



Klöckner & Co SE

A Leading Multi Metal Distributor



Interim Report

as of September 30, 2014

INTERIM REPORT AS OF SEPTEMBER 30, 2014

KLÖCKNER & CO GROUP FIGURES	3
INTERIM GROUP MANAGEMENT REPORT	4
KLÖCKNER & CO SHARE	18
CONSOLIDATED STATEMENT OF INCOME FOR THE NINE-MONTH PERIOD ENDING SEPTEMBER 30, 2014	20
STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDING SEPTEMBER 30, 2014	21
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2014	22
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDING SEPTEMBER 30, 2014	24
SUMMARY OF CHANGES IN EQUITY	25
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF KLÖCKNER & CO SE FOR THE NINE-MONTH PERIOD ENDING SEPTEMBER 30, 2014	27

KLÖCKNER & CO SE

Klöckner & Co Group Figures

		Q3			9M		
		2014	2013	Variance	2014	2013	Variance
Shipments and income statement							
Shipments	Tto	1,690	1,617	+73	5,043	4,953	+90
Sales	€ million	1,675	1,600	+75	4,927	4,922	+5
Gross profit	€ million	325	296	+29	952	904	+48
Gross profit margin	%	19.4	18.5	+0.9%p	19.3	18.4	+0.9%p
Earnings before interest, taxes, depreciation and amortization (EBITDA) ^{*)}	€ million	59	36	+23	160	108	+52
EBITDA margin	%	3.5	2.3	+1.2%p	3.2	2.2	+1.0%p
Earnings before interest and taxes (EBIT)	€ million	36	10	+26	92	30	+62
Earnings before taxes (EBT)	€ million	22	-8	+30	45	-26	+71
Net income	€ million	15	-11	+26	27	-31	+58
Net income attributable to shareholders of Klöckner & Co SE	€ million	15	-11	+26	27	-31	+58
Earnings per share (basic)	€	0.15	-0.11	+0.26	0.27	-0.31	+0.58
Earnings per share (diluted)	€	0.15	-0.11	+0.26	0.27	-0.31	+0.58
Cash flow statement/Cash flow							
Cash flow from operating activities	€ million	58	44	+14	-90	-2	-88
Cash flow from investing activities	€ million	-14	-11	-3	-106	-25	-81
Free cash flow ^{**)}	€ million	44	33	+11	-196	-27	-169
		September 30, 2014	September 30, 2013	Variance	September 30, 2014	December 31, 2013	Variance
Balance sheet							
Net working capital ^{***)}	€ million	1,479	1,405	+74	1,479	1,216	+263
Net financial debt	€ million	557	462	+95	557	325	+232
Equity	€ million	1,463	1,512	-49	1,463	1,445	+18
Equity ratio	%	38.9	40.7	-1.8%p	38.9	40.2	-1.3%p
Balance sheet total	€ million	3,764	3,712	+52	3,764	3,595	+169
Employees							
Employees at end of period		9,784	9,776	+8	9,784	9,591	+193

*) Prior year incl. restructuring expenses in the amount of €2m (9M) resp. €3m (Q3).

**) 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.

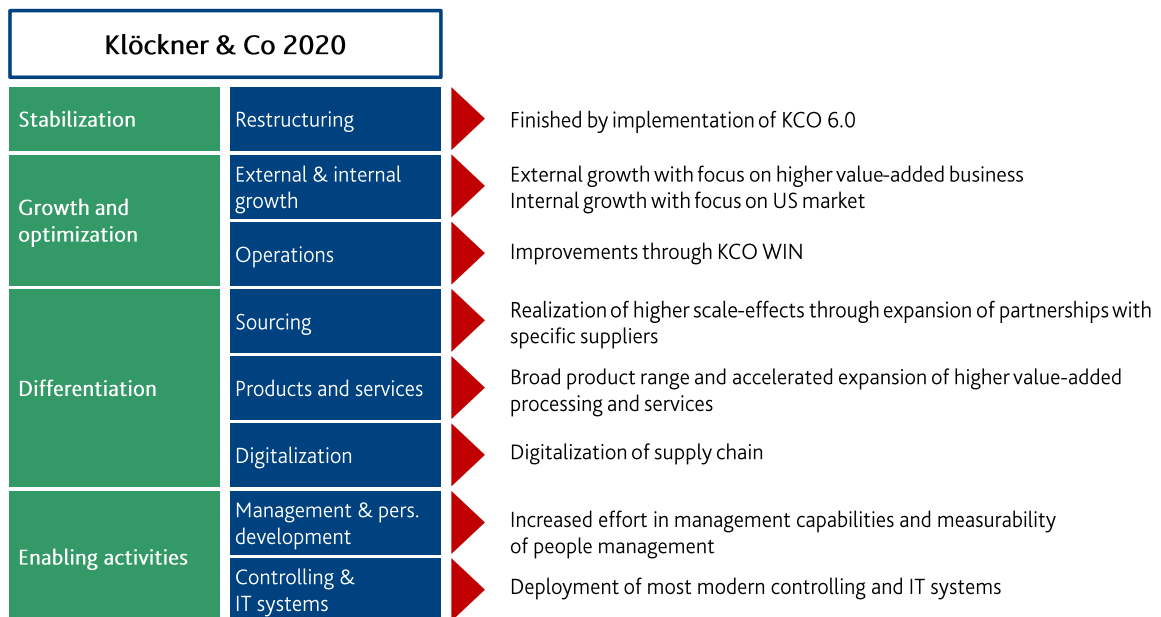
Interim Group Management Report

Highlights in the first nine months of 2014 and outlook

- Despite a 1.8% rise in shipments, sales are up by just a marginal 0.1% to around €4.9 billion due to a weaker US dollar in the first half of the year and a lower price level in Europe
- Focus on higher-margin business lifts gross profit margin from 18.4% to 19.3%
- EBITDA improves by 47.4% from €108 million to €160 million and EBIT more than triples from €30 million to €92 million
- Positive net income of €27 million compared with a net loss of €31 million in the prior-year period
- KCO 6.0 and KCO WIN self-help measures contribute €39 million to EBITDA
- EBITDA expected to be between €30 million and €40 million in the fourth quarter and €190 million to €200 million for the whole year 2014
- Resumption of dividend payments planned for fiscal year 2014

Corporate strategy

At the end of 2013, we completed our restructuring program KCO 6.0, thereby laying the foundations for the further implementation of our “Klöckner & Co 2020” strategy. This features three core elements: Growth and optimization, differentiation and enabling activities.

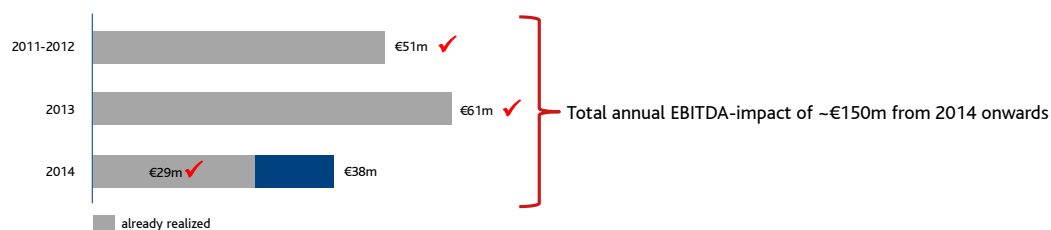


Stabilization

Restructuring

The €29 million year-on-year earnings contribution delivered by the restructuring program was a key driver behind the €52 million increase in EBITDA from €108 million to €160 million and the increase in EBIT from €30 million to €92 million in the first nine months.

Over the year as a whole, we expect the restructuring program KCO 6.0 to make an additional contribution to EBITDA of €38 million, meaning that the contribution of €41 million previously expected will not be fully realized. This is because an amount of €3 million has been pushed back to next year due to additional restructuring measures in France (see Operations, page 6).



Growth and optimization

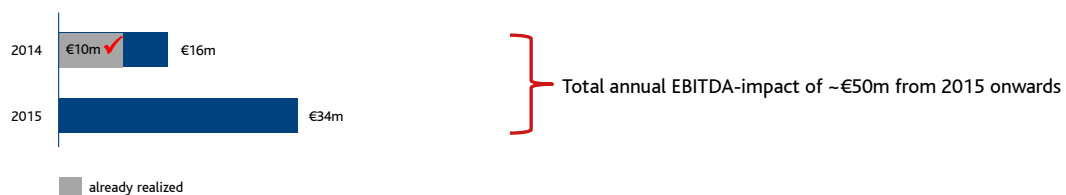
External and internal growth

Having completed the restructuring program KCO 6.0, we are now pushing growth notably in higher-margin business. In this regard, acquiring companies with appropriate product ranges and/or higher value-added services is once again an option.

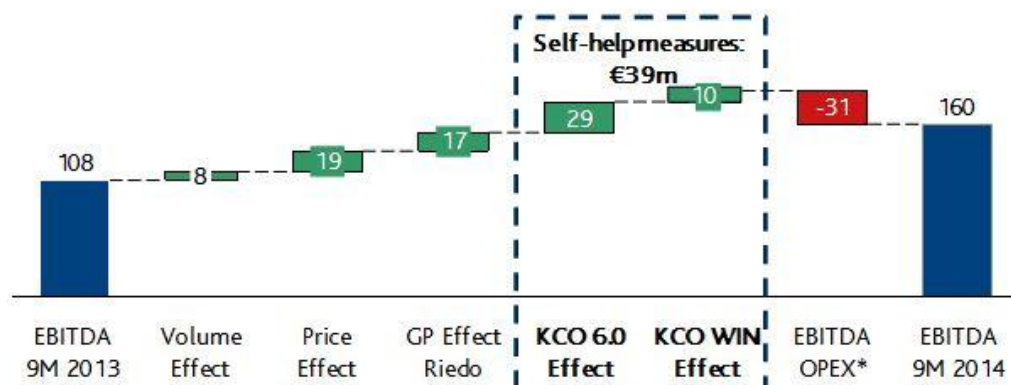
In terms of regional growth prospects, our assumption that steel demand in the US market would continue to significantly outperform that in Europe is coming to pass. Having boosted US shipments to 43% of total shipments in 2013, we now aim to raise this to over 50% in the medium term.

Operations

We combined the measures designed to improve workflows and processes in our business operations in the KCO WIN program. KCO WIN already contributed €10 million to EBITDA in the first nine months of 2014. Due to additional restructuring measures in France, some of the measures under the program originally scheduled for implementation in 2014 cannot be carried out until next year. Accordingly, the amount the program is expected to contribute drops to €16 million (previously: €20 million) for the current year and rises to €34 million (previously: €30 million) for the coming year.



Amounting to a total of €39 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 €108 million in the first nine months of 2013 to €160 million:



* Including -€13m pension adjustment NL 2013 and -€9m Riedo.

Differentiation

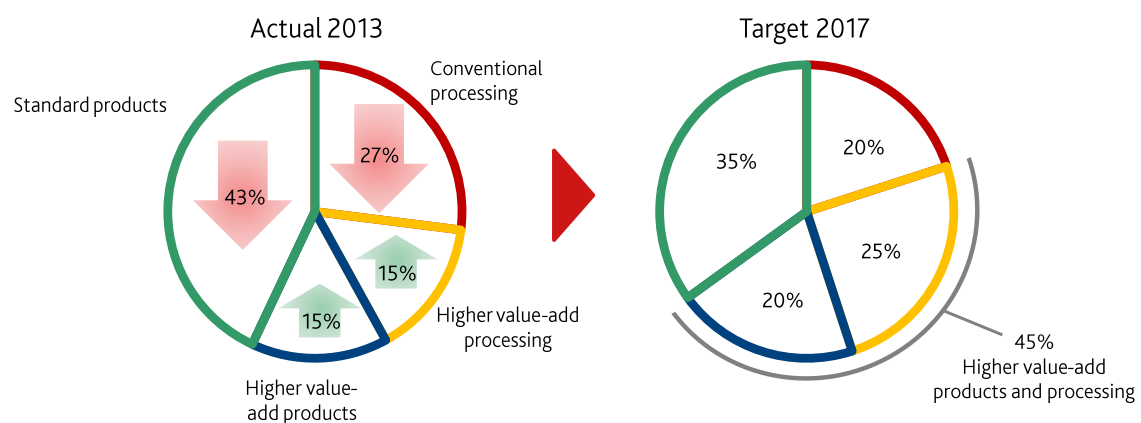
To enhance our differentiation, primarily from the many small and mid-size competitors, we are pursuing three core elements: Sourcing, products and services, and digitalization.

Sourcing

We are 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

We intend to increase the percentage of sales from higher value-added products and services from 30% at present to 45% in 2017. In doing so, we will concentrate primarily on customers who offer us greater potential to sell such products and services due to a high degree of vertical integration.



Digitalization

We continue to step up our supply chain digitalization activities. Our primary objective is to enhance benefits to the customer. With this in mind, we join with our customers in generating a number of new ideas and incorporate these into the development of new solutions at an early stage. We see considerable potential on this front, as the traditional supply chain in steel and metal distribution is too inefficient. Given that 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. In addition, inefficiencies are offset by holding too much inventory, exacerbating the problem. Firstly, we plan to gradually reduce the inefficiencies by increasingly linking up with suppliers online and making Group-wide use of tools and webshops when selling to our customers.

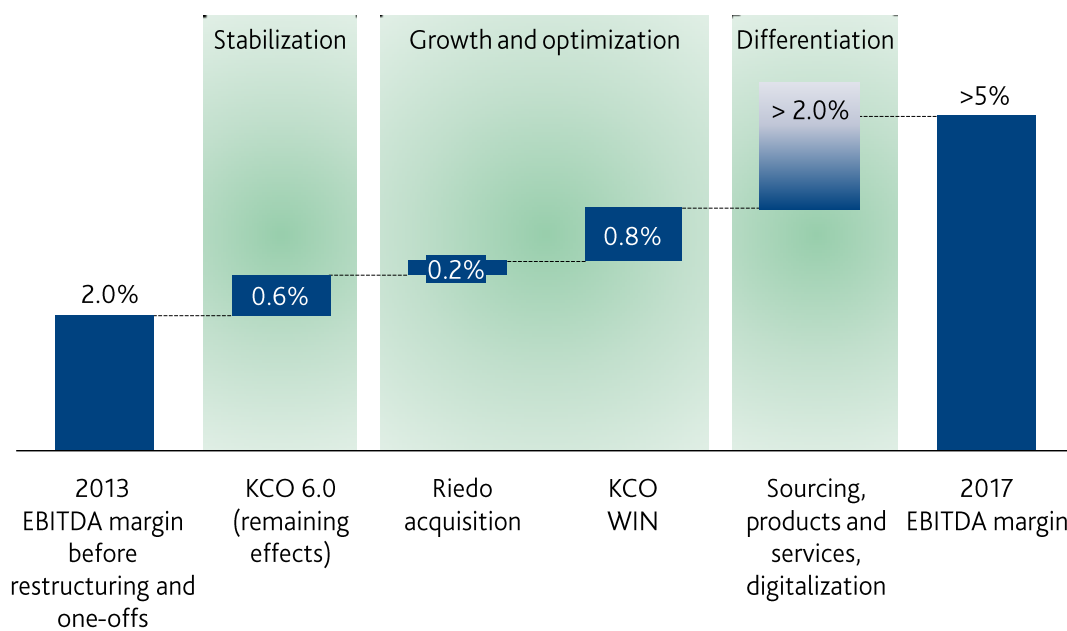
Secondly, we intend to standardize the systems on a B2B platform so as to ensure end-to-end digitalization of the supply chain. By using uniform interfaces, we aim to make linking up with suppliers easier. This will enable interim storage of steel and metal products to be further reduced and delivery times to be cut. The initial plan is 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. State-of-the-art 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 slow start to 2014, the global economy continued to expand in the third quarter to reach 2.8%. A stronger growth in the USA and the slight growth in Europe contributed to this. However, the sanctions enforced in connection with the Ukraine crisis have had an increasingly detrimental effect on some European economies.

In the eurozone, economic growth in the third quarter remained slow, expanding by just 0.7% year-on-year. Growth momentum varied widely from country to country. Whereas the economy in the United Kingdom picked up substantially and Spain also continued the upward trend seen in the preceding quarters, France showed only minimal growth rates.

The US economy has emerged from the dent in growth experienced at the start of the year primarily due to the harsh weather conditions. Driven by rising consumer spending and strong industrial production, economic output increased by 2.1% in the third quarter.

In China, economic growth, at 7.3%, again proved weaker in the third quarter than in the preceding quarters. Growth was hurt by the sustained slowdown of the real estate market. Even though the country continues to pursue a more consumer-based economy, economic activity in China was still dominated by government investment.

The Brazilian economy stagnated in the third quarter. Companies' propensity to invest was negatively impacted by the central bank's move to ward off inflation by increasing the base rate. Even the hosting of the FIFA World Cup was not able to revive the economy to any notable extent.

Development of GDP in our core countries (in percent)	Q3 2014 vs Q3 2013
Europe^{*)}	0.7
Germany	1.3
United Kingdom	3.0
France	0.3
Spain	1.5
Switzerland	1.6
China	7.3
Americas	
United States	2.1
Brazil	0.0

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

*) Eurozone.

Industry-specific situation

Global production of raw steel increased by 2.1% year-on-year in the first nine months of 2014 to 1,231 million tons. However, considerable regional differences persisted. According to information from the World Steel Association, in the EU, almost all countries recorded substantial rates of growth, as a result of which production volumes increased by 2.9% overall. Manufactured quantities in the USA rose by 1.6% in the reporting period. Production in China increased by 2.3%, whereas in Brazil it declined by 1.3%.

In Europe, Eurometal reports that shipments in steel distribution increased by 3.0% in the first nine months of the current year. In the USA, shipments in steel distribution grew by 4.4% 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 current demand level continuing to result in structural underutilization. At the end of September, the capacity utilization of steel producers in Europe and the USA stood at just around 73% and 77% respectively. Worldwide, considerable excess capacities exist also at distribution level, with competition remaining fierce as a result.

Trend in key customer industries

Construction industry

As the largest processor of steel, the construction industry is key to the global trend in steel consumption. According to estimates from the steel association Eurofer, European construction activity increased by 2.7% overall in the first nine months. Continued strong demand in the United Kingdom was a key driver of growth. Higher investments for rehabilitation and renovation also fueled the rise in construction spending. In the USA, the number of building permits issued and construction starts increased. The US Census Bureau puts the growth in construction spending at 6.1% during the reporting period.

Machinery and mechanical engineering

Demand in machinery and mechanical engineering showed a predominantly positive trend. According to Eurofer, the sector grew by 1.4% in the first nine month year-on-year in Europe. Whereas momentum declined in export growth, domestic demand improved perceptibly. Demand also picked up in the USA, while only moderate growth was reported in China.

Automotive industry

In the first nine months, the economic situation in the international automotive industry varied from region to region. According to the German Association of the Automotive Industry (VDA), automotive demand in Europe increased by some 6% year-on-year. Demand in Ireland, Portugal and Greece – countries heavily impacted by the European sovereign debt crisis – recovered with growth rates of double digit percentage. The USA recorded a rise of

approximately 5% by the end of September. While growth momentum, at around 13%, was again very high in China, Brazil saw a decline in shipments of approximately 9%.

Results of operations, financial position and net assets

The key figures for the results of operations, financial position and net assets in the third quarter and the first nine months of 2014 are as follows:

Key figures results of operations

(€ million)	Q3 2014	Q3 2013	9M 2014	9M 2013
Shipments (Tto)	1,690	1,617	5,043	4,953
Sales	1,675	1,600	4,927	4,922
Gross profit	325	296	952	904
Gross profit margin	19.4%	18.5%	19.3%	18.4%
EBITDA ^{*)}	59	36	160	108
EBITDA margin	3.5%	2.3%	3.2%	2.2%

^{*)} Prior year incl. restructuring expenses in the amount of €2m (9M) resp. €3m (Q3).

The key figures have developed as follows:

Key figures net assets

(€ million)	September 30, 2014	September 30, 2013	December 31, 2013
Net working capital	1,479	1,405	1,216
Net financial debt	557	462	325

Other key figures

(€ million)	September 30, 2014	September 30, 2013	December 31, 2013
Gearing (Net financial debt/shareholders' equity ^{*)})	39%	31%	23%
Leverage (Net financial debt/EBITDA before restructuring expenses ^{**)})	2.8x	3.5x	2.2x

^{*)} 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

Shipments increased by 1.8% to 5.0 million tons in the first nine months of fiscal year 2014. Performance continued to vary across the Europe and Americas operating segments:

The Europe segment increased shipments by 4.6% compared with the first nine months of 2013, with shipments sharply up on the prior-year level at Becker Stahl-Service (BSS) and – due to acquisitions – the Swiss country organization in particular. Shipments in France and Spain continued to decline as market conditions there remained difficult. The KCO 6.0 program's restructuring measures also caused shipments to fall, although these declines were more than offset by the inclusion of Riedo, the Swiss company fully acquired in April. In total, segment shipments were increased despite the overall positive effects of restructuring and acquisition.

By contrast, shipments in the Americas segment decreased by 1.7% 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, margin-based pricing in sales and the drive to scale back low-margin business. The portfolio restructurings mainly impacted the unprofitable beam business for the construction industry. By the third quarter 2014, shipments already showed a sharp year-on-year increase of 2.6%.

Group sales held steady at €4.9 billion in the first nine months of 2014 compared to previous year. Overall, the rise in shipments was offset by the effects of the deterioration in the USD/€ exchange rate as well as falling prices in the Europe segment. Sales increased by 1.4% and therefore at a weaker pace than shipments in the Europe segment, while declining by 2.2% in the Americas segment. Excluding the effect of the weaker USD/€ exchange rate, sales in the Americas segment would have risen slightly.

Results

(€ million)	Q3 2014	Q3 2013	9M 2014	9M 2013
Sales	1,675	1,600	4,927	4,922
Gross profit	325	296	952	904
OPEX ^{*)}	–266	–260	–792	–796
EBITDA ^{**)}	59	36	160	108
EBIT	36	10	92	30
EBT	22	–8	45	–26
Net income	15	–11	27	–31

^{*)} Personnel expenses plus other operating expenses less other operating income.

^{**) Prior year incl. restructuring expenses in the amount of €2m (9M) resp. €3m (Q3).}

The gross profit margin climbed from 18.4% in the previous year to 19.3 % in the first nine months of fiscal year 2014. In addition to positive contributions from the scaling-back of low-margin business, the measures under the KCO WIN program also had an increasing impact. The first-time inclusion of Riedo and the positive trend in prices in the USA first seen at the start of the year helped to lift the margin. Overall, gross profit increased significantly, rising by 5.3% to €952 million.

Buoyed by the contributions to earnings of €29 million from the KCO 6.0 program and €10 million from the KCO WIN program, EBITDA for the first nine months increased sharply, from €108 million to €160 million, with only slightly decreasing OPEX remaining almost unchanged. It should also be noted that the prior-year figure includes €13 million in non-recurring income from the reversal of pension provisions at our Dutch country organization. This effect was fully offset by Riedo's contributions and by asset disposals. The EBITDA margin increased by 1.0 percentage points to 3.2%.

EBITDA by segments

(€ million)	Q3 2014	Q3 2013	9M 2014	9M 2013
Europe	33	26	91	68
Americas	29	17	81	58
Headquarters	-3	-7	-12	-18
Klöckner & Co Group	59	36	160	108

In the Europe segment, EBITDA climbed from €68 million to €91 million despite the fact that market conditions remained very difficult, particularly in France and Spain. The €13 million from the reversal of pension provisions in the Netherlands in the previous year was offset by the first-time inclusion of Riedo and by income from asset disposals.

Cost savings from the KCO 6.0 restructuring program and the initial effects of the KCO WIN program were the main drivers of the increase in EBITDA. The EBITDA margin improved accordingly, rising by 0.7 percentage points to 2.9%. BSS and the Swiss country organization continued to constitute the main drivers of segment EBITDA.

The structural measures, the drive to scale back low-margin business and the effects of the KCO WIN program also had an impact in the Americas segment. EBITDA therefore climbed from €58 million to €81 million, while the EBITDA margin improved by 1.3 percentage points to 4.5%.

Headquarters EBITDA improved to a negative €12 million (2013: negative €18 million), mainly due to cost savings and a change to more accurately allocate segment-related costs according to their origin.

Group EBIT for the first nine months of the fiscal year benefited from acquisition-related amortization coming to an end, EBIT rising at an even sharper rate than EBITDA from €30 million to €92 million.

The financial result likewise improved, from a negative €56 million to a negative €47 million. The redemption of promissory notes and the repayment of the 2009 convertible bond had the effect of alleviating interest expense in particular.

EBT improved from a negative €26 million in the prior-year period to a significantly positive €45 million in the first nine months of the current year.

The inability to offset tax losses between countries combined with restrictive recognition rules for deferred taxes resulted in an income tax expense of €17 million for the first nine months (2013: €5 million). Despite the comparatively high tax liability, net income thus amounted to a positive €27 million compared with a net loss of €31 million in the prior year.

Basic earnings per share came to €0.27 compared with a negative €0.31 in the prior year.

Consolidated balance sheet

(€ million)	September 30, 2014	December 31, 2013
Non-current assets	1,081	977
Current assets		
Inventories	1,296	1,166
Trade receivables	883	687
Other current assets	123	170
Liquid funds	381	595
Total assets	3,764	3,595
Equity	1,463	1,445
Non-current liabilities		
Financial liabilities	803	727
Other non-current liabilities	432	350
Current liabilities		
Financial liabilities	127	184
Trade payables	700	637
Other current liabilities	239	252
Total equity and liabilities	3,764	3,595

Compared with December 31, 2013, total assets increased by €169 million or 5% in the reporting period. Of this, €135 million is attributable to foreign currency translation, as the closing rate of the US dollar in particular rose significantly compared with the 2013 year-end.

Of the €104 million increase in non-current assets, €56 million relate to intangible assets and €44 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.

The reduction in other current assets is primarily attributable to prior-year withholding tax refunds.

Due to the seasonal increase in resources tied up in net working capital and especially the repayment of promissory notes (€50 million) and the 2009 convertible bond (€98 million), cash and cash equivalents were down from €595 million at the end of the last fiscal year to €381 million.

At 39% as of September 30, 2014, the equity ratio was almost on a par with December 31, 2013 (40%) in spite of the increase in total assets. This underlines the solid financial position.

The change in other non-current liabilities (up €82 million) is mainly attributable to increased pension provisions (up €50 million), derivatives liabilities (up €20 million) and deferred taxes (up €13 million). The rise in pension provisions is the result of lower discount factors.

Net working capital

(€ million)	September 30, 2014	September 30, 2013	December 31, 2013
Inventories	1,296	1,168	1,166
Trade receivables	883	843	687
Trade payables	-700	-606	-637
Net working capital	1,479	1,405	1,216

At €1,479 million, net working capital was up on the end of fiscal year 2013 (€1,216 million) due to seasonal factors and acquisitions. A further €58 million of the increase is currency-related.

Net financial debt

(€ million)	September 30, 2014	September 30, 2013	December 31, 2013
Net financial debt	557	462	325
Gearing (Net financial debt/shareholders' equity*)	39%	31%	23%

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

Net financial debt amounted to €557 million at the end of the third quarter of 2014 and therefore surpassed the figure as of December 31, 2013 (€325 million). This was due to the seasonal increase in resources tied up in net working capital, the higher USD/€ exchange rate and the Riedo acquisition. At 39%, gearing remained well below the 150% maximum applicable for financing purposes.

The Group continues to have a comfortable amount of 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.

Consolidated statement of cash flows

(€ million)	Q3 2014	Q3 2013	9M 2014	9M 2013
Cash flow from operating activities	58	44	-90	-2
Cash flow from investing activities	-14	-11	-106	-25
Free cash flow	44	33	-196	-27
Cash flow from financing activities	-18	-44	-25	-21

Due to the increase in net working capital, there was a cash outflow from operating activities of €90 million in the first nine months compared with an outflow of €2 million in the prior-year period. The cash outflow from investing activities amounted to €106 million in the first nine months of 2014 (2013: outflow of €25 million). The primary reason for this was the completion of the Riedo acquisition, which led to a net cash outflow of €82 million.

In total, this resulted in a negative free cash flow of €196 million, compared with a negative €27 million in the prior-year period. Cash flow from financing activities amounted to a negative €25 million in the first nine months of 2014 (2013: negative €21 million). This figure takes account of payments made to service the 2009 convertible bond (€98 million) as well as promissory notes (€50 million), most of which were offset by the 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 global economic growth have dimmed over the course of the year as the geopolitical situation has become more tense and the economic data from Europe has softened.

In early October, the International Monetary Fund (IMF) significantly lowered its forecasts for economic recovery in the Eurozone. Accordingly, the IMF is forecasting growth of just 0.8% for 2014, due primarily to the ongoing consequences of the European sovereign debt crisis and weakening domestic demand. As regards the USA, the IMF continues to forecast more significant economic growth of 2.2% for 2014. The US Federal Reserve's initiated exit from its very loose monetary policy accompanied by the still low interest rates in combination with a recovering labor market contributed to these positive expectations. China's economic growth, at 7.4%, is expected to fall below previous years despite state-initiated infrastructure measures. In Brazil, economic momentum is suffering from the central bank's current restrictive monetary policy and weaker foreign demand. Growth is therefore projected to be very low at just 0.3%. Overall, the IMF is forecasting growth of 3.3% in global economic output in 2014.

Expected development of GDP in our core countries (in percent)	2014
Europe^{*)}	0.8
Germany	1.4
United Kingdom	3.2
France	0.4
Spain	1.3
Switzerland	1.7
China	7.4
Americas	
United States	2.2
Brazil	0.3

Source: International Monetary Fund, Bloomberg.

*) Eurozone.

Expected sector trend

According to current projections by the World Steel Association, global steel consumption will grow by 2.0% in 2014. For the European Union, the association anticipates an increase of 4.0%, while the North American Free Trade Agreement (NAFTA) region is forecast to grow by 6.4% and South and Central America to decline by 2.4%. China is only expected to see muted growth of 1.0%.

Expected trend in our core customer sectors

Construction industry

Driven by the upturn in residential construction, the European construction industry will grow by 1.5% in 2014 according to Euroconstruct estimates. In the USA, the construction sector is forecast to expand by 5%. This trend will be mainly driven by the stronger commercial construction sector. By contrast, the order situation will remain weak in the area of infrastructure due to the restrictive stance on allocating public funds. In China, demand for residential housing remains unabated on the back of advancing urbanization, with growth of 5.1% now projected. The Brazilian construction industry is slowly beginning to trend upward again after a major cooling-off period, driven by increasing 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) so far projects 6% growth for the sector worldwide in 2014. In Europe, the market is still expected to grow by 3%, but the sanctions initiated against Russia and the uncertainty surrounding the conflict in Ukraine having an increasingly detrimental effect. In light of this, the VDMA has already adjusted the growth forecast for the German machinery and mechanical engineering industry from 3% to just 1%. As regards the USA, the VDMA anticipates growth of 5% in the current year. Much stronger growth of 9% is expected for China, the world's largest machinery producer by far. In Brazil, however, growth is expected to soften to just 2% in 2014.

Automotive industry

The German Association of the Automotive Industry (VDA) is projecting growth of around 4% for the global automotive market in the current year. Growth of 4% is also anticipated for the automotive markets in both Europe and the USA, thanks in part to favorable financing options. According to VDA estimates, China is forecast to register a much sharper increase of 15%. The Brazilian automotive industry should – after the strong decline in the first nine months – also shrink for the year as a whole.

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.

Klöckner & Co faces market risk primarily due to demand and price developments. 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.

Additional risks could arise from the continued financial market uncertainty rooted in the persistently high sovereign debt levels in a number of European countries. This could lead to restrictions on lending or make obtaining credit more expensive for customer industries, which in turn could cause investment activity to wane. Furthermore, the economic trend in Europe and the USA could turn out to be softer than generally expected. The current crisis in Ukraine and other geopolitical conflicts could also negatively impact economic recovery in Europe and thus Klöckner & Co's business performance as well – if not directly, at least indirectly. Klöckner & Co continues to act with heightened caution in light of the above and is reacting rapidly to changes in expectations regarding the economic environment.

We are relatively optimistic about the Americas segment on account of developments in the USA, including the reindustrialization resulting from 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 to cover all risks identifiable at the time of preparing the interim financial statements and required to be accounted for.

Steps have been taken as necessary to cushion the impact of impending market risks. Given the current financing structure, no liquidity shortfalls are to be expected. There are no identifiable risks that raise doubt about the Company's ability to continue as a going concern.

Outlook

In Europe, we expect steel demand to increase by 2% this year. Our growth forecast is therefore at the lower end of the previously predicted range of 2% to 3%, in light of the fact that economic indicators have weakened recently.

For the USA, we are raising our growth forecast for steel demand in 2014 as a whole to 5% to 6% (previously: 4% to 5%) due to the still very robust state of the automotive industry and the upturn in commercial construction, which continues to gain momentum.

We expect fourth-quarter shipments to be down on the third quarter. Alongside the seasonal decline in demand in December, we believe the main reason for this will be the recent darkening of the economic outlook for Europe. In addition, falling steel prices in the USA are adversely affecting earnings in our Americas segment. We therefore expect EBITDA of between €30 million and €40 million in total in the final quarter and are fine-tuning our EBITDA guidance for the year as a whole to between €190 million and €200 million.

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.

At the same time, interest cost is decreasing due to the repayment of financial liabilities. Amortization from business combination is also declining. Overall, we still expect to achieve a positive net income and to pay a dividend for fiscal year 2014.

Our objective is to further increase the EBITDA margin from the 3.2% achieved in the first nine months 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 our business in higher-margin products and services, and the digitalization of our business processes. This is based on the assumption that the macroeconomic environment will not change crisis-prone.

Duisburg, November 6, 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

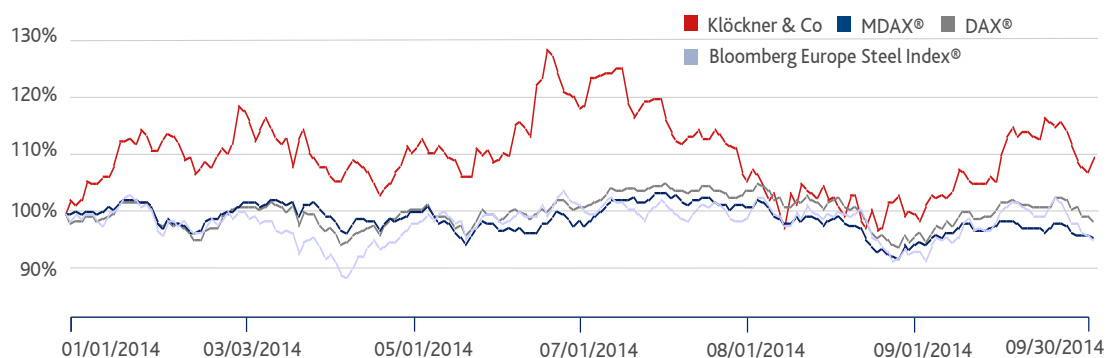
Reuters Xetra: KCOGn.DE

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 nine months of 2014 and reached its highest level for the reporting period at €12.66 on May 12. At the end of September, the shares were trading at €10.89, an increase of around 10% on the 2013 closing price. The DAX® lost about 1% and the MDAX® around 4% in the same period; the Bloomberg Europe Steel Index® shed roughly 5%.

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 third quarter was around €6 million per day, a decrease on the second quarter (around €7 million per day). Klöckner&Co shares consequently ranked 29th by trading volume and 45th by free float market capitalization in Deutsche Börse AG's ranking for MDAX® stocks in September.

Key data – Klöckner&Co share

		Q3 2014	Q3 2013	9M 2014	9M 2013
Number of shares	in shares	99,750,000	99,750,000	99,750,000	99,750,000
Closing price (Xetra, Close)	€	10.89	10.02	10.89	10.02
Market capitalization	€ million	1,086	999	1,086	999
Free float	%	100.0	92.2	100.0	92.2
High (Xetra, Close)	€	11.54	10.91	12.66	11.50
Low (Xetra, Close)	€	9.63	8.17	9.63	8.15
Average daily trading volume	in shares	582,227	513,405	640,301	656,600

Capital Market Day 2014

We held our fourth Capital Market Day at the site of Klöckner & Co Deutschland GmbH's first 3D laser in Velten (near Berlin), Germany, on October 2, 2014. The Group's Management Board and the CEOs of two of our European country organizations met with over 40 investors, analysts and bank representatives. After giving an update on the "Klöckner&Co 2020" strategy, the speakers went on to focus in-depth on the subjects of value added services and digitalization. A tour of the factory provided an opportunity to see the various prefabrication and processing methods in action. Participants also visited information booths to familiarize themselves with Klöckner's digitalization strategy. Of particular interest was the new webshop, which will be available in all country organizations by the end of 2015. The presentation of our completely paper-free warehouse, the iSteel app and the new CRM software also underscored our mission to digitize our supply chain from beginning to end. Please visit our website for additional information and the Capital Market Day presentations.

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, Amundi S.A., Interfer Holding GmbH, Allianz Global Investors Europe GmbH, Franklin Templeton Investments Corp. and Dimensional Holdings Inc./Dimensional Fund Advisors LP. As of the present time, we have not received notification of any other shareholder exceeding or passing below the statutory notification thresholds. Our free float capitalization as defined by Deutsche Börse AG is 100%.

Capital market communications

During the reporting period, the management and members of the IR team of Klöckner&Co SE provided interested capital market participants with information at seven roadshows and 13 conferences in Germany and internationally, as well as in many additional one-on-one discussions. Discussions focused on Group strategy, business results, the progress of ongoing improvement measures and the digitalization strategy.

In the first nine months, Klöckner & Co was covered by 32 banks and securities houses in over 100 research reports. As of the end of September, 18 of the securities houses rated Klöckner&Co shares a "buy", ten gave a "hold" recommendation and four gave advice to "sell".

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

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

KLÖCKNER & CO SE

Consolidated statement of income for the nine-month period ending September 30, 2014

(€ thousand)	Q3 2014	Q3 2013	9M 2014	9M 2013
Sales	1,674,568	1,599,890	4,926,576	4,922,357
Other operating income	9,843	3,157	26,718	22,348
Change in inventory	8,047	2,847	7,544	3,154
Own work capitalized	5	-	42	-
Cost of materials	-1,357,496	-1,306,880	-3,982,379	-4,021,931
Personnel expenses	-143,044	-133,768	-430,092	-426,243
Depreciation and amortization	-23,093	-26,058	-67,784	-78,432
Other operating expenses	-133,323	-128,802	-388,788	-391,393
Operating result	35,507	10,386	91,837	29,860
Finance income	791	539	1,772	1,694
Finance expenses	-14,426	-19,075	-48,626	-57,867
Financial result	-13,635	-18,536	-46,854	-56,173
Income before taxes	21,872	-8,150	44,983	-26,313
Income taxes	-7,358	-3,208	-17,487	-4,718
Net income	14,514	-11,358	27,496	-31,031
<i>thereof attributable to</i>				
- shareholders of Klöckner & Co SE	14,484	-11,350	27,145	-30,758
- non-controlling interests	30	-8	351	-273
Earnings per share (€/share)				
- basic	0.15	-0.11	0.27	-0.31
- diluted	0.15	-0.11	0.27	-0.31

KLÖCKNER & CO SE

Statement of comprehensive income for the nine-month period ending September 30, 2014

(€ thousand)	Q3 2014	Q3 2013	9M 2014	9M 2013
Net income	14,514	- 11,358	27,496	- 31,031
Other comprehensive income not reclassifiable				
Actuarial gains and losses (IAS 19)	- 27,383	17,474	- 49,902	69,689
Related income tax	3,779	- 1,923	5,551	- 14,830
Total	- 23,604	15,551	- 44,351	54,859
Other comprehensive income reclassifiable				
Foreign currency translation	25,143	- 7,285	31,916	- 15,486
Gain/loss from net investment hedges	544	- 277	944	- 2,311
Gain/loss from cash flow hedges	1,706	1,154	5,106	4,619
Reclassification to profit and loss due to sale of foreign subsidiaries	-	-	-	- 15
Related income tax	- 645	- 202	- 1,786	- 977
Total	26,748	- 6,610	36,180	- 14,170
Other comprehensive income	3,144	8,941	- 8,171	40,689
Total comprehensive income	17,658	- 2,417	19,325	9,658
thereof attributable to				
- shareholders of Klöckner & Co SE	17,794	- 1,933	18,852	11,117
- non-controlling interests	- 136	- 484	473	- 1,459

KLÖCKNER & CO SE

Consolidated statement of financial position as of September 30, 2014

Assets

(€ thousand)	September 30, 2014	December 31, 2013
Non-current assets		
Intangible assets	430,774	374,874
Property, plant and equipment	613,444	569,214
Investment property	10,486	10,486
Non-current investments	1,328	1,547
Other assets	16,023	14,525
Deferred tax assets	9,059	6,103
Total non-current assets	1,081,114	976,749
Current assets		
Inventories	1,295,731	1,166,505
Trade receivables	883,344	686,721
Current income tax receivable	10,190	61,944
Other assets	99,847	92,203
Cash and cash equivalents	380,522	595,393
Assets held for sale	12,920	15,170
Total current assets	2,682,554	2,617,936
Total assets	3,763,668	3,594,685

Equity and liabilities

(€ thousand)	September 30, 2014	December 31, 2013
Equity		
Subscribed capital	249,375	249,375
Capital reserves	900,759	900,759
Retained earnings	294,070	266,925
Accumulated other comprehensive income	4,207	12,500
Equity attributable to shareholders of Klöckner & Co SE	1,448,411	1,429,559
Non-controlling interests	14,697	15,913
Total equity	1,463,108	1,445,472
Non-current liabilities		
Provisions for pensions and similar obligations	285,745	235,575
Other provisions and accrued liabilities	17,271	16,900
Financial liabilities	802,649	726,991
Other liabilities	25,206	6,326
Deferred tax liabilities	104,467	90,981
Total non-current liabilities	1,235,338	1,076,773
Current liabilities		
Other provisions and accrued liabilities	126,129	123,171
Income tax liabilities	10,499	55,261
Financial liabilities	127,409	184,149
Trade payables	700,467	636,972
Other liabilities	100,718	72,887
Total current liabilities	1,065,222	1,072,440
Total liabilities	2,300,560	2,149,213
Total equity and liabilities	3,763,668	3,594,685

KLÖCKNER & CO SE

Consolidated statement of cash flows for the nine-month period ending September 30, 2014

(€ thousand)	Q3 2014	Q3 2013	9M 2014	9M 2013
Net income	14,514	-11,358	27,496	-31,031
Income taxes	7,358	3,208	17,487	4,718
Financial result	13,635	18,536	46,854	56,173
Depreciation and amortization	23,093	26,058	67,784	78,432
Other non-cash expenses/income	234	-4,868	-178	-5,719
Gain on disposal of non-current assets	-3,900	-181	-7,182	-1,270
Change in net working capital				
Inventories	-11,796	17,265	-64,115	70,519
Trade receivables	56,280	111,790	-150,217	-65,536
Trade payables	-13,003	-92,808	31,431	-20,810
Change in other operating assets and liabilities	-18,562	-11,498	-18,221	-27,601
Interest paid	-3,799	-3,620	-30,031	-39,217
Interest received	326	468	1,983	2,681
Income taxes paid	-6,292	-8,576	-12,811	-23,903
Cash flow from operating activities	58,088	44,416	-89,720	-2,564
Proceeds from the sale of non-current assets and assets held for sale	3,241	409	11,700	3,864
Cash inflows from the redemption of current loans	15	-	5,354	-
Proceeds from the sale of consolidated subsidiaries	-	-	-	6,705
Payments for intangible assets, property, plant and equipment	-17,314	-11,142	-40,986	-35,302
Acquisition of subsidiaries	-	-	-82,022	-
Cash flow from investing activities	-14,058	-10,733	-105,954	-24,733
Dividend payments to non-controlling interests	-1,689	-	-1,689	-
Repayment convertible bond	-	-	-97,900	-
Repayment promissory notes	-	-	-50,000	-74,500
Net change of other financial liabilities	-16,443	-44,282	124,663	53,188
Cash flow from financing activities	-18,132	-44,282	-24,926	-21,312
Changes in cash and cash equivalents	25,898	-10,599	-220,600	-48,609
Effect of foreign exchange rates on cash and cash equivalents	4,661	-642	5,729	-2,503
Cash and cash equivalents at the beginning of the period	349,963	570,344	595,393	610,215
Cash and cash equivalents at the end of the reporting period as per statement of financial position	380,522	559,103	380,522	559,103

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				
Reclassification of cash flow hedges to profit and loss				
Actuarial gains and losses (IAS 19)				
Reclassification acc. to IAS 1.122			-16,068	
Related income tax				
Reclassification to profit and loss due to sale of foreign subsidiaries				
Other comprehensive income				
Net income			-30,758	
Total comprehensive income				
Balance as of September 30, 2013	249,375	900,759	321,550	
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			27,145	
Total comprehensive income				
Dividends				
Balance as of September 30, 2014	249,375	900,759	294,070	

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
	– 14,263			– 14,263	– 1,223	– 15,486
			– 2,311	– 2,311		– 2,311
			4,619	4,619		4,619
		69,652		69,652	37	69,689
		16,068				
		– 14,830	– 977	– 15,807		– 15,807
	– 15			– 15		– 15
				41,875	– 1,186	40,689
				– 30,758	– 273	– 31,031
				11,117	– 1,459	9,658
	79,667	– 56,377	– 4,226	1,490,748	21,281	1,512,029
	72,912	– 56,648	– 3,764	1,429,559	15,913	1,445,472
	31,675			31,675	241	31,916
			944	944		944
			5,106	5,106		5,106
		– 49,783		– 49,783	– 119	– 49,902
		5,551	– 1,786	3,765		3,765
				– 8,293	122	– 8,171
				27,145	351	27,496
				18,852	473	19,325
					– 1,689	– 1,689
	104,587	– 100,880	500	1,448,411	14,697	1,463,108

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

(1) BASIS OF PRESENTATION

The condensed interim consolidated financial statements of Klöckner & Co SE for the nine-month period ending September 30, 2014 were prepared for the interim presentation in accordance with Sec. 37x para. 3 WpHG in connection with Sec. 37w, para. 2 no. 1 and 2, para. 3 and para. 4 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 not 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 September 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.

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

The present interim consolidated financial statements for the nine-month period ending September 30, 2014 were authorized for issuance by the Management Board after discussion with the Audit Committee of the Supervisory Board on November 6, 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.

The amendments to IFRS 11 (Accounting for Acquisitions of Interests in Joint Operations) were published on May 6, 2014. This clarification relates to the acquisition of interests in joint operations if they are classified as a business. The clarification has no effect on the Klöckner & Co SE Group 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 methods 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.

On September 25, 2014, the Annual Approvements to IFRSs 2012-2014 were issued. The publication of this project leads to changes in five standards. Provided that it will be endorsed by the EU, the standard is applicable for financial years beginning on or after January 1, 2016. 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 nine months 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 was 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 partially still preliminary calculation of the fair values of the acquired Riedo assets (especially intangible assets and inventories) and adopted liabilities is as follows:

(€ million)	Fair values
Assets	
Goodwill	19
Other intangible assets	20
<i>thereof customer relationships</i>	17
<i>thereof order backlog</i>	2
Property, plant and equipment	40
Inventories	10
Trade receivables	14
Other current assets	8
<i>thereof current loans</i>	5
Cash and cash equivalents	2
Total acquired assets	113
Liabilities and provisions	
Non-current financial liabilities	2
Other non-current liabilities	1
Deferred tax liabilities	11
Trade payables	2
Current financial liabilities	7
Other current liabilities	6
Total assumed liabilities	29
Acquired net assets	84
Consideration	84
<i>thereof paid in cash and cash equivalents</i>	84
Reconciliation to transaction volume	
Assumed financial liabilities (net)	4
Acquired cash and cash equivalents	-2
Transaction volume	86

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	67
Contribution to net income since initial consolidation	4
Gross contractual amounts of trade receivables	14
Acquisition-related expenses (other operating expenses)	0

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 €4,954 million and net income would have been €28 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.

		9M 2014	9M 2013
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	27,145	–30,758
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	(€/share)	0.27	–0.31
Diluted earnings per share	(€/share)	0.27	–0.31

(5) INVENTORIES

(€ million)	September 30, 2014	December 31, 2013
Cost	1,331	1,206
Valuation allowance (net realizable value)	–35	–40
Inventories	1,296	1,166

(6) FINANCIAL LIABILITIES

(€ million)	September 30, 2014	December 31, 2013
Non-current financial liabilities		
Bonds	176	170
Liabilities to banks	230	185
Promissory notes	132	184
Liabilities under ABS programs	264	189
Finance lease liabilities	0	0
	803	727
Current financial liabilities		
Bonds	3	98
Liabilities to banks	68	31
Promissory notes	54	54
Liabilities under ABS programs	1	1
Finance lease liabilities	1	1
	127	184
Financial liabilities as per consolidated balance sheet	930	911

Net financial debt developed as follows:

(€ million)	September 30, 2014	December 31, 2013
Financial liabilities as per consolidated balance sheet	930	911
Transaction costs	8	10
Gross financial liabilities	938	921
Cash and cash equivalents	-381	-595
Net financial debt Klöckner & Co Group	557	325

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 September 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							
<i>Non-current investments</i>	1	1	-	-	-	-	1
Loans and receivables	1	1	-	-	-	-	1
Financial assets available for sale	0	0	-	-	-	-	0
<i>Other non-current assets</i>	16	12	-	-	-	4	12
Loans and receivables	12	12	-	-	-	-	12
Not covered by the scope of IFRS 7	4	-	-	-	-	4	-
Current financial assets							
<i>Trade receivables</i>	883	883	-	-	-	-	883
Loans and receivables	883	883	-	-	-	-	883
<i>Other current assets</i>	100	83	0	-	-	17	83
Loans and receivables	83	83	-	-	-	-	83
Derivative financial instruments not designated in hedge accounting (held for trading)	0	-	0	-	-	-	0
Not covered by the scope of IFRS 7	17	-	-	-	-	17	-
<i>Liquid funds</i>	381	381	-	-	-	-	381
Loans and receivables	330	330	-	-	-	-	330
Financial assets available for sale	50	50	-	-	-	-	50
Total	1,381	1,360	0	-	-	21	1,361

Financial liabilities
as of September 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 liabilities							
<i>Non-current financial liabilities</i>	803	803	-	-	-	-	814
Liabilities measured at amortized costs	803	803	-	-	-	-	814
Liabilities held under finance leases	-	-	-	-	-	-	-
<i>Other non-current liabilities</i>	25	0	1	24	-	-	25
Liabilities measured at amortized costs	0	0	-	-	-	-	0
Derivative financial instruments not designated in hedge accounting (held for trading)	1	-	1	-	-	-	1
Derivative financial instruments designated in hedge accounting	24	-	-	24	-	-	24
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
<i>Current financial liabilities</i>	127	126	-	-	1	-	127
Liabilities measured at amortized costs	126	126	-	-	-	-	126
Liabilities held under finance leases	1	-	-	-	1	-	1
<i>Current trade liabilities</i>	700	700	-	-	-	-	700
Liabilities measured at amortized costs	700	700	-	-	-	-	700
<i>Other current liabilities</i>	101	18	6	28	-	49	52
Liabilities measured at amortized costs	18	18	-	-	-	-	18
Derivative financial instruments not designated in hedge accounting (held for trading)	6	-	6	-	-	-	6
Derivative financial instruments designated in hedge accounting	28	-	-	28	-	-	28
Not covered by the scope of IFRS 7	49	-	-	-	-	49	-
Total	1,756	1,648	7	51	1	49	1,719

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							
<i>Non-current investments</i>	2	2	-	-	-	-	2
Loans and receivables	1	1	-	-	-	-	1
Financial assets available for sale	1	1	-	-	-	-	1
<i>Other non-current assets</i>	15	11	-	-	-	4	11
Loans and receivables	11	11	-	-	-	-	11
Not covered by the scope of IFRS 7	4	-	-	-	-	4	-
Current financial assets							
<i>Trade receivables</i>	687	687	-	-	-	-	687
Loans and receivables	687	687	-	-	-	-	687
<i>Other current assets</i>	92	80	0	-	-	12	80
Loans and receivables	80	80	-	-	-	-	80
Derivative financial instruments not designated in hedge accounting (held for trading)	0	-	0	-	-	-	0
Not covered by the scope of IFRS 7	12	-	-	-	-	12	-
<i>Liquid funds</i>	595	595	-	-	-	-	595
Loans and receivables	545	545	-	-	-	-	545
Financial assets available for sale	50	50	-	-	-	-	50
Total	1,390	1,374	0	-	-	16	1,374

Financial liabilities
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 liabilities							
<i>Non-current financial liabilities</i>	727	727	-	-	0	-	742
Liabilities measured at amortized costs	727	727	-	-	-	-	741
Liabilities held under finance leases	0	-	-	-	0	-	0
<i>Other non-current liabilities</i>	6	2	1	3	-	-	6
Liabilities measured at amortized costs	2	2	-	-	-	-	2
Derivative financial instruments not designated in hedge accounting (held for trading)	1	-	1	-	-	-	1
Derivative financial instruments designated in hedge accounting	3	-	-	3	-	-	3
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
<i>Current financial liabilities</i>	184	183	-	-	1	-	185
Liabilities measured at amortized costs	183	183	-	-	-	-	184
Liabilities held under finance leases	1	-	-	-	1	-	1
<i>Current trade liabilities</i>	637	637	-	-	-	-	637
Liabilities measured at amortized costs	637	637	-	-	-	-	637
<i>Other current liabilities</i>	73	20	1	17	-	35	38
Liabilities measured at amortized costs	20	20	-	-	-	-	20
Derivative financial instruments not designated in hedge accounting (held for trading)	1	-	1	-	-	-	1
Derivative financial instruments designated in hedge accounting	17	-	-	17	-	-	17
Not covered by the scope of IFRS 7	35	-	-	-	-	35	-
Total	1,627	1,569	2	20	2	35	1,608

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 nine months amounted to €112 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), all 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)	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013
Segment sales	3,128	3,084	1,799	1,839	-	-	4,927	4,922
EBITDA (segment result)	91	68	81	58	-12	-18	160	108
EBIT	55	32	51	18	-14	-20	92	30
Net working capital as of September 30, 2014 (December 31, 2013)	893	756	581	458	5	2	1,479	1,216
Employees as of September 30, 2014 (December 31, 2013)	7,139	6,895	2,546	2,588	99	108	9,784	9,591

Reconciliation of EBIT to income before taxes:

(€ million)	9M 2014	9M 2013
Earnings before interest and taxes (EBIT)	92	30
Financial result	-47	-56
Income before taxes	45	-26

Duisburg, November 6, 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

March 5, 2015	Annual Financial Statements 2014 Financial statement press conference Analyst conference
May 7, 2015	Q1 interim report 2015 Conference call with journalists Conference call with analysts
May 12, 2015	Annual General Meeting 2015 Düsseldorf, Germany
August 6, 2015	Q2 interim report 2015 Conference call with journalists Conference call with analysts
November 5, 2015	Q3 interim report 2015 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&CoSE 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&CoSE 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.

