Group are working well. Sufficient allowance has been made and adequate provisions recognized – including third-party guarantees – to cover all risks identifiable at the time of preparing the 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 expected. There are no identifiable risks that raise doubt about the Company's ability to continue as a going concern.

Outlook

In Europe, we expect steel demand over the year as a whole to show an increase of between 2% and 3%, driven in particular by growth in machinery and mechanical engineering as well as in the automotive industry.

In the USA, we continue to anticipate growth of 4% to 5% for full-year 2014 due to the still very robust state of the automotive industry and the upturn in commercial construction of which signs are apparent.

Third-quarter shipments are expected to decrease slightly compared with the second quarter due to seasonal factors. The impact on earnings should be offset by increasing contributions to earnings from the KCO WIN optimization program. All in all, therefore, we anticipate EBITDA of between €50 million and €60 million on a par with the prior quarter.

Assuming that our current estimates regarding the trend in the steel markets prove to be largely correct, we are expecting a significant increase in EBITDA for full-year 2014 to between €190 million and €210 million, compared with EBITDA before restructuring expenses of €150 million in the previous year. The main drivers of the targeted improvement in earnings will be the incremental contributions to EBITDA from the completed KCO 6.0 restructuring program and the KCO WIN optimization program. Riedo, the reinforcing steel specialist acquired in Switzerland, will also make the anticipated contribution.

As earnings increase, interest cost will continue to decrease due to the repayment of financial liabilities and goodwill amortization. We therefore expect to achieve a positive net income and be able to pay a dividend for fiscal year 2014.

Our objective is to further increase the EBITDA margin from the 3.1% achieved in the first half of 2014 to over 5.0% by 2017. We expect our KCO WIN optimization program to contribute to this along with new procurement structures, the expansion of the higher-margin processing services and products business as well as the digitalization of our business processes.

Duisburg, August 7, 2014

Klöckner & Co SE

The Management Board

KLÖCKNER & CO SHARE

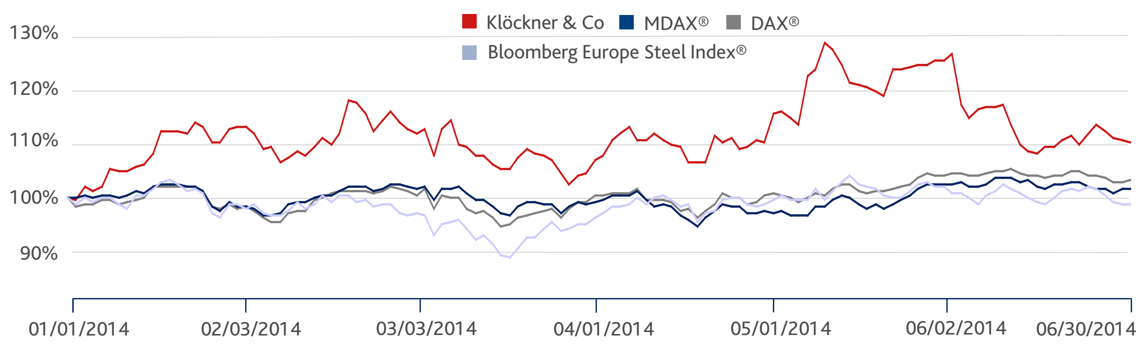
Klöckner & Co share: Key data

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

Share price performance

The Klöckner & Co share price sustained the upward trend from the previous year for large stretches of the first half of 2014 and reached its highest level for the reporting period at €12.66 on May 12. After that, however, the share price had to give up some of the ground it had gained. At the end of June, the shares were trading at €11.01, an increase of around 11% on the 2013 closing price. The DAX® gained about 3% and the MDAX® around 2% in the same period, while the Bloomberg Europe Steel Index® shed roughly 1%.

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



The average trading volume in Klöckner & Co shares during the second quarter was around €7 million a day, a slight decrease on the first quarter (around €8 million a day). Klöckner & Co shares therefore ranked 33rd on trading volume and 45th on free float market capitalization in Deutsche Börse AG's ranking for MDAX® stocks in June.

Key data – Klöckner & Co share

		Q2 2014	HY1 2014	Q2 2013	HY1 2013
Number of shares	in shares	**99,750,000**	99,750,000	**99,750,000**	99,750,000
Closing price (Xetra, Close)	€	**11.01**	11.01	**8.21**	8.21
Market capitalization	€ million	**1,098**	1,098	**819**	819
Free float	%	**95.1**	95.1	**92.2**	92.2
High (Xetra, Close)	€	**12.66**	12.66	**10.82**	11.50
Low (Xetra, Close)	€	**10.53**	9.90	**8.15**	8.15
Average daily trading volume	in shares	**611,923**	673,672	**665,692**	735,171

Annual General Meeting 2014

The eighth Annual General Meeting of Klöckner & Co SE took place in Düsseldorf on May 23, 2014. Around 300 shareholders and shareholder representatives attended the meeting. In all, approximately 46% 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 time of preparation, our largest shareholders with a shareholding of between 5% and 10% were Franklin Mutual Advisors and Templeton Investment Counsel, LLC, and with shareholdings of between 3% and 5% each, Interfer Holding GmbH, Allianz Global Investors Europe GmbH, Franklin Templeton Investments Corp. and Dimensional Holdings Inc./Dimensional Fund Advisors LP. We have currently received no notification that any other shareholder has exceeded or fallen below the statutory notification thresholds. Based on Deutsche Börse AG's definition, the free float therefore stands at 95.1%.

Capital market communications

During the first half of 2014, 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 six roadshows and nine conferences in Germany and internationally, as well as in many additional one-on-one discussions. The prime focuses of discussions with investors were the results, the progress of the ongoing enhancements and the acquisition of Riedo Bau + Stahl AG.

In the first six months, Klöckner & Co was covered by 32 banks and securities houses in over 70 research reports. As of the end of June, 17 of the securities houses rated Klöckner & Co shares a "buy". Eight gave a "hold" recommendation and seven rated Klöckner & Co shares a "sell".

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

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

KLÖCKNER & CO SE

Consolidated statement of income for the six-month period ending June 30, 2014

(€ thousand)	HY1 2014	HY1 2013	Q2 2014	Q2 2013
Sales	3,252,008	3,322,467	1,679,983	1,697,731
Other operating income	16,875	19,191	7,326	10,799
Change in inventory	−503	307	−3,306	−1,620
Own work capitalized	37	-	35	-
Cost of materials	−2,624,883	−2,715,051	−1,352,081	−1,390,945
Personnel expenses	−287,048	−292,475	−146,188	−141,533
Depreciation and amortization	−44,691	−52,374	−22,710	−26,191
Other operating expenses	−255,465	−262,591	−129,808	−131,244
Operating result	**56,330**	**19,474**	**33,251**	**16,997**
Finance income	981	1,155	472	681
Finance expenses	−34,200	−38,792	−16,918	−19,478
Financial result	**−33,219**	**−37,637**	**−16,446**	**−18,797**
Income before taxes	**23,111**	**−18,163**	**16,805**	**−1,800**
Income taxes	−10,129	−1,510	−6,837	−2,117
Net income	**12,982**	**−19,673**	**9,968**	**−3,917**
thereof attributable to				
– shareholders of Klöckner & Co SE	*12,661*	*−19,408*	9,882	−3,697
– non-controlling interests	*321*	*−265*	86	−220
Earnings per share (€/share)				
– basic	**0.13**	**−0.19**	**0.10**	**−0.04**
– diluted	**0.13**	**−0.19**	**0.10**	**−0.04**

KLÖCKNER & CO SE

Statement of comprehensive income for the six-month period ending June 30, 2014

(€ thousand)	HY1 2014	HY1 2013	Q2 2014	Q2 2013
Net income	**12,982**	**–19,673**	**9,968**	**–3,917**
Other comprehensive income not reclassifiable				
Actuarial gains and losses (IAS 19)	–22,519	52,215	–10,320	34,313
Related income tax	1,772	–12,907	640	–8,470
Total	**–20,747**	**39,308**	**–9,680**	**25,843**
Other comprehensive income reclassifiable				
Foreign currency translation	6,773	–8,201	3,843	–14,206
Gain/loss from net investment hedges	400	–2,034	182	–851
Gain/loss from cash flow hedges	3,400	3,465	1,715	1,625
Reclassification to profit and loss due to sale of foreign subsidiaries	-	–15	-	–142
Related income tax	–1,141	–775	–608	–514
Total	**9,432**	**–7,560**	**5,132**	**–14,088**
Other comprehensive income	**–11,315**	**31,748**	**–4,548**	**11,755**
Total comprehensive income	**1,667**	**12,075**	**5,420**	**7,838**
thereof attributable to				
– shareholders of Klöckner & Co SE	*1,058*	*13,050*	*5,222*	*9,361*
– non-controlling interests	*609*	*–975*	*198*	*–1,523*

KLÖCKNER & CO SE

Consolidated statement of financial position as of June 30, 2014

Assets

(€ thousand)	June 30, 2014	December 31, 2013
Non-current assets		
Intangible assets	406,587	374,874
Property, plant and equipment	600,480	569,214
Investment property	10,486	10,486
Non-current investments	1,302	1,547
Other assets	15,170	14,525
Deferred tax assets	7,403	6,103
Total non-current assets	**1,041,428**	**976,749**
Current assets		
Inventories	1,238,225	1,166,505
Trade receivables	913,857	686,721
Current income tax receivable	9,235	61,944
Other assets	91,966	92,203
Cash and cash equivalents	349,963	595,393
Assets held for sale	13,166	15,170
Total current assets	**2,616,412**	**2,617,936**
Total assets	**3,657,840**	**3,594,685**

Equity and liabilities

(€ thousand)	June 30, 2014	December 31, 2013
Equity		
Subscribed capital	249,375	249,375
Capital reserves	900,759	900,759
Retained earnings	279,586	266,925
Accumulated other comprehensive income	897	12,500
Equity attributable to shareholders of Klöckner & Co SE	**1,430,617**	**1,429,559**
Non-controlling interests	16,522	15,913
Total equity	**1,447,139**	**1,445,472**
Non-current liabilities		
Provisions for pensions and similar obligations	261,666	235,575
Other provisions and accrued liabilities	17,262	16,900
Financial liabilities	779,949	726,991
Other liabilities	6,765	6,326
Deferred tax liabilities	98,798	90,981
Total non-current liabilities	**1,164,440**	**1,076,773**
Current liabilities		
Other provisions and accrued liabilities	111,928	123,171
Income tax liabilities	13,384	55,261
Financial liabilities	140,844	184,149
Trade payables	689,563	636,972
Other liabilities	90,542	72,887
Total current liabilities	**1,046,261**	**1,072,440**
Total liabilities	**2,210,701**	**2,149,213**
Total equity and liabilities	**3,657,840**	**3,594,685**

KLÖCKNER & CO SE

Consolidated statement of cash flows for the six-month period ending June 30, 2014

(€ thousand)	HY1 2014	HY1 2013
Net income	12,982	–19,673
Income taxes	10,129	1,510
Financial result	33,219	37,637
Depreciation and amortization	44,691	52,374
Other non–cash expenses/income	–412	–851
Gain on disposal of non–current assets	–3,282	–1,089
Change in net working capital		
Inventories	–52,319	53,254
Trade receivables	–206,497	–177,326
Trade payables	44,434	71,998
Change in other operating assets and liabilities	341	–16,103
Interest paid	–26,232	–35,597
Interest received	1,657	2,213
Income taxes paid	–6,519	–15,327
Cash flow from operating activities	**–147,808**	**–46,980**
Proceeds from the sale of non–current assets and assets held for sale	8,459	3,455
Cash inflows from the redemption of current loans	5,339	-
Proceeds from the sale of consolidated subsidiaries	-	6,705
Payments for intangible assets, property, plant and equipment	–23,672	–24,160
Acquisition of subsidiaries	–82,022	-
Cash flow from investing activities	**–91,896**	**–14,000**
Repayment convertible bond	–97,900	-
Repayment promissory notes	–50,000	–74,500
Net change of other financial liabilities	141,106	97,470
Cash flow from financing activities	**–6,794**	**22,970**
Changes in cash and cash equivalents	**–246,498**	**–38,010**
Effect of foreign exchange rates on cash and cash equivalents	1,068	–1,861
Cash and cash equivalents at the beginning of the period	595,393	610,215
Cash and cash equivalents at the end of the reporting period as per statement of financial position	**349,963**	**570,344**

KLÖCKNER & CO SE

Summary of changes in equity

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	
Balance as of January 1, 2013	**249,375**	**900,759**	**368,376**	
Other comprehensive income				
Foreign currency translation				
Gain/loss from net investment hedges				
Gain/loss from cash flow hedges				
Actuarial gains and losses (IAS 19)				
Related income tax				
Reclassification to profit and loss due to sale of foreign subsidiaries				
Other comprehensive income				
Net income			–19,408	
Total comprehensive income				
Balance as of June 30, 2013	**249,375**	**900,759**	**348,968**	
Balance as of January 1, 2014	**249,375**	**900,759**	**266,925**	
Other comprehensive income				
Foreign currency translation				
Gain/loss from net investment hedges				
Gain/loss from cash flow hedges				
Actuarial gains and losses (IAS 19)				
Related income tax				
Other comprehensive income				
Net income			12,661	
Total comprehensive income				
Balance as of June 30, 2014	**249,375**	**900,759**	**279,586**	

	Accumulated other comprehensive income					
	Currency translation adjustment	Actuarial gains and losses (IAS 19)	Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non-controlling interests	Total
	93,945	**−127,267**	**−5,557**	**1,479,631**	**22,740**	**1,502,371**
	−7,491			−7,491	−710	**−8,201**
			−2,034	−2,034		**−2,034**
			3,465	3,465		**3,465**
		52,215		52,215		**52,215**
		−12,907	−775	−13,682		**−13,682**
	−15			−15		**−15**
				32,458	**−710**	**31,748**
				−19,408	−265	**−19,673**
				13,050	**−975**	**12,075**
	86,439	**−87,959**	**−4,901**	**1,492,681**	**21,765**	**1,514,446**
	72,912	**−56,648**	**−3,764**	**1,429,559**	**15,913**	**1,445,472**
	6,415			6,415	358	**6,773**
			400	400		**400**
			3,400	3,400		**3,400**
		−22,449		−22,449	−70	**−22,519**
		1,772	−1,141	631		**631**
				−11,603	**288**	**−11,315**
				12,661	321	**12,982**
				1,058	**609**	**1,667**
	79,327	**−77,325**	**−1,105**	**1,430,617**	**16,522**	**1,447,139**

Selected explanatory notes to the condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2014

(1) BASIS OF PRESENTATION

The condensed interim consolidated financial statements of Klöckner & Co SE for the six-month period ending June 30, 2014 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, 2014 are generally consistent with those used for the consolidated financial statements of Klöckner & Co SE as of December 31, 2013 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 82 to 95 of the 2013 Annual Report. In contrast to the previous year, value changes in the underlying transactions in net investment hedges are offset against the changes in the value of the hedging instruments. The comparative figures for the second quarter were adjusted correspondingly.

As part of the preparation of an interim consolidated financial statement in accordance with the IAS 34 for the period ending June 30, 2014, 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, 2014 are not necessarily indicative of future results.

The present interim consolidated financial statements for the six-month period ending June 30, 2014 were authorized for issuance by the Management Board after discussion with the Audit Committee of the Supervisory Board on August 7, 2014. 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 2014:

Standard/Interpretation
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance
Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
Amendments to IAS 27 Separate Financial Statements
Amendments to IAS 28 Investments in Associates and Joint Ventures
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

IFRS 10 introduced a new and comprehensively revised definition of control. If an entity has control over another entity, the parent company must consolidate its subsidiary. Under the revised concept, control is deemed to exist when the potential parent company has the power to direct decisions of the subsidiary via majority voting rights or by other means, when the parent company participates in variable positive or negative returns, and is able to influence these returns with its decision power.

IFRS 11 revises the accounting for joint arrangements. Under the new standard an entity is required to assess whether an arrangement is a joint operation or a joint venture.

IFRS 12 governs disclosure for interests in other entities. The disclosure requirements under the new standard are more comprehensive than those previously listed in IAS 27, IAS 28 and IAS 31.

The amendments to IFRS 10, IFRS 11 and IFRS 12 consider the adoption of the standards; they provide clarification and certain transition alleviations. The additional amendments to these standards provide a definition of investment entities and exclude such entities from the application of IFRS 10.

By issuing IFRS 10, regulations regarding the definition of control and the preparation of consolidated financial statements were removed from IAS 27. As a result, IAS 27 only contains regulations for the accounting of subsidiaries, associates and joint ventures in stand-alone IFRS financial statements from now on.

By issuing IFRS 11, also modifications were made to IAS 28. IAS 28 governs the application of the equity method of accounting. The scope of IAS 28 was significantly extended as it now also includes joint ventures in addition to investments in associates. The proportional method of consolidation is no longer applicable.

The IAS 39 (Financial Instruments Recognition and Measurement) alignment "Novation of Derivatives and Continuation of Hedge Accounting" provides for constant hedge accounting in the case of novation of a hedging instrument provided that specified conditions are met.

The initial application of the new standards and interpretation did not have an impact on the consolidated financial statements.

On May 12, 2014, amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets) were published. The amendments are a clarification that revenue-based method for calculating the depreciation may not be applied. This clarification has no effect on the Klöckner & Co SE Group financial statements.

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, 2017. Klöckner & Co is currently analyzing the impact of this standard on the annual financial statements.

(3) BUSINESS COMBINATIONS

In pursuit of the application of the "Klöckner & Co 2020" strategy, the following business combinations were consummated in the first half-year of 2014.

Riedo Bau + Stahl AG, Oberbipp, Switzerland

At the beginning of April, the acquisition of 75% of BST Holding AG, Oberbipp, Switzerland, including its subsidiary Riedo Bau + Stahl AG ("Riedo"), was closed. At the end of the second quarter, the remaining shares were also acquired. Klöckner & Co now holds 100% of the Riedo shares.

With its three locations, Riedo is one of Switzerland's leading specialists in reinforcing steel, generating sales of about €140 million in 2013. The company has a workforce of approximately 180 employees. The acquisition is part of the "Klöckner & Co 2020" growth strategy, which focuses on entities with higher value-added processing services.

The total purchase price amounts to CHF 102 million (roughly €84 million). Riedo has been consolidated since April 1.

The calculation of the fair values of the acquired assets (especially intangible assets and inventories) and adopted liabilities follows:

(€ million)	Fair values
Assets	
Goodwill	19.0
Other intangible assets	19.7
thereof customer relationships	*17.3*
thereof order backlog	*2.3*
Property, plant and equipment	40.1
Inventories	10.4
Trade receivables	13.6
Other current assets	8.3
thereof current loans	*5.3*
Cash and cash equivalents	1.5
Total acquired assets	112.6
Liabilities and provisions	
Non-current financial liabilities	1.8
Other non–current liabilities	1.0
Deferred tax liabilities	10.7
Trade payables	2.2
Current financial liabilities	7.0
Other current liabilities	6.4
Total assumed liabilities	29.1
Acquired net assets	83.5
Consideration	83.5
thereof paid in cash and cash equivalents	*83.5*
Reconciliation transaction volume	
Assumed financial liabilities (net)	3.5
Acquired cash and cash equivalents	–1.5
Transaction volume	85.5

The residual value method was used to measure customer relations and order backlog (fair value model). Customer relations were measured based on a churn rate of 7%. The measurement was based on term-congruent interest rates between 5.6% and 8.1%.

Fixed assets were measured on the basis of a cost-oriented method.

Goodwill primarily represents future earnings potential and synergies in the reinforcing steel sector.

Additional information according to IFRS 3.B64:

(€ million)	
Sales contribution since initial consolidation	31.8
Contribution to net income since initial consolidation	1.4
Gross contractual amounts trade receivable	14.1
Acquisition–related expenses (other operating expenses)	0.4

Substantial bad debts were not taken over.

If the acquisitions had been consolidated since the beginning of the reporting period, consolidated sales would have been €3,280 million and net income would have been €14 million.

(4) EARNINGS PER SHARE

Earnings per share are calculated by dividing net income of the interim period attributable to shareholders by the weighted average number of shares outstanding during the period. In accordance with IAS 33.41, 7,419 thousand dilutive potential shares of the convertible bonds (2013: 13,364 thousand shares) were not included in the computation of diluted earnings per share as they were anti-dilutive.

		HY1 2014	HY1 2013
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	12,661	–19,408
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	**(€/share)**	**0.13**	**–0.19**
Diluted earnings per share	**(€/share)**	**0.13**	**–0.19**

(5) INVENTORIES

(€ million)	June 30, 2014	December 31, 2013
Cost	1,276.6	1,206.5
Valuation allowance (net realizable value)	–38.4	–40.0
Inventories	**1,238.2**	**1,166.5**

(6) FINANCIAL LIABILITIES

(€ million)	June 30, 2014	December 31, 2013
Non–current financial liabilities		
Bonds	173.8	169.8
Liabilities to banks	235.1	184.8
Promissory notes	132.2	183.5
Liabilities under ABS programs	238.7	188.5
Finance lease liabilities	0.1	0.4
	779.9	**727.0**
Current financial liabilities		
Bonds	2.4	98.1
Liabilities to banks	84.4	30.9
Promissory notes	52.7	53.5
Liabilities under ABS programs	0.5	0.5
Finance lease liabilities	0.9	1.1
	140.9	**184.1**
Financial liabilities as per consolidated balance sheet	920.8	**911.1**

Net financial debt developed as follows:

(€ million)	June 30, 2014	December 31, 2013
Financial liabilities as per consolidated balance sheet	920.8	**911.1**
Transaction costs	8.5	9.6
Gross financial liabilities	929.3	**920.7**
Cash and cash equivalents	–350.0	–595.4
Net financial debt Klöckner & Co Group	579.3	**325.3**

The Group financial headroom continues to be sufficient through the early prolongation of the European ABS program (€360 million) and through the exercise of the prolongation option of the syndicated loan (€360 million) both until May 2017.

In June 2014, the convertible bond with a nominal value of €97.9 million and promissory notes of €50 million were repaid.

(7) FINANCIAL INSTRUMENTS

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

Financial assets as of June 30, 2014

		Measurement in accordance with					
				IAS 39	IAS 17		
(€ million)	Carrying amount	Amortized costs	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non–current financial assets							
Non–current investments	*1.3*	*1.3*	-	-	-	-	*1.3*
Loans and receivables	0.8	0.8	-	-	-	-	0.8
Financial assets available for sale	0.5	0.5	-	-	-	-	0.5
Other non–current assets	*15.2*	*10.0*	-	-	-	*5.2*	*10.0*
Loans and receivables	10.0	10.0	-	-	-	-	10.0
Not covered by the scope of IFRS 7	5.2	-	-	-	-	5.2	-
Current financial assets							
Trade receivables	*913.9*	*913.9*	-	-	-	-	*913.9*
Loans and receivables	913.9	913.9	-	-	-	-	913.9
Other current assets	*92.0*	*73.7*	*1.5*	-	-	*16.8*	*75.2*
Loans and receivables	73.7	73.7	-	-	-	-	73.7
Derivative financial instruments not designated in hedge accounting (held for trading)	1.5	-	1.5	-	-	-	1.5
Not covered by the scope of IFRS 7	16.8	-	-	-	-	16.8	-
Liquid funds	*349.9*	*349.9*	-	-	-	-	*349.9*
Loans and receivables	299.6	299.6	-	-	-	-	299.6
Financial assets available for sale	50.3	50.3	-	-	-	-	50.3
Total	**1,372.3**	**1,348.8**	**1.5**	**-**	**-**	**22.0**	**1,350.3**

Financial liabilities as of June 30, 2014

(€ million)	Carrying amount	Measurement in accordance with IAS 39: Amortized costs	IAS 39: Fair value recognized in profit and loss	IAS 39: Fair value recognized in equity	IAS 17: Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non–current financial liabilities							
Non–current financial liabilities	*779.9*	*779.8*	-	-	*0.1*	-	*794.0*
Liabilities measured at amortized costs	779.8	*779.8*	-	-	-	-	793.9
Liabilities held under finance leases	0.1	-	-	-	0.1	-	0.1
Other non–current liabilities	*6.8*	*0.4*	*1.2*	*5.2*	-	-	*6.8*
Liabilities measured at amortized costs	0.4	0.4	-	-	-	-	0.4
Derivative financial instruments not designated in hedge accounting (held for trading)	1.2	-	1.2	-	-	-	1.2
Derivative financial instruments designated in hedge accounting	5.2	-	-	5.2	-	-	5.2
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*140.9*	*140.0*	-	-	*0.9*	-	*140.9*
Liabilities measured at amortized costs	140.0	140.0	-	-	-	-	140.0
Liabilities held under finance leases	0.9	-	-	-	0.9	-	0.9
Current trade liabilities	*689.6*	*689.6*	-	-	-	-	*689.6*
Liabilities measured at amortized costs	689.6	689.6	-	-	-	-	689.6
Other current liabilities	*90.5*	*23.7*	*0.1*	*15.1*	-	*51.6*	*38.9*
Liabilities measured at amortized costs	23.7	23.7	-	-	-	-	23.7
Derivative financial instruments not designated in hedge accounting (held for trading)	0.1	-	0.1	-	-	-	0.1
Derivative financial instruments designated in hedge accounting	15.1	-	-	15.1	-	-	15.1
Not covered by the scope of IFRS 7	51.6	-	-	-	-	51.6	-
Total	**1,707.7**	**1,633.5**	**1.3**	**20.3**	**1.0**	**51.6**	**1,670.2**

Financial assets as of December 31, 2013

		Measurement in accordance with					
		IAS 39			IAS 17		
(€ million)	Carrying amount	Amortized costs	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non–current financial assets							
Non–current investments	*1.5*	*1.5*	-	-	-	-	*1.5*
Loans and receivables	0.9	0.9	-	-	-	-	0.9
Financial assets available for sale	0.6	0.6	-	-	-	-	0.6
Other non–current assets	*14.5*	*10.5*	-	-	-	*4.0*	*10.5*
Loans and receivables	10.5	10.5	-	-	-	-	10.5
Not covered by the scope of IFRS 7	4.0	-	-	-	-	4.0	-
Current financial assets							
Trade receivables	*686.7*	*686.7*	-	-	-	-	*686.7*
Loans and receivables	686.7	686.7	-	-	-	-	686.7
Other current assets	*92.2*	*79.4*	*0.4*	-	-	*12.4*	*79.8*
Loans and receivables	79.4	79.4	-	-	-	-	79.4
Derivative financial instruments not designated in hedge accounting (held for trading)	0.4	-	0.4	-	-	-	0.4
Not covered by the scope of IFRS 7	12.4	-	-	-	-	12.4	-
Liquid funds	*595.4*	*595.4*	-	-	-	-	*595.4*
Loans and receivables	544.9	544.9	-	-	-	-	544.9
Financial assets available for sale	50.5	50.5	-	-	-	-	50.5
Total	**1,390.3**	**1,373.5**	**0.4**	**-**	**-**	**16.4**	**1,373.9**

Financial liabilities as of December 31, 2013

(€ 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	*727.0*	*726.6*	-	-	*0.4*	-	*741.5*
Liabilities measured at amortized costs	726.6	*726.6*	-	-	-	-	741.1
Liabilities held under finance leases	0.4	-	-	-	0.4	-	0.4
Other non–current liabilities	*6.3*	*1.9*	*1.1*	*3.3*	-	-	*6.3*
Liabilities measured at amortized costs	1.9	1.9	-	-	-	-	1.9
Derivative financial instruments not designated in hedge accounting (held for trading)	1.1	-	1.1	-	-	-	1.1
Derivative financial instruments designated in hedge accounting	3.3	-	-	3.3	-	-	3.3
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*184.1*	*183.0*	-	-	*1.1*	-	*185.3*
Liabilities measured at amortized costs	183.0	183.0	-	-	-	-	184.2
Liabilities held under finance leases	1.1	-	-	-	1.1	-	1.1
Current trade liabilities	*637.0*	*637.0*	-	-	-	-	*637.0*
Liabilities measured at amortized costs	637.0	637.0	-	-	-	-	637.0
Other current liabilities	*72.9*	*20.5*	*0.7*	*16.8*	-	*34.9*	*38.0*
Liabilities measured at amortized costs	20.5	*20.5*	-	-	-	-	20.5
Derivative financial instruments not designated in hedge accounting (held for trading)	0.7	-	0.7	-	-	-	0.7
Derivative financial instruments designated in hedge accounting	16.8	-	-	16.8	-	-	16.8
Not covered by the scope of IFRS 7	34.9	-	-	-	-	34.9	-
Total	**1,627.3**	**1,569.0**	**1.8**	**20.1**	**1.5**	**34.9**	**1,608.1**

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

Derivative financial instruments not designated in hedge accounting include a put liability incurred in the acquisition of the Brazilian Kloeckner Metals Brasil Group (former Frefer Group) for a possible transfer of the remaining non-controlling interests. The value is based on the discounted future profits. The projected results are derived from the business plan. The change in the value of liabilities during the first half-year amounted to €75 thousand and is included in the financial result.

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

The valuation of all financial instruments follows the hierarchy concept of IFRS 13. Financial instruments for which the fair value is obtained from quoted prices for similar instruments are classified as Level 1. If fair values are derived from directly observable market inputs, those instruments are included in Level 2. Financial instruments for which the fair values are not based on observable market data are assigned to Level 3. With the exception of the put liability agreed on in connection with the Kloeckner Metals Brasil Group acquisition (€1.1 million), financial instruments are allocated to Level 2 of the measurement hierarchy.

(8) SUBSEQUENT EVENTS

There were no subsequent events that require disclosures in the notes to the interim consolidated financial statements.

(9) 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 that were accounted for at cost. Business relations with these companies do not fundamentally differ from trade relationships with other companies. No material transactions were conducted with any of these companies in the reporting period.

Certain members of the Supervisory Board were or are members of the Supervisory Board or Management Board of other entities. Klöckner & Co holds business relations to some of these entities. Business with such entities is transacted at arm's length.

(10) SEGMENT REPORTING

	Europe		Americas		Headquarters/ Consolidation		Total	
(€ million)	HY1 2014	HY1 2013	HY1 2014	HY1 2013	HY1 2014	HY1 2013	HY1 2014	HY1 2013
Segment sales	**2,087.5**	2,077.7	**1,164.5**	1,244.8	**-**	-	**3,252.0**	3,322.5
EBITDA (segment result)	**57.8**	41.4	**52.4**	41.2	**−9.2**	−10.8	**101.0**	71.8
EBIT	**34.5**	17.8	**32.0**	14.0	**−10.2**	−12.3	**56.3**	19.5
Net working capital as of June 30, 2014 (December 31, 2013)	**916.1**	755.9	**542.9**	457.8	**3.5**	2.6	**1,462.5**	1,216.3
Employees as of June 30, 2014 (December 31, 2013)	**7,086**	6,895	**2,562**	2,588	**100**	108	**9,748**	9,591

Reconciliation of EBIT to income before taxes:

(€ million)	HY1 2014	HY1 2013
Earnings before interest and taxes (EBIT)	56.3	19.5
Financial result	–33.2	–37.6
Income before taxes	**23.1**	**–18.1**

Duisburg, August 7, 2014

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, 2014 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, 2014 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, 2014 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 7, 2014

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 7, 2014

Klöckner & Co SE

Management Board

Gisbert Rühl
Chairman
of the Management Board

Marcus A. Ketter
Member
of the Management Board

Karsten Lork
Member
of the Management Board

William A. Partalis
Member
of the Management Board

FINANCIAL CALENDAR

August 7, 2014	Q2 interim report 2014 Conference call with journalists Conference call with analysts
October 1, 2014	Media Day, Berlin
October 2, 2014	Capital Market Day, Berlin
November 6, 2014	Q3 interim report 2014 Conference call with journalists Conference call with analysts

Subject to subsequent changes

Klöckner & Co SE

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E-mail: ir@kloeckner.com

Disclaimer

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

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

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

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

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

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