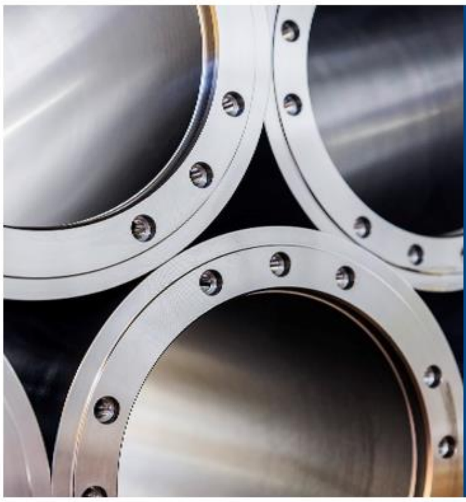
klöckner & co



Klöckner & Co SE

A Leading Multi Metal Distributor

Interim Report

as of September 30, 2015

INTERIM REPORT AS OF SEPTEMBER 30, 2015

KLÖCKNER & CO SE

Klöckner & Co Group Figures

Shipments and income statement		Q3 2015	Q3 2014*)	Variance	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)	Variance
Shipments	Tto	1,636	1,690	–54	4,941	5,043	–102
Sales	€ million	1,597	1,675	–78	4,988	4,927	+61
Gross profit	€ million	311	325	–14	940	952	–12
Gross profit margin	%	19.4	19.4	+0.0%p	18.9	19.3	–0.4%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	28	61	–33	22	158	–136
EBITDA before restructuring expenses	€ million	30	61	–31	76	158	–82
EBITDA margin	%	1.8	3.6	–1.8%p	0.4	3.2	–2.8%p
EBITDA margin before restructuring	%	1.9	3.6	–1.7%p	1.5	3.2	–1.7%p
Earnings before interest and taxes (EBIT)	€ million	5	38	–33	–54	90	–144
Earnings before taxes (EBT)	€ million	–7	24	–31	–91	43	–134
Net income	€ million	–9	16	–25	–85	26	–111
Net income attributable to shareholders of Klöckner & Co SE	€ million	–9	16	–25	–84	26	–110
Earnings per share (basic)	€	–0.09	0.16	–0.25	–0.84	0.26	–1.10
Earnings per share (diluted)	€	–0.09	0.16	–0.25	–0.84	0.26	–1.10

Cash flow statement/Cash flow		Q3 2015	Q3 2014*)	Variance	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)	Variance
Cash flow from operating activities	€ million	75	64	+11	60	–78	+138
Cash flow from investing activities	€ million	–24	–14	–10	–18	–106	+88
Free cash flow**)	€ million	50	50	+0	42	–184	+226

Balance sheet		Sep. 30, 2015	Dec. 31, 2014	Variance	Sep. 30, 2015	Sep. 30, 2014*)	Variance
Net working capital***)	€ million	1,369	1,321	+48	1,369	1,479	–110
Net financial debt	€ million	517	472	+45	517	557	–40
Equity	€ million	1,376	1,429	–53	1,376	1,462	–86
Equity ratio	%	39.3	39.4	–0.1%p	39.3	38.8	+0.5%p
Balance sheet total	€ million	3,499	3,629	–130	3,499	3,764	–265

Employees		Sep.30, 2015	Dec. 31, 2014	Variance	Sep.30, 2015	Sep. 30, 2014	Variance
Employees at end of period		9,560	9,740	–180	9,560	9,784	–224

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

Interim Group Management Report

Key developments in the first nine months and outlook

- Sales up by 1.2% compared with prior-year period to €5.0 billion as a result of positive exchange rate effects despite lower prices and quantities

- Gross profit margin at 18.9% due to drop in steel prices, compared with 19.3% in prior-year period

- EBITDA of €22 million additionally impacted by €54 million in restructuring expenses; EBITDA before restructuring expenses correspondingly at €76 million

- Positive free cash flow of €42 million compared with negative €184 million in prior-year period

- Significant progress made in digital transformation with introduction of contract platform in Germany and the USA, entry into attractive segment comprising online sales to craftsmen and private customers in Germany and involvement in internet of things project for automated steel order placement by production machinery

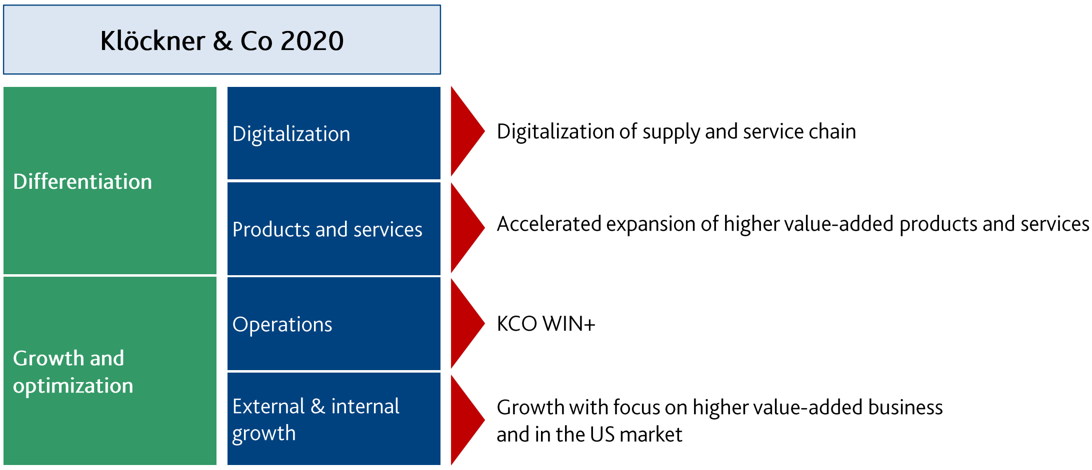
- Further expansion of business in higher value-added products and services with entry into higher value-added steel fabrication segment through acquisition of American Fabricators, USA, and decision to substantially expand aluminum flat products range for the automotive industry in Europe

- EBITDA before restructuring expenses in single-digit millions of euros expected in fourth quarter and correspondingly up to €85 million for full year 2015

Corporate strategy

“Klöckner & Co 2020” strategy

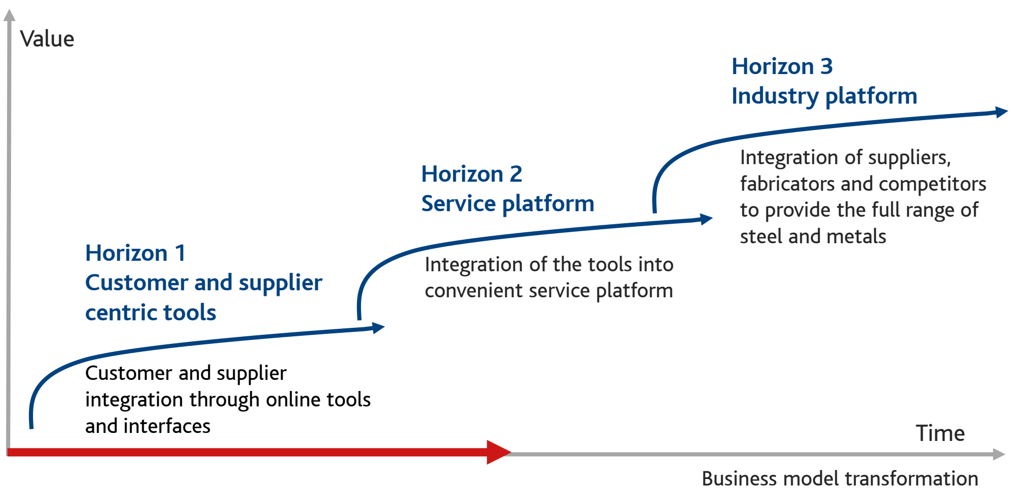
The overarching objective of our strategy is to again hone the competitive edge and hence ultimately boost the earning power of Klöckner & Co and so make Klöckner shares an attractive long-term investment for shareholders. We follow two main thrusts in our realignment: higher value-added products and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



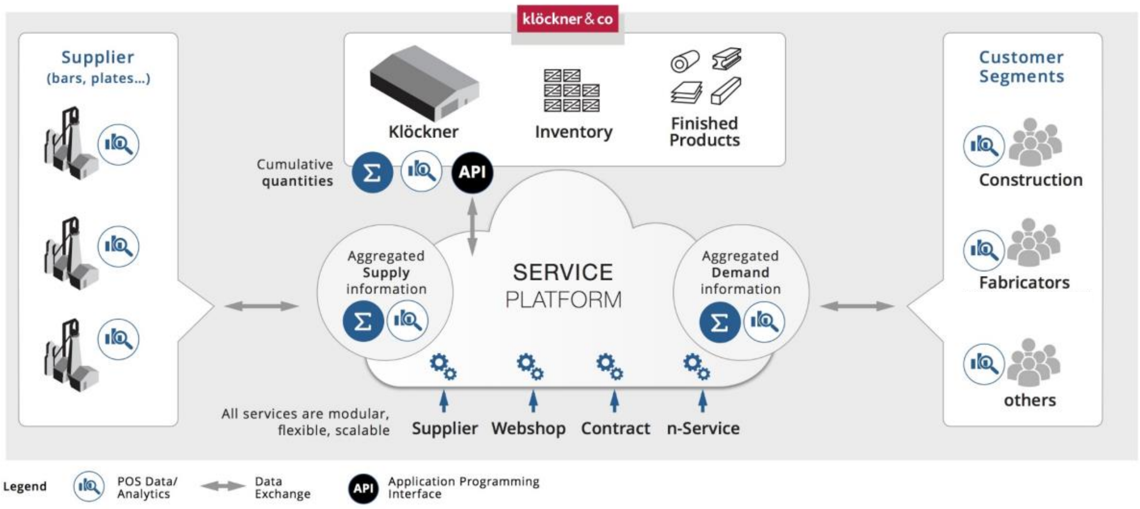
Current developments on international steel markets, such as the unexpectedly steep fall in prices in the USA early in the year, highlight the need to step up the change process. While producers can absorb the downward pressure on product prices due to lower market prices for key inputs – iron ore, scrap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

Digitalization

We have made further progress in digitalizing the steel industry’s still highly inefficient supply and value chain and are integrating more and more tools into our service platform.



In some countries, our customers can already meet their purchasing requirements online and handle contracts entirely over the Internet. The digital integration of some 250 customers in Germany has now been followed up with the very successful launch of the contract platform in the USA. Within only a short space of time, the platform already generated over USD 1 million in sales. In Germany, working in cooperation with an online specialist dealer, we have also entered the attractive segment comprising online sales to craftsmen and private customers. At our Frechen location in Germany, we have put dedicated order processing and shipping infrastructure in place to ensure an efficient delivery service for this segment. Additions are planned to the range of merchandise along with further online marketing channels under a multi-channel strategy. We are an exclusive partner in an internet of things project in which machinery can automatically place orders for steel. The Klöckner & Co contract platform has been integrated into the software user interface for this purpose. This platform paves the way for a fully automated requirements quantification, ordering and delivery process for production machinery going forward. In procurement, we now have full electronic data interchange (EDI) integration with wholesalers and major steel producers. But this again is only an intermediate step. In the future, suppliers and customers will be linked via a service platform, ensuring end-to-end digitalization of the supply and value chain.



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

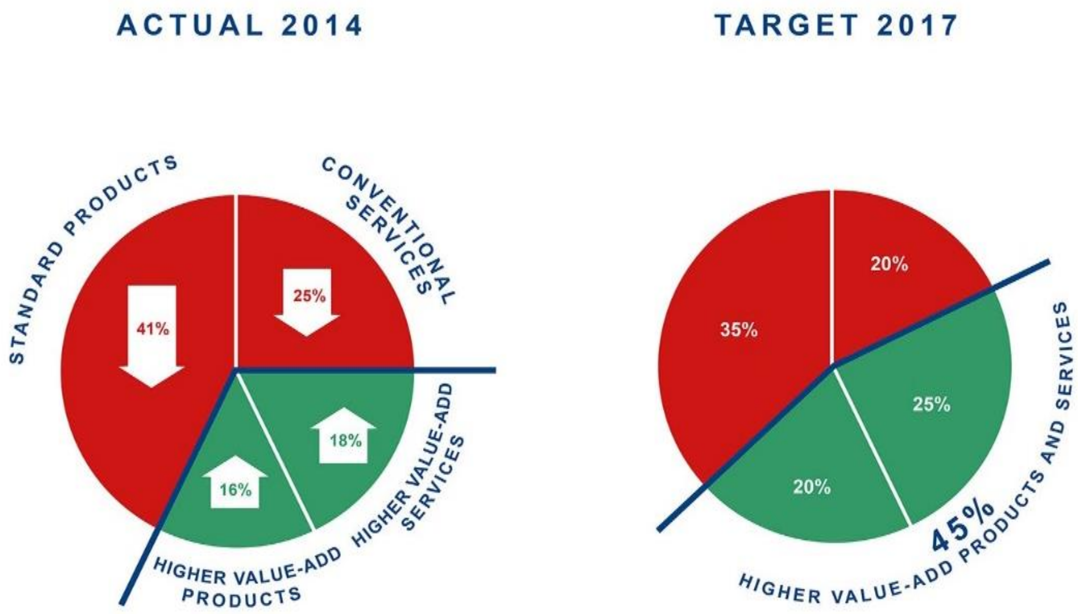
While kloeckner.i operates like an internal start-up, it is through our venture capital company kloeckner.v that we establish links with external start-ups. We invest indirectly through selected venture capital firms or directly in start-ups, thereby supporting our digitalization strategy.

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

Accelerating the shift to higher value-added products and services

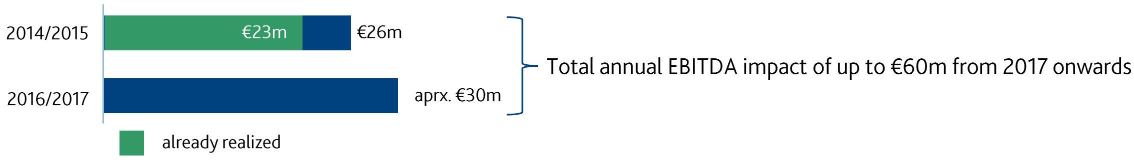
Alongside digitalization, our second strategic blueprint for setting ourselves apart from competitors is to increase the proportion of higher value-added products and processing services. As many of our customers are strongly vertically integrated and still carry out tasks that we could do more efficiently by pooling orders, there is huge market potential here. A good example are our investments in 3D lasers, which we can use to combine several conventional customer tasks such as drilling, sawing and slitting at an attractive price and with significant gains in precision. We are also planning a major expansion of higher-margin business with higher value-added products. At our Bönen location in North Rhine-Westphalia, Germany, for example, we are building a service center to process aluminum flat products for the automotive and manufacturing industries in Europe.

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



KCO WIN+ program

Measures designed to improve workflows and processes in our business operations are pooled in the KCO WIN+ program. One of this program's focal areas is improving sales and distribution. The prime objective here is to fine-tune pricing so as to boost our gross profit margin. Appropriate measures flanked by specialized tools were introduced in all major countries in the course of the year. As explained earlier, we have expanded the program considerably by including additional restructuring and optimization measures, primarily in France but also in other European countries such as Spain and the United Kingdom. The extended program is expected to have an added annual impact on EBITDA of some €30 million from 2017, most of which will be realized as early as 2016. This boosts the annual contribution from the program to as much as €60 million from 2017.



It is expected that the cash outflows resulting from the additional restructuring and optimization measures will be more than offset by the amount of working capital freed up in 2016. In the medium term, further cash inflows are anticipated from sales of land not needed for operating purposes.

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

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

Due to the poor economic trend and the subdued outlook for the local steel market, we are closing our service center in China, which had a headcount of initially 35.

In all, 17 sites are thus set to be closed and the workforce is expected to be reduced by about 600 in 2015 and 2016.

Return to growth path through external and internal growth

Our key organic growth drivers are expanding our higher value-added products and processing services on the one hand and digitalization on the other.

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

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

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

Economic environment

Macroeconomic situation

The growth trend in global GDP continued in the reporting period. While GDP growth in most developed industrialized economies continued to accelerate, many emerging and developing economies showed a slowdown in growth.

In the euro area, the relatively weak euro lent stimulus and a competitive boost to the European economy. GDP in the region grew in the third quarter by 1.7% in total compared with the prior-year quarter.

The USA saw a continuation of the upturn in evidence since 2009. A resilient labor market and low energy costs made for rising consumer spending. With extra stimulus from the construction sector, the US economy showed a year-on-year gain of 2.0%.

In China, GDP growth was down to 6.9% in the third quarter, thus continuing the falling growth rate trend. Brazil remained in recession through the third quarter. Rising inflation and a high base rate did nothing to ease the economic situation. GDP consequently fell by 3.6% compared with the prior-year quarter.

Development of GDP (in percent)	Q3 2015 vs. Q3 2014
Europe*)	**1.7**
Germany	1.9
United Kingdom	0.6
France	1.1
Spain	3.4
Switzerland	0.7
China	**6.9**
Americas	
United States	2.0
Brazil	−3.6

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

Industry-specific situation

Although overall economic conditions are good, the market environment in the steel industry remains challenging. According to the World Steel Association, global production of raw steel declined by 2.4% year-on-year to 1,212 million tons in the first nine months of 2015. The EU saw a small (0.3%) decrease in production volumes, while in the USA steel production dropped by 8.6%. Production was also down by 2.1% in China and 1.2% in Brazil.

In Europe, Eurometal reports that shipments in steel distribution fell by 2% in the first nine months of this year. Shipments in the USA were down by 6.3%, according to the Metals Service Center Institute (MSCI).

The steel industry still faces the problem of massive excess capacity, notably in China and Europe, with the current level of demand continuing to result in structural underutilization. At the end of September 2015, steel producers in Europe and the USA were operating at about 73% of capacity. There is also considerable surplus capacity at distribution level, with competition remaining fierce as a result.

Trend in key customer industries

Construction industry

As the largest processor of steel worldwide, the construction industry plays a key role in determining steel demand. After a weak first quarter in Europe due to weather conditions, construction activity picked up in the second and third quarters according to estimates from the steel association Eurofer, for an overall increase of 1.1% in the first nine months. In the USA, the construction industry primarily benefited from rising demand in the residential construction segment. The US Census Bureau put the growth in construction spending at 11% compared with the first nine months of 2014.

Machinery and mechanical engineering

Demand in machinery and mechanical engineering showed a checkered picture in the first nine months of 2015. In Europe, the sector was slightly down relative to the prior year according to Eurofer, due to the weakness of investments and falling demand from China. On the other hand, the USA saw moderate growth driven by rising demand in machine tools and construction machinery.

Automotive industry

The situation in the international automotive industry was mainly positive in the first nine months of 2015. In Europe, demand increased by around 9% year-on-year, according to the German Association of the Automotive Industry (VDA). The USA saw shipment volumes increase by about 5%. Only Brazil recorded a sharp decline of some 22%.

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 fiscal year 2015 are as follows:

Key figures results of operations

(€ million)	Q3 2015	Q3 2014*)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Shipments (Tto)	1,636	1,690	4,941	5,043
Sales	1,597	1,675	4,988	4,927
Gross profit	311	325	940	952
Gross profit margin	19.4 %	19.4 %	18.9 %	19.3 %
EBITDA	28	61	22	158
EBITDA before restructuring expenses	30	61	76	158
EBITDA margin	1.8 %	3.6 %	0.4 %	3.2 %
EBITDA margin before restructuring	1.9 %	3.6 %	1.5 %	3.2 %

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

The key figures for the financial position changed as follows:

Key figures net assets

(€ million)	September 30, 2015	September 30, 2014	December 31, 2014
Net working capital	1,369	1,479	1,321
Net financial debt	517	557	472

Other key figures

(€ million)	September 30, 2015	September 30, 2014*)	December 31, 2014
Gearing (Net financial debt/shareholders' equity**))	38 %	39 %	34 %
Leverage (Net financial debt/EBITDA***))	4.8x	2.8x	2.5x

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

Discussion of the key figures in detail:

Shipments and sales

Group shipments in the first nine months of 2015, at 4.9 million tons, were down on the prior-year period (–2.0%). Performance in our two operating segments, Europe and Americas, was disappointing.

In the Europe segment, shipments dropped by 0.7% relative to the first three quarters of 2014. Only Becker Stahl-Service GmbH (BSS) and – as a result of the Riedo acquisition – the Swiss country organization were able to increase shipments. All other European country organizations recorded a sharp drop in shipments due to the ongoing difficult market environment.

Shipments in the Americas segment decreased by 3.8% year-on-year. This affected both, the USA and Brazil. While shipments in Brazil were depressed by structural problems in the reporting period, the decline in shipments in the USA was mainly attributable to our customers still – and in some cases increasingly – holding back from buying in anticipation of further falls in prices.

In contrast to the trend in shipments, Group sales climbed by 1.2% to €5.0 billion due to the rise in exchange rates and most notably in the value of the US dollar and the Swiss franc relative to the euro. Despite the positive exchange rate movements and the inclusion of Riedo, sales in the Europe segment declined by 2.0% throughout the reporting period due to low price levels. At constant exchange rates, sales were down by 6.2%. While prices likewise fell in the Americas segment, and notably in the flat steel business important to Klöckner, this was more than offset by the sharp rise in the US dollar-euro exchange rate. In total, the segment saw sales rise by 6.9%; based on the exchange rate in the prior-year period, sales were 11.7% down on the first nine months of 2014.

Results

(€ million)	Q3 2015	Q3 2014*)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Sales	1,597	1,675	4,988	4,927
Gross profit	311	325	940	952
OPEX**)	–282	–264	–919	–794
EBITDA	28	61	22	158
EBITDA before restructuring expenses	30	61	76	158
EBIT	5	38	–54	90
EBT	–7	24	–91	43
Net income	–9	16	–85	26

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

Due to the lower prices, notably in the USA, and strong price pressure in Switzerland as a result of the Swiss franc appreciation, the gross profit margin dropped from 19.3% in the prior-year period to 18.9% in the first nine months of 2015. Impacted by restructuring expenses of €5 million, gross profit was down slightly year-on-year (–1.2%) to €940 million. Without the €88 million positive impact of exchange rate movements mentioned above, however, the decrease would have been 10.5%.

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

(€ million)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Other operating income	24	27
Personnel expenses	–509	–430
Other operating expenses	–434	–391
Income from investments	0	0
OPEX	–919	–794

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

The increase in OPEX by €125 million from €794 million to €919 million is attributable in the amount of €81 million to exchange rate changes and in a total amount of €49 million to restructuring expenses, meaning that in operating terms there was a €4 million improvement.

At €24 million, other operating income was slightly down on the prior-year figure of €27 million.

The €79 million increase in personnel expenses relates in the amount of €46 million to exchange rates and in the amount of €31 million to restructuring. Full inclusion of Riedo for the entire reporting period also accounted for €4 million of the increase, meaning that in operating terms there was a slight decrease.

Similarly, the €43 million increase in other operating expenses is attributable to restructuring expenses (€19 million) and the aforementioned exchange rate changes (€34 million).

Taking the above-mentioned effects into account, EBITDA was down to €22 million, compared with €158 million in the prior-year period. Adjusted for €54 million in restructuring expenses, EBITDA stood at €76 million.

EBITDA by segment developed as follows:

EBITDA before restructuring expenses by segments

(€ million)	Q3 2015	Q3 2014*)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Europe	21	34	57	91
Americas	14	30	34	80
Headquarters	–5	–3	–15	–13
Klöckner & Co Group	30	61	76	158

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

EBITDA in the Europe segment decreased significantly to €57 million in the first nine months of 2015, compared with €91 million a year earlier. With the exception of BSS and the Netherlands, earnings performance was unsatisfactory at all country organizations. The most severe impact on earnings came from the price pressure (euro discount) induced by the removal of the cap on the Swiss franc exchange rate early in the year as well as from the very weak business situation in France and the United Kingdom. While the end of the euro discount effect and a seasonal recovery in the further course of the reporting period made for a marked rise in operating income in Switzerland, the operating environment remained difficult, notably in France and the United Kingdom.

The price- and volume-related fall in gross profit meant that EBITDA in the Americas segment, at €34 million, was likewise well under the €80 million prior-year comparative figure. In particular, the significantly lower market prices for heavy plate at the beginning of the first quarter of 2015 resulted in inventory effects and pressure on margins, whereas the first quarter of the prior year still saw prices rising. The negative price trend flattened out in the course of the second quarter but there was as yet no sign of any appreciable recovery.

Headquarter's EBITDA, at a negative €15 million (9M 2014: negative €13 million), exceeded the prior-year figure also due to the start of the kloeckner.i operations.

Reconciliation to net income

(€ million)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
EBITDA	22	158
Depreciation, amortization and impairments	–75	–68
EBIT	–54	90
Financial result	–37	–47
EBT	–91	43
Income taxes	5	–17
Net income	–85	26

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

After deducting depreciation and amortization, which was swelled by exchange rate effects (in the amount of €9 million) and impairments (€4 million), EBIT came out at a negative €54 million, compared with a positive €90 million in the prior-year period. Conversely, the financial result improved significantly, from a negative €47 million to a negative €37 million. The main alleviating factor here lay in interest expense following the redemption of promissory notes and convertible bonds in the prior year. Accordingly, EBT was a negative €91 million as against a positive €43 million in the prior-year period.

The first nine months show an income tax benefit of €5 million (9M 2014: income tax expense of €17 million). Based on the nine-month EBT of –€91 million an income of €28 million would be expected. Reasons for the difference are the inability to offset tax losses between countries combined with restrictions on the recognition of deferred tax assets for current losses.

All in all, net income was thus a negative €85 million (9M 2014: positive €26 million). Basic earnings per share amounted to a negative €0.84 compared with a positive €0.26 in the prior-year period.

Consolidated balance sheet

(€ million)	September 30, 2015	December 31, 2014
Non-current assets	1,151	1,103
Current assets		
Inventories	1,104	1,318
Trade receivables	828	746
Other current assets	111	146
Liquid funds	305	316
Total assets	3,499	3,629
Equity	1,376	1,429
Non-current liabilities		
Financial liabilities	395	522
Other non–current liabilities	500	479
Current liabilities		
Financial liabilities	421	259
Trade payables	563	743
Other current liabilities	244	197
Total equity and liabilities	3,499	3,629

Compared with December 31, 2014, total assets decreased by €130 million or 3.6% to €3,499 million. Despite substantial currency translation effects, the decrease is mostly due to strict working capital management.

Non-current assets rose by €48 million to €1,151 million. €16 million of the increase was in intangible assets and €28 million in property, plant and equipment. On a constant exchange rate basis, however, there was a decrease both in intangible assets (by €20 million) and in property, plant and equipment (by €10 million).

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

Cash and cash equivalents amounted to €305 million, more or less on a par with the end of the past fiscal year (€316 million).

The equity ratio of nearly 39% as of September 30, 2015 continues to reflect the solid balance sheet and remained at the level of the prior year-end (39%).

The €21 million rise in other non-current liabilities mainly relates to the fair value measurement of derivatives used for hedging purposes.

Other current liabilities went up from €197 million to €244 million, €44 million of which comprised changes in restructuring provisions.

Net working capital

(€ million)	September 30, 2015	September 30, 2014	December 31, 2014
Inventories	1,104	1,296	1,318
Trade receivables	828	883	746
Trade payables	– 563	–700	–743
Net working capital	1,369	1,479	1,321

At €1,369 million, net working capital showed an increase on the end of fiscal year 2014 (€1,321 million). However, it was significantly below the level at the end of the prior-year quarter (€1,479 million). Exchange rate effects accounted for €67 million of the increase relative to the prior year-end, meaning that – at constant exchange rates – there was a decrease of €19 million.

Net financial debt

(€ million)	September 30, 2015	September 30, 2014*)	December 31, 2014
Net financial debt	517	557	472
Gearing (Net financial debt/shareholders' equity**))	38 %	39 %	34 %

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

Net financial debt came to €517 million. Exchange rate changes and payments under foreign currency hedging derivatives used for central group financing purposes account for €57 million of the increase from €472 million in the prior fiscal year. Accordingly, net debt in operating activities declined. Compared to September 30, 2014, the same effects account for €95 million of the increase.

At 38%, gearing remained well below the 150% maximum applicable for financing purposes.

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

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

As of August 10, 2015, the facility amount for the European ABS program was also reduced by €60 million to €300 million due to the decrease in receivables requiring funding.

Consolidated statement of cash flows

(€ million)	Q3 2015	Q3 2014*)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Cash flow from operating activities	75	64	60	–78
Cash flow from investing activities	–24	–14	–18	–106
Free cash flow	50	50	42	–184
Cash flow from financing activities	–49	–24	–59	–36

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

Strict net working capital management made for a positive cash flow from operating activities of €60 million, compared with a cash outflow of €78 million in the prior-year period. Cash flow from investing activities was a negative €18 million, representing the balance of €38 million in cash inflows from divestments and €56 million in cash outflows for capital expenditure. Notably impacted by completion of the Riedo acquisition, the equivalent figure for the prior-year period was €–106 million.

In total, the free cash flow came to €42 million, compared with a negative €184 million in the prior-year period. Cash flow from financing activities came to a negative €59 million (9M 2014: negative €36 million). That figure includes the dividend in the amount of €20 million paid by Klöckner & Co SE in May 2015.

Subsequent events

The purchase of American Fabricators, Inc., Nashville, Tennessee, USA was completed on October 1, 2015. From the start of the fourth quarter, the company is included in the consolidated financial statements of Klöckner & Co SE. With its 150-strong workforce, American Fabricators, Inc. specializes in the professional fabrication of sheets into complex parts for customers from a wide range of different industries and generated sales of some USD 30 million (approximately €27 million) in 2014.

Macroeconomic outlook including key opportunities and risks

Expected global economic growth

Having revised its April forecast downward, the International Monetary Fund (IMF) now expects growth of 3.1% in 2015. The revision is due to a weaker-than-expected start to the year, most of all in North America.

The eurozone is expected to continue its moderate economic recovery. This development is favored by the lower oil price, monetary policy easing by the European Central Bank (ECB), the weakness of the euro relative to other currencies and the resulting competitive boost to domestic industry. Overall, the IMF anticipates that economic output in the eurozone will increase by 1.5% in 2015.

Although US economic growth was dampened in the first quarter of the year, the IMF forecast points to a positive trend this year. The stimulus from low energy prices, tax relief and an upbeat real estate market is likely to more than offset weaker exports as a result of the strong US dollar. Consequently, more robust overall growth of 2.6% is forecast for the US economy.

In China, the uncertainty triggered by the high level of government debt is proving an increasing drag on the economy. Stronger private consumption and expansion of the service sector may help counter the structural problems. The Chinese government recently lowered key interest rates in response to the darkening economic backdrop. Additional stimulus measures are in the pipeline. Overall, the economy is expected to grow by 6.8%, slightly less than in the previous year.

The outlook for the Brazilian economy is still poor. In light of high interest rates, fiscal adjustments and weak consumer confidence, the IMF expects economic output to decline by 3.0%. Although the government is launching economic stimulus programs, these will probably lend impetus only in the medium term.

Expected development of GDP (in percent)	2015
Europe*)	**1,5**
Germany	1,5
United Kingdom	2,5
France	1,2
Spain	3,1
Switzerland	0,8
China	**6,8**
Americas	
United States	2,6
Brazil	-3,0

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

Expected trend in the steel industry

The World Steel Association currently predicts that global steel demand will fall by 1.7% in 2015. For the European Union, the Association anticipates an increase of 1.3%, while the North American Free Trade Agreement (NAFTA) region is expected to contract by 2.7% and South and Central America by 7.3%. A decline of 3.5% is also forecast for China.

Expected trend in our core customer sectors

Construction industry

According to Euroconstruct estimates in 2015, the European construction industry is set to grow this year – with help from sustained low interest rates – by some 2%. In the USA, the sector is expected to expand by 6% in 2015, with stimulus coming primarily from residential construction. Growth may also be fostered by individual government infrastructure projects.

Machinery and mechanical engineering

Global machinery and mechanical engineering is projected to see a further increase of 1% in shipments over the year as a whole. In Europe, despite the positive impact of the favorable exchange rate environment, steel industry association Eurofer expects the sector in this region to expand by only a marginal 0.1% overall. A sharp increase of 3.6% is forecast for the USA due to substantial replacement demand.

Automotive industry

According to current estimates from the German Association of the Automotive Industry (VDA), the major automotive markets will remain on track for growth this year, but with declining momentum. VDA forecasts growth of 6% in Europe. The US market will grow by 3%, according to VDA.

Current assessment of opportunities and risks

The detailed information provided in the Opportunities and Risks section on pages 69 to 78 of the 2014 Annual Report continues to apply for the most part. For a detailed description of the risk management system in the Klöckner & Co Group, please see pages 66 et seq. of the 2014 Annual Report.

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

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

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 over the year as a whole to show an increase of about 1%, notably driven by growth in the automotive industry. In the USA, the slump in the oil and gas sector cannot be fully compensated for with growth elsewhere and, as a net outcome, we now expect a slight decrease in real steel demand of around 2%.

The pressure from falling prices and slow demand continued at the beginning of the fourth quarter. For the final quarter, which is in any case traditionally weak, we therefore expect operating income (EBITDA) before restructuring expenses to be only in the single-digit millions of euros.

This puts our forecast for EBITDA before restructuring expenses for the full 2015 fiscal year at up to €85 million – after €76 million in the first nine months. Despite the impacts reducing earnings, we anticipate that free cash flow will be positive as measured over the year as a whole.

In fiscal year 2016, even if the market environment is no more than stable, operating income (EBITDA) is forecast to increase substantially and net income will consequently be comfortably back into positive figures. Additional stimulus may come from the anti-dumping measures introduced in the USA and Europe primarily against Chinese exports.

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

Duisburg, November 3, 2015

Klöckner & Co SE

The Management Board

KLÖCKNER & CO SHARE

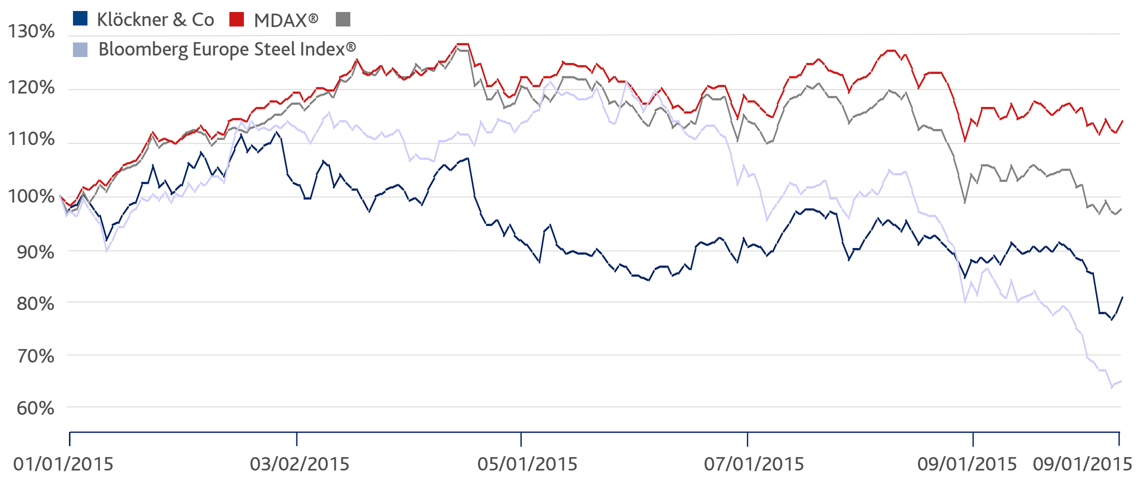
Klöckner & Co share: Key data

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

Share price performance

Klöckner & Co shares initially gained ground at the beginning of 2015, reaching their highest level for the year so far at €10.12 on February 24. However, they then dropped back noticeably as the reporting period progressed and, at the end of September, were trading at €7.32, a decrease of around 18% on the 2014 closing price. The DAX® lost about 2% and the Bloomberg Europe Steel Index® about 34% in the same period, while the MDAX® climbed by roughly 14%.

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 €6.1 million a day, a decrease on the second quarter (around €9.8 million a day). Klöckner & Co shares ranked 35th by trading volume and 57th by free float market capitalization in Deutsche Börse AG's ranking for MDAX® and SDAX® stocks in September.

Key data – Klöckner & Co share

		Q3 2015	Q3 2014	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014
Number of shares	in shares	99,750,000	99,750,000	99,750,000	99,750,000
Closing price (Xetra, Close)	€	7.32	10.89	7.32	10.89
Market capitalization	€ million	730	1,086	730	1,086
High (Xetra, Close)	€	8.85	11.54	10.12	12.66
Low (Xetra, Close)	€	7.03	9.63	7.03	9.63
Average daily trading volume	in shares	741,159	582,227	893,713	640,301

Ownership structure

At the end of the third quarter, our largest shareholders were Swoctem GmbH/Friedhelm Loh with a shareholding of between 10% and 15%, Federated Global Investment Management Corp., Franklin Mutual Advisors and Templeton Investment Counsel, LLC with a shareholding of between 5% and 10% each, and Interfer Holding GmbH, UBS Group AG, Franklin Mutual Series Funds, Franklin Templeton Investments Corp. and Dimensional Holdings Inc./Dimensional Fund Advisors LP with a shareholding of between 3% and 5% each.

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 on the Company's current position at five roadshows and ten conferences in Germany and internationally, as well as in many additional one-on-one discussions. Talks with investors focused on the business results, the digitalization strategy and the changes to the ownership structure.

In the first nine months, Klöckner & Co was covered by 27 banks and securities houses in 119 research reports. As of the end of September, ten of the securities houses rated Klöckner & Co shares a “buy”, 12 gave a “hold” recommendation and five rated Klöckner & Co shares a “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 share price and convertible bond price performance data. 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 nine-month period ending September 30, 2015

(€ thousand)	Q3 2015	Q3 2014*)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Sales	1,597,208	1,674,568	4,987,740	4,926,576
Other operating income	4,297	9,844	24,141	26,719
Changes in inventory	–3,758	8,047	–11,538	7,544
Own work capitalized	-	5	21	42
Cost of materials	–1,282,811	–1,357,496	–4,036,020	–3,982,379
Personnel expenses	–154,640	–143,044	–508,742	–430,092
Depreciation and amortization	–22,943	–23,093	–75,259	–67,784
thereof impairment losses	*–38*	*-*	*–3,954*	*–50*
Other operating expenses	–132,073	–131,097	–433,938	–390,572
Operating result	**5,280**	**37,734**	**–53,595**	**90,054**
Finance income	–123	791	785	1,772
Finance expenses	–11,962	–14,426	–37,767	–48,626
Financial result	**–12,085**	**–13,635**	**–36,982**	**–46,854**
Income before taxes	**–6,805**	**24,099**	**–90,577**	**43,200**
Income taxes	–2,195	–7,878	5,146	–17,159
Net income	**–9,000**	**16,221**	**–85,431**	**26,041**
thereof attributable to				
– shareholders of Klöckner & Co SE	*–8,929*	*16,166*	*–84,179*	*25,717*
– non-controlling interests	*–71*	*55*	*–1,252*	*324*
Earnings per share (€/share)				
– basic	**–0.09**	**0.16**	**–0.84**	**0.26**
– diluted	**–0.09**	**0.16**	**–0.84**	**0.26**

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

KLÖCKNER & CO SE

Statement of comprehensive income for the nine-month period ending September 30, 2015

(€ thousand)	Q3 2015	Q3 2014*)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Net income	–9,000	16,221	–85,431	26,041
Other comprehensive income not reclassifiable				
Actuarial gains and losses (IAS 19)	–7,912	–27,383	–8,484	–49,902
Related income tax	3,029	3,779	4,910	5,551
Total	–4,883	–23,604	–3,574	–44,351
Other comprehensive income reclassifiable				
Foreign currency translation	–17,175	25,108	58,290	31,877
Gain/loss from net investment hedges	146	544	–1,596	944
Gain/loss from cash flow hedges	-	1,706	-	5,106
Related income tax	–46	–645	506	–1,786
Total	–17,075	26,713	57,200	36,141
Other comprehensive income	–21,958	3,109	53,626	–8,210
Total comprehensive income	–30,958	19,330	–31,805	17,831
thereof attributable to				
– shareholders of Klöckner & Co SE	–30,892	*19,441*	–30,612	*17,385*
– non-controlling interests	–66	*–111*	–1,193	*446*

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

KLÖCKNER & CO SE

Consolidated statement of financial position as of September 30, 2015

Assets

(€ thousand)	September 30, 2015	December 31, 2014
Non-current assets		
Intangible assets	454,302	438,015
Property, plant and equipment	657,852	630,220
Investment property	10,486	10,486
Non-current investments	1,338	1,321
Other assets	15,151	15,282
Current income tax receivable	4,046	2
Deferred tax assets	7,429	7,817
Total non-current assets	1,150,604	1,103,143
Current assets		
Inventories	1,103,967	1,317,696
Trade receivables	828,165	745,538
Current income tax receivable	21,041	14,072
Other assets	88,382	106,386
Cash and cash equivalents	304,500	316,364
Assets held for sale	2,210	25,478
Total current assets	2,348,265	2,525,534
Total assets	3,498,869	3,628,677

Equity and liabilities

(€ thousand)	September 30, 2015	December 31, 2014
Equity		
Subscribed capital	249,375	249,375
Capital reserves	900,759	900,759
Retained earnings	192,550	289,257
Accumulated other comprehensive income	23,901	–24,690
Equity attributable to shareholders of Klöckner & Co SE	1,366,585	1,414,701
Non-controlling interests	9,200	13,984
Total equity	1,375,785	1,428,685
Non-current liabilities		
Provisions for pensions and similar obligations	333,856	328,190
Other provisions and accrued liabilities	16,348	17,405
Financial liabilities	394,985	522,407
Other liabilities	56,379	34,407
Deferred tax liabilities	93,834	98,576
Total non-current liabilities	895,402	1,000,985
Current liabilities		
Other provisions and accrued liabilities	164,703	110,827
Income tax liabilities	10,147	9,307
Financial liabilities	420,766	258,950
Trade payables	563,114	742,703
Other liabilities	68,952	77,220
Total current liabilities	1,227,682	1,199,007
Total liabilities	2,123,084	2,199,992
Total equity and liabilities	3,498,869	3,628,677

KLÖCKNER & CO SE

Consolidated statement of cash flows for the nine-month period ending September 30, 2015

(€ thousand)	Q3 2015	Q3 2014*)	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Net income	–9,000	16,221	–85,431	26,041
Income taxes	2,195	7,878	–5,146	17,159
Financial result	12,085	13,635	36,982	46,854
Depreciation and amortization	22,943	23,093	75,259	67,784
Other non–cash expenses/income	443	234	–405	–178
Gain on disposal of non–current assets	440	–3,900	–4,543	–7,182
Change in net working capital				
Inventories	100,690	–11,796	286,919	–64,115
Trade receivables	79,929	56,280	–48,045	–150,217
Trade payables	–113,555	–13,003	–219,979	31,431
Change in other operating assets and liabilities	–16,540	–15,283	55,363	–5,170
Interest paid	–4,856	–3,799	–21,420	–30,031
Interest received	280	326	943	1,983
Income taxes paid	–417	–6,292	–10,948	–12,811
Cash flow from operating activities	74,637	63,594	59,549	–78,452
Proceeds from the sale of non–current assets and assets held for sale	406	3,241	26,063	11,700
Cash inflows from the redemption of current loans	-	15	-	5,354
Proceeds from the sale of consolidated subsidiaries (incl. businesses)	–213	-	11,955	-
Payments for intangible assets, property, plant and equipment	–24,415	–17,314	–55,333	–40,986
Acquisition of subsidiaries and non-controlling interest	–10	-	–1,145	–82,022
Cash flow from investing activities	–24,232	–14,058	–18,460	–105,954
Dividend payments to shareholders of Klöckner & Co SE	-	-	–19,950	-
Dividend payments to non–controlling interests	-	1,689	-	1,689
Repayment convertible bond	-	-	-	–97,900
Repayment Syndicated Loan	-	-	–100,000	-
Repayment promissory notes	-	-	–51,500	–50,000
Net change of other financial liabilities	–48,922	–25,327	112,444	110,017
Cash flow from financing activities	–48,922	–23,638	–59,006	–36,194
Changes in cash and cash equivalents	1,483	25,898	–17,917	–220,600
Effect of foreign exchange rates on cash and cash equivalents	–1,296	4,661	6,053	5,729
Cash and cash equivalents at the beginning of the period	304,313	349,963	316,364	595,393
Cash and cash equivalents at the end of the reporting period as per statement of financial position	304,500	380,522	304,500	380,522

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

KLÖCKNER & CO SE

Summary of changes in equity

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings
Balance as of January 1, 2014	249,375	900,759	266,925
Other comprehensive income			
Foreign currency translation			
Gain/loss from net investment hedges			
Gain/loss from cash flow hedges			
Actuarial gains and losses (IAS 19)			
Related income tax			
Other comprehensive income			
Net income			25,717
Total comprehensive income			
Dividends			
Balance as of September 30, 2014*)	249,375	900,759	292,642
Balance as of January 1, 2015	249,375	900,759	289,257
Other comprehensive income			
Foreign currency translation			
Gain/loss from net investment hedges			
Actuarial gains and losses (IAS 19)			
Related income tax			
Other comprehensive income			
Net income			–84,179
Total comprehensive income			
Change of non–controlling interests			7,422
Dividends			–19,950
Balance as of September 30, 2015	249,375	900,759	192,550

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

Accumulated other comprehensive income					
Currency translation adjustment	Actuarial gains and losses (IAS 19)	Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non–controlling interests	Total
72,912	–56,648	–3,764	1,429,559	15,913	1,445,472
31,636			31,636	241	31,877
		944	944		944
		5,106	5,106		5,106
	–49,783		–49,783	–119	–49,902
	5,551	–1,786	3,765		3,765
			–8,332	122	–8,210
			25,717	324	26,041
			17,385	446	17,831
				–1,689	–1,689
104,548	–100,880	500	1,446,944	14,670	1,461,614
114,797	–138,862	–625	1,414,701	13,984	1,428,685
58,290			58,290		58,290
		–1,596	–1,596		–1,596
	–8,543		–8,543	59	–8,484
	4,910	506	5,416		5,416
			53,567	59	53,626
			–84,179	–1,252	–85,431
			–30,612	–1,193	–31,805
–4,976			2,446	–3,591	–1,145
			–19,950		–19,950
168,111	–142,495	–1,715	1,366,585	9,200	1,375,785

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

(1) Basis of presentation

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

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

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

	Closing rate		Average rate	
1 € =	September 30, 2015	December 31, 2014	Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014
Brazilian Real (BRL)	4.4808	3.2207	3.5257	3.1028
Pound Sterling (GBP)	0.7385	0.7789	0.7271	0.8118
Swiss Franc (CHF)	1.0915	1.2024	1.0621	1.2180
US Dollar (USD)	1.1203	1.2141	1.1144	1.3549

As part of the preparation of an interim consolidated financial statement in accordance with the IAS 34 for the period ending September 30, 2015, Klöckner & Co SE's management is required to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities as well as income and expenses. The actual amounts may differ from these estimates.

In the opinion of the Management Board, the interim consolidated financial statements reflect all adjustments deemed necessary to provide a true and fair view of the results. The results for the period ending September 30, 2015 are not necessarily indicative of future results.

The present interim consolidated financial statements for the nine-month period ending September 30, 2015 were authorized for issuance by the Management Board after discussion with the Audit Committee of the Supervisory Board on November 3, 2015. Unless otherwise indicated, all amounts are stated in million euros (€ million). Discrepancies to the unrounded figures may arise.

(2) New accounting standards and interpretations

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

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

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

IFRIC 21 regulates the closing date of public taxes accrued either upon threshold limits or accrued irregularly within the year and not being subject to IAS 12 (Income Taxes). The initial application of the interpretation led to a change in periodization of such taxes and thus increased other expenses and other liabilities in the amount of €2 million as well as deferred tax liabilities by €1 million in the first nine months 2015 for the Klöckner & Co Group. Under consideration of income tax benefit effects totaling €1 million, the net result was decreased by €1 million. Prior year’s presentation of other operating expenses and other liabilities in the financial statements as of September 30, 2014 increased accordingly by €2 million. Additionally, deferred tax liabilities decreased by €1 million. The impact on earnings during the first nine months 2014 amounted to €1 million after consideration of the tax reducing effects. The initial application of IFRIC 21 will not have an impact on the 2015 full year results.

(3) Changes in ownership interests

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

(4) Special items in the results

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

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

(€ million)	EBITDA		EBIT		Net income	
	Q3 2015	9M 2015	Q3 2015	9M 2015	Q3 2015	9M 2015
Result as reported	28	22	5	–54	–9	–85
Stock write–downs	-	5	-	5	-	5
Personnel expenses	1	31	1	31	1	31
Other restructuring expenses	1	19	1	19	1	19
Asset impairments			-	3	-	3
Tax effects					-	–2
Result before restructuring expenses and impairments	30	76	7	3	–7	–30

(5) Earnings per share

Earnings per share are calculated by dividing net income of the interim period attributable to shareholders by the weighted average number of shares outstanding during the period. In accordance with IAS 33.41, 7,596 thousand dilutive potential shares of the convertible bonds (2014: 10,904 thousand shares) were not included in the computation of diluted earnings per share as they were anti-dilutive.

		Jan. 1 – Sep. 30, 2015	Jan. 1 – Sep. 30, 2014*)
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	–84,179	25,717
Weighted average number of shares	(thousands of shares)	99,750	99,750
Basic earnings per share	(€/share)	–0.84	0.26
Diluted earnings per share	(€/share)	–0.84	0.26

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

(6) Inventories

(€ million)	September 30, 2015	December 31, 2014
Cost	1,153	1,355
Valuation allowance (net realizable value)	–49	–37
Inventories	1,104	1,318

(7) Financial liabilities

(€ million)	September 30, 2015	December 31, 2014
Non-current financial liabilities		
Liabilities to banks	124	167
Promissory notes	-	132
Liabilities under ABS programs	268	220
Finance lease liabilities	3	3
	395	522
Current financial liabilities		
Bonds	188	178
Liabilities to banks	97	25
Promissory notes	135	54
Liabilities under ABS programs	-	1
Finance lease liabilities	1	1
	421	259
Financial liabilities as per consolidated balance sheet	816	781

Net financial debt developed as follows:

(€ million)	September 30, 2015	December 31, 2014
Financial liabilities as per consolidated balance sheet	816	781
Transaction costs	6	7
Gross financial liabilities	822	788
Cash and cash equivalents	– 305	– 316
Net financial debt Klöckner & Co Group	517	472

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

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

In addition, effective August 10, 2015, the credit line of the European ABS program was reduced by €60 million to €300 million in light of the lower volume of accounts receivables to be refinanced.

(8) Financial instruments

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

Financial assets as of September 30, 2015

		Measurement in accordance with					
		IAS 39			IAS 17		
(€ million)	Carrying amount	Amortized costs	Fair value recognized in profit and loss	Fair value recognized in equity	Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non-current financial assets							
Non-current investments	*1*	*1*	-	-	-	-	*1*
Loans and receivables	1	1	-	-	-	-	1
Financial assets available for sale	-	-	-	-	-	-	-
Other non–current assets	*15*	*11*	-	-	-	*4*	*11*
Loans and receivables	11	11	-	-	-	-	11
Not covered by the scope of IFRS 7	4	-	-	-	-	4	-
Current financial assets							
Trade receivables	*828*	*828*	-	-	-	-	*828*
Loans and receivables	828	828	-	-	-	-	828
Other current assets	*88*	*70*	*1*	-	-	*17*	*71*
Loans and receivables	70	70	-	-	-	-	70
Derivative financial instruments not designated in hedge accounting (held for trading)	1	-	1	-	-	-	1
Not covered by the scope of IFRS 7	17	-	-	-	-	17	-
Liquid funds	*305*	*305*	-	-	-	-	*305*
Loans and receivables	302	302	-	-	-	-	302
Financial assets available for sale	3	3	-	-	-	-	3
Total	1,237	1,215	1	-	-	21	1,216

Financial liabilities as of September 30, 2015

(€ million)	Carrying amount	Measurement in accordance with IAS 39: Amortized costs	IAS 39: Fair value recognized in profit and loss	IAS 39: Fair value recognized in equity	IAS 17: Amortized costs	Not covered by the scope of IFRS 7	Fair value
Non-current financial liabilities							
Non-current financial liabilities	*395*	*392*	-	-	*3*	-	*398*
Liabilities measured at amortized costs	392	392	-	-	-	-	395
Liabilities held under finance leases	3	-	-	-	3	-	3
Other non–current liabilities	*56*	-	-	*56*	-	-	*56*
Liabilities measured at amortized costs	-	-	-	-	-	-	-
Derivative financial instruments not designated in hedge accounting (held for trading)	-	-	-	-	-	-	-
Derivative financial instruments designated in hedge accounting	56	-	-	56	-	-	56
Not covered by the scope of IFRS 7	-	-	-	-	-	-	-
Current financial liabilities							
Current financial liabilities	*421*	*420*	-	-	*1*	-	*422*
Liabilities measured at amortized costs	420	420	-	-	-	-	421
Liabilities held under finance leases	1	-	-	-	1	-	1
Current trade liabilities	*563*	*563*	-	-	-	-	*563*
Liabilities measured at amortized costs	563	563	-	-	-	-	563
Other current liabilities	*69*	*18*	*3*	-	-	*48*	*21*
Liabilities measured at amortized costs	18	18	-	-	-	-	18
Derivative financial instruments not designated in hedge accounting (held for trading)	3	-	3	-	-	-	3
Derivative financial instruments designated in hedge accounting	-	-	-	-	-	-	-
Not covered by the scope of IFRS 7	48	-	-	-	-	48	-
Total	1,504	1,393	3	56	4	48	1,460

Financial assets as of December 31, 2014

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

Financial liabilities as of December 31, 2014

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

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

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

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

(9) Subsequent events

On October 1, 2015, 100 % of American Fabricators, Inc., Nashville, Tennessee, USA, was acquired. From October 1, 2015 on, the company will be consolidated in the Klöckner & Co Group financial statements. American Fabricators, Inc. specializes in the professional fabrication of sheets into complex parts for customers from a wide range of different industries and generated sales of USD 30 million (about €27 million) with 150 employees.

The purchase price amounts to USD 37 million (roughly €33 million). Due to the transaction coinciding with the compilation of the interim financial statements, further information according to IFRS 3.B64 cannot be published at this time.

(10) Related party transactions

Within the framework of its ordinary business activities, the Klöckner & Co Group has business relationships with numerous companies. These also include related parties. Business relations with these companies do not differ from trade relationships with third parties. No material transactions were conducted with any of these related parties in the reporting period.

(11) Segment reporting

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

	Europe		Americas		Headquarters/ Consolidation		Total	
(€ million)	9M 2015	9M 2014*)	9M 2015	9M 2014*)	9M 2015	9M 2014*)	9M 2015	9M 2014*)
Segment sales	3,064	3,128	1,924	1,799	-	-	4,988	4,927
EBITDA (segment result)	3	91	34	80	–15	–13	22	158
EBIT	–36	55	-	50	–18	–15	–54	90
Net working capital as of September 30, 2015 (December 31, 2014)	824	764	544	555	1	2	1,369	1,321
Employees as of September 30, 2015 (December 31, 2014)	6,940	7,104	2,532	2,559	88	77	9,560	9,740

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

Reconciliation of EBIT to income before taxes:

(€ million)	9M 2015	9M 2014*)
Earnings before interest and taxes (EBIT)	–54	90
Financial result	–37	–47
Income before taxes	–91	43

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

Duisburg, November 3, 2015

Klöckner & Co SE

Management Board

Gisbert Rühl
Chairman
of the Management Board

Marcus A. Ketter
Member
of the Management Board

Karsten Lork
Member
of the Management Board

William A. Partalis
Member
of the Management Board

Financial Calendar

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

Subject to subsequent changes

Klöckner & Co SE

Christian Pokropp

Head of Investor Relations & Corporate Communications
Telephone: +49 203 307-2050
Fax: +49 203 307-5025
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.