klöckner & co
multi metal distribution

Klöckner & Co SE

A Leading Multi Metal Distributor

Interim Report

as of September 30, 2010

INTERIM REPORT AS OF SEPTEMBER 30, 2010

KLÖCKNER & CO SE

Klöckner & Co Group Figures

Income statement		Q3 2010	Q3 2009	Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009
Sales	€ million	1,401	934	3,866	2,988
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	61	11	190	–151
Earnings before interest and taxes (EBIT)	€ million	39	–7	127	–204
Earnings before taxes (EBT)	€ million	22	–21	79	–249
Net income	€ million	15	–23	63	–198
Net income attributable to shareholders of Klöckner & Co SE	€ million	14	–23	61	–197
Earnings per share (basic)	€	0.21	–0.42	0.92	–4.16
Earnings per share (diluted)	€	0.21	–0.42	0.92	–4.16

Cash flow statement				Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009
Cash flow from operating activities	€ million			–82	541
Cash flow from investing activities	€ million			–148	–6

Balance sheet				September 30, 2010	December 31, 2009
Net working capital*)	€ million			1,090	637
Net financial debt	€ million			233	–150
Equity	€ million			1,215	1,123
Balance sheet total	€ million			3,315	2,713

Key figures		Q3 2010	Q3 2009	Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009
Sales volumes	to '000	1,368	1,033	3,996	3,154

				September 30, 2010	December 31, 2009
Employees at end of period				9,555	9,032

*) Net working capital = inventories plus trade accounts receivable minus trade accounts payable.

Group Interim Management Report

Sales volumes, sales and earnings significantly improved compared to the previous year. Strong contribution from acquisitions. Full-year guidance reaffirmed. Long-term strategy Klöckner & Co 2020 presented.

Key figures for the first nine months of 2010:

- Sales volumes increased 26.7% to 4.0 million tons compared to the first three quarters of 2009 and were 32.5% higher in Q3 compared to the same quarter of the previous year
- Sales of around €3.9 billion were 29.4% higher than in the previous year; Q3 2010 sales of €1,401 million were +50.0% higher than in Q3 2009 (€934 million)
- Operating income (EBITDA) increased from €–151 million to €190 million (Q3: €61 million after €11 million)
- Significantly positive net income of €63 million for the first nine months of 2010 following a loss of €–198 million
- Earnings per share of €0.92, compared to €–4.16 for the same period last year

Thanks to restocking – particularly during the second quarter – as a result of the economic recovery, as well as acquisitions, sales volumes in the first nine months of 2010 were 26.7% higher than in the period for the prior year. At the same time, Q3 sales volumes were 32.5% higher than in the same quarter last year. A significant portion of the increase was attributable to the acquisition of Becker Stahl-Service (BSS), making us especially well positioned to benefit from the strong recovery in the automotive sector and from the momentum in the machinery and mechanical engineering industry, particularly in Germany. In line with the trend in sales volumes, sales rose 29.4% in the first nine months to €3.9 billion. Q3 2010 sales increased from €934 million to €1,401 million (+50.0%). This trend was reflected in all key earnings figures, with both the impact of higher prices in the second quarter and sustained cost-cutting measures in our efficiency-enhancement programs contributing to significant improvements. As a result, we were able to increase operating income (EBITDA) to €190 million, EBIT to €127 million and net income to €63 million.

Higher prices and the positive trend in sales volumes meant that more funds were tied up in working capital accordingly. Additional capital was required to fund the acquisitions. Even though this caused net financial debt to increase to €233 million, the Group once again expanded its financial flexibility and extended the maturities of its central credit facilities from 1.7 to 3.2 years. As a result, the Group has around €2.0 billion of credit facilities, over €500 million of which are still available for acquisitions.

For the full-year, we continue to assume a heterogeneous development for our main customer segments. Significantly better than expected developed the automotive industry and increasingly the machinery and mechanical engineering industry, which account for approximately one-third of our sales volumes. Whereas for the construction industry there are yet no signs for a substantial recovery. Even though, compared to the first half-year, the recovery has lost some momentum in virtually every sector and region and Q4 will be more challenging than originally expected, we are reaffirming our guidance for the full-year. We continue to believe that we will achieve an EBITDA margin of over 4%, meaning that EBITDA will be over €200 million. If so, we will be able to resume our dividend payments.

Strategy Klöckner & Co 2020

In October, we unveiled our new long-term growth strategy Klöckner & Co 2020. The upheaval created by the financial crisis and the resulting changes in economic conditions made it necessary to adjust the strategy that we had implemented largely without any changes since the IPO.

The altered situation results in steel consumption rates which will be significantly below their pre-crisis levels in industrialized countries for years after the drastic collapse in 2009, while developing countries have been able to continue along at their robust growth rates with no noticeable drop. Against this background, we have redefined our strategy, focusing on the potential for further optimization. The strategy is based on four targets and highlights prospects and guidelines for the next ten years.

Klöckner & Co 2020

Globalization	Being the first global multi metal distributor
Growth	Being the fastest growing multi metal distributor
Business optimization	Having leading edge processes and systems
Management & employees	Having best in class management and employees

We will implement the strategy via the following four focus areas:

1. External growth: In our slower-growth core market of Europe, we will focus on companies with higher-margin products, services, and customer segments. In North America, we pursue the objective of significantly expanding our market share, including through major acquisitions. Long term, we want to ensure our high growth rate by entering emerging markets.

2. Organic growth: The basic economic conditions in our core markets of Europe and North America have changed considerably. While previously we were selling into a growing market, we now face tough competition for a significantly smaller market volume. Consequently, we need to significantly increase our focus on the customer to offer customized products and services to expand our market share. In addition, we are going to further expand the product portfolio to include higher-margin products and also increase processing services.

3. Business optimization: For a global distributor such as Klöckner & Co, optimized, harmonized processes are a decisive success factor and a way of differentiating ourselves from the competition. As a result, we continue to place high priority on our efforts to optimize procurement, our logistics network, and IT going forward.

4. Personnel and management development: As a service company, one of the main prerequisites for implementing our ambitious growth plans will be to develop our employees and managers. Therefore, we are currently re-establishing this area.

By focusing on these four main areas, we want to develop Klöckner & Co into the first global multi metal distributor. Our ambitious growth targets include doubling our sales volumes in five years and tripling or quadrupling them by the year 2020.

Economic environment

The global economic situation continues to improve, even though momentum has slowed in the industrialized countries during the second half-year.

Over the first nine months of 2010, gross domestic product growth (GDP) was estimated at 1.5% in the eurozone, whereby there were sizable differences between the regions. While countries like Spain, which is highly reliant on the construction sector, suffered partially negative growth, the stronger, export driven countries in Europe, especially Germany (3.1%), experienced far more positive growth. The economic recovery in the U.S., where GDP has risen by some 2.8%, has been faster than in Europe, although the positive trend has lost momentum since the summer. The trend has been much more dynamic in the emerging markets – above all in China and Brazil – and points to a decoupling in the speed of the economic recovery coming out of the crisis. According to estimates, China's GDP increased by 10.6% in the first nine months 2010, while Brazil's is estimated to rise 8.1%.

In its full-year 2010 estimate published in October, the International Monetary Fund revised its July estimate upwards, to a projected global economic growth rate of 4.8%. According to these estimates, the eurozone will grow 1.7%, while the U.S. economy is expected to grow by 2.6%. The October growth forecast for the eurozone was higher than the July forecast, whereas the U.S. estimate was revised downwards due to the slowdown in the U.S. economy. The forecast for emerging markets was also increased, to 7.1%, whereby China is expected to grow 10.5% and Brazil 7.5%.

The steel industry's core customer sectors continue to benefit from solid trends in global trade. In particular, the trends in the automotive industry and the machinery and mechanical engineering industry have been stronger in Europe than projected back in April. By contrast, the construction industry, which was anyway not expected to grow, has weakened slightly from previous estimates. Similar trends can be seen in the U.S. Commercial construction, in particular, is not yet in a position to offset the decline in public construction projects caused by cuts in government budgets.

The machinery and mechanical engineering industry continued to post strong increases in orders, especially in Germany. During the first eight months of the year orders increased by 35%, driven mainly by exports to the BRIC countries. The German Mechanical Engineering Association (VDMA) recently increased its forecasts for production accordingly, to 6% for 2010 and 8% for 2011.

In the automotive industry, the decoupling of export-oriented premium manufacturers from producers in the small and mid-sized car segment is becoming more and more visible. While sales volumes in the small and mid-class car segment have dropped now that the one-time boom triggered by wreckage premium programs is coming to an end, premium auto manufacturers are reporting sustained higher sales volumes. Demand for commercial vehicles has also recovered.

Overall, the association of the European iron and steel industry Eurofer projects a real growth rate of 15.4% for the automotive industry in Europe for the current year. The machinery and mechanical engineering industry is expected to grow by 7.1%, while household appliances are expected to grow by 5.0%. By contrast, the construction industry, which has not profited from the recovery in world trade, is expected to decline by 3.0%.

Based on the industry association of the European steel and metal distribution Eurometal, at the distribution level, sales volumes in Europe increased approximately 8.0% during the first nine months compared to previous year. Sales volumes rose by 5.7% compared to the same quarter in the previous year. However, Q3 sales volumes were 10.1% lower than in the last quarter, due to seasonal fluctuations.

According to data from the Metals Service Center Institute, distribution companies in the U.S. reported 19.8% higher sales volumes than in the first nine months of 2009, with particularly strong momentum in the second quarter. Sales volumes for Q3 2010 were 21.3% higher than in the previous year, but only 1.0% higher than in the previous quarter.

Eurofer expects total demand for steel products in Europe to increase by 18.9% in 2010, including the inventory restocking effect. For North America (NAFTA), the World Steel Association estimates that total demand for steel products could grow by as much as 31.3%. As the majority of the increase in total demand for steel and metal products will be generated by restocking of inventories at the distribution level, the expected growth in distribution sales volumes will be somewhere between the increase in total demand and real steel consumption.

Data from the World Steel Association show that worldwide, raw steel production in the first nine months of 2010 was 19.4% higher than in the first nine months of 2009. Europe and North America posted particularly strong increases of 32.8% and 46.3%, respectively – significantly higher than the growth in total demand. This indicates that in both regions, idled production capacity has been brought back on line too quickly.

Results of operations, financial position and net assets
The key figures for the results of operations, the financial position and net assets for the first nine months of the 2010 fiscal year are as follows:

(€ million)	Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009
EBITDA	**190**	–151
Cash flow from operating activities	**–82**	541

(€ million)	September 30, 2010	December 31, 2009
Net working capital	**1,090**	637
Net financial debt	**233**	–150

Sales volumes, sales and earnings higher than in the previous year

Thanks to the continued increase in demand and the acquisitions completed, Klöckner & Co's sales volumes of 4.0 million tons in the first nine months of fiscal 2010 was 26.7% higher than for the prior-year period (3.2 million tons). Sales volumes rose by 30.1% in Europe and by 15.5% in North America. Adjusted for the BSS acquisition, sales volumes in Europe were 7.0% higher than in the previous year, while the sales volumes for the entire Group rose by 9.0%. Compared to Q3 2009, sales volumes rose significantly by 32.5%. Sales volumes in Europe were 38.5% higher than in the third quarter of the prior year, and 13.9% higher in North America. Adjusted for the BSS acquisition, sales volume for Europe increased by 9.6% over the same quarter of the prior year, while sales volumes for the Group as a whole increased by 10.6%. Compared to Q2 2010, however, sales volumes declined by 5.5% due a seasonal slow-down and a lack of inventory re-stocking.

Group sales in the first nine months of 2010 were around €3.9 billion, which was 29.4% higher (17.1% higher without BSS) than in the previous year. The trend toward rising sales prices, which had increased since the start of the year and, in particular over the course of Q2, flattened out in the third quarter. However, average sales prices over the first nine months were higher than in the comparable period of the prior year.

The gross profit of €861 million was 92.5% higher than in the first nine months of 2009 (€447 million). The increase was in addition to the BSS acquisition primarily attributable to the improved business environment with rising volumes and prices, whereas gross profit in the previous year was strongly influenced by broadly crumbling quantities and prices for steel and metal products. The gross margin increased accordingly from 15.0% to 22.3%. Thanks to the strong increase in gross profit and the sustained cost savings resulting from the crisis programs, operating income (EBITDA) improved significantly, from €–151 million in the comparable period of the prior year to €+190 million in the first three quarters of 2010.

Earnings before interest and taxes (EBIT) for the first nine months totaled €127 million, while earnings before taxes (EBT) totaled €79 million. The Group posted a net income of €63 million overall, compared with a net loss of €– 198 million for the same period last year. Basic earnings per share stood at €0.92, compared to €– 4.16 in the same period for the previous year.

EBITDA for the segments developed as follows:

(€ million)	Q3 2010	Q3 2009	Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009
Europe	60	4	178	– 86
North America	5	10	26	– 46
Headquarters	– 4	– 3	– 14	– 19
Klöckner & Co Group	**61**	**11**	**190**	**– 151**

The segment Europe closed the first nine months with positive EBITDA of €178 million, after operating losses of €– 86 million in the prior year. All of the segment's subsidiaries reported positive EBITDA higher than in the same period for the prior year. BSS and the Swiss subsidiary posted particularly strong results, again contributing the most to the Group's EBITDA. Business in Germany was also markedly positive. Growth in volumes here was markedly higher than growth in the European segment, even excluding BSS. In contrast, the Spanish subsidiary remained adversely impacted by the crisis in the construction industry. With regard to the product range, double-digit sales volume growth was reported for all product groups except for long products, which are highly construction related. Flat products contributed most to the strong improvement in gross profit margin.

The segment North America also reported significantly stronger EBITDA of €26 million, compared with €– 46 million for the prior-year period. The key factors were the rise in sales volumes and especially the strong recovery in the market for quarto plates. Temtco Steel in particular, a company in the field of high-resistance quarto plates that was acquired in 2008, made a major contribution to the segment EBITDA.

Balance sheet still very solid despite acquisitions and increased net working capital

The condensed consolidated balance sheet is as follows:

Consolidated balance sheet

(€ million)	September 30, 2010	December 31, 2009
Non-current assets	836	712
Current assets		
Inventories	842	571
Trade receivables	821	464
Other current assets	84	139
Liquid funds	732	827
Total assets	**3,315**	**2,713**
Equity	1,215	1,123
Non-current liabilities and provisions		
Financial liabilities	884	619
Other non-current liabilities and provisions	340	308
Current liabilities		
Financial liabilities	71	52
Trade payables	573	398
Other current liabilities and provisions	232	213
Total equity and liabilities	**3,315**	**2,713**

The change in the balance sheet structure is characterized predominantly by the acquisition of the BSS Group and the business-driven expansion of net working capital. Non-current assets of €712 million as of December 31, 2009 rose to €836 million (+17.4%). Of the €124 million increase, €28 million is attributable to intangible assets and €83 million to property, plant and equipment. This includes the BSS Group's non-current assets of €99 million as of September 30, 2010.

(€ million)	September 30, 2010	December 31, 2009
Trade receivables	821	464
Inventories	842	571
Trade payables	–573	–398
Net working capital	**1,090**	**637**

Net working capital of €1,090 million was much higher than at the end of the 2009 fiscal year. The increase is largely due to improvement in the operating business and to BSS, which accounted for a share of €162 million in the net working capital as of September 30.

Cash and cash equivalents declined by only €–95 million compared to the end of fiscal 2009, to €732 million, despite the increased capital tie-up. This was mainly attributable to the issuance of two promissory notes totaling €145 million.

The equity ratio as of September 30, 2010 was around 37% (December 31, 2009: 41%). It would have been 47% if the liquid funds could have been used entirely to retire financial debt. Cash flow from operating activities is negative at €–82 million compared to €+541 million in the prior-year period, due to the increased net working capital.

Resumption of the acquisition strategy with the purchase of the Becker Stahl-Service Group (BSS), Bläsi AG and Angeles Welding, Inc.

The purchase of BSS was successfully completed in the first nine months of the year. In Germany, BSS operates one of the largest and most modern steel service centers in the world. The group has about 470 employees and generated sales of around €600 million in the 2008/2009 fiscal year, which ended on September 30, 2009. With the acquisition of Becker Stahl-Service Group, Klöckner & Co reinforced its market position in Germany and Western Europe, added to its range of products and services, and improved the sector mix of customer groups it supplies. Through BSS, Klöckner & Co has benefited to an extraordinary degree from the current recovery in the export-oriented European automotive industry.

In January, via our Swiss subsidiary, Debrunner Koenig Holding AG, we acquired the distributor Bläsi AG in Berne. With this acquisition, the Swiss subsidiary of Klöckner & Co has expanded its market position in the water supply and building technology segment, and for the first time covers the Berne region with this product portfolio. In 2009, the company generated sales of about €30 million from its two locations in the Berne region. Via the successfully integrated Bläsi AG, Klöckner & Co is significantly participating in the comparably strong performing construction segment in Switzerland.

In August 2010, the operations of Angeles Welding & Mfg., Inc. (Angeles Welding) and its subsidiary Get Steel, Inc. were acquired by our U.S. country organization Namasco Corp. by form of an asset deal. Angeles Welding operates in the sectors of metal processing, precision parts, and steel service centers. Angeles Welding generated sales of approximately €30 million in fiscal 2009.

Continuous optimization of the financing structure

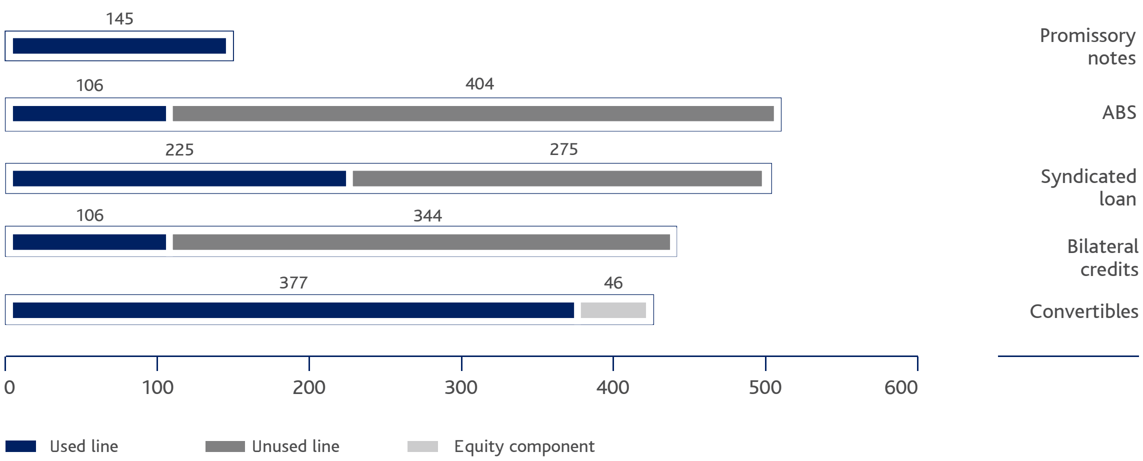
The financing portfolio was further optimized against the background of the improved market environment. The focus was on improving the maturity structure and harmonizing the contractual framework of the financing instruments, especially in relation to financial covenants.

The European Asset Backed Securities (ABS) program was renewed, taking effect on April 1, 2010. The volume was maintained, at a maximum of €420 million. At the same time, the number of refinancing banks was reduced from four to three, and the term was extended to two years.

Through the issuance of promissory notes for a total volume of €145 million, we gained access to the promissory note market in the second quarter for the first time, which is normally accessible only to companies with an investment grade rating. The promissory notes are based on basic, standard documentation using the same financial covenants as the syndicated loan. The terms of the promissory notes range from three to five years. Of the total volume, €39 million is fixed-interest-bearing and €106 million has variable interest rates.

The syndicated loan formerly due in May 2011 was prolonged ahead of time and its volume was increased from €300 million to €500 million. The modified loan agreement took effect on June 7, 2010. The credit facility is provided by a consortium of 13 banks and has a term of three years, plus an option to extend it by one year. The balance sheet-oriented covenant concept introduced in 2009 will be continued.

Financial volume *in € million*



Due to the enlargement and extension of the facilities, Klöckner & Co has credit facilities totaling around €2.0 billion at its disposal. Simultaneously, the maturity of the central financing instruments was extended from 1.7 years to 3.2 years.

Subsequent events
There are no subsequent events that would require further disclosure in the condensed interim financial statements.

Risk and opportunity management
We continuously monitor and analyze major risks and opportunities through our risk and opportunity management system. Coordination between our holding Company and the subsidiaries is based on a structured risk and opportunity reporting process. The core tool is the quarterly update of risks and opportunities in the risks and opportunities report, supplemented on a case-by-case basis by ad-hoc reporting on any last-minute or major risks that might threaten the Company as a going concern. The Group's corporate internal auditing department also reviewed compliance – both domestically and internationally – with existing risk-management requirements and Group guidelines in the first nine months of 2010. The information thus obtained will allow that risks are detected and dealt with as soon as possible.

We differentiate between external, strategic, operating, employee-related, IT, financial and other risks, as well as between quantifiable and non-quantifiable risks. We place currently particular emphasis on controlling risks by means of working-capital management and, especially, inventory and receivables management.

Inventory management is both usage-based and demand-based. Thanks to our continuous monitoring of price trends and inventories and centralized procurement coordination, we are able to react quickly to new market situations to keep price and inventory risks under control. Our strict receivables management meets local business needs, and larger default risks are covered by credit insurance, when such insurance is deemed appropriate under cost-benefit consideration.

Further, we counter macro-economic risks in our markets with ongoing efficiency-enhancement programs aimed at cutting costs and increasing efficiency Group-wide.

The liquidity and credit risks inherent in Group financing came under particular scrutiny in the course of the financial crisis. We reacted quickly to restructure our financing and to develop new sources of financing, which in turn minimized such risks and secured the Group's financing. As of September 30, 2010, Klöckner & Co had credit facilities of around €2.0 billion at its disposal.

Moreover, we continuously monitor legal, tax, insurance and IT risks.

Current assessment of opportunities and risks

The Management Board believes that Klöckner & Co has set up sufficient provisions to cover all risks identifiable as of the date the interim financial statements were prepared.

As a stockholding multi metal distributor, Klöckner & Co's market risk is primarily related to demand and price trends.

For instance, steel prices might continue to be volatile and require price-related inventory write-downs in case of declining prices.

Further, the recovery in demand may only be of a short-term nature, reflecting the restocking of inventories along the value chain in the first half-year. This could reflect only a short-term recovery in sales volumes, with the potential consequence of a distinct negative impact on our net assets and operating results. If demand decreases, write-downs based on impairment tests on tangible and intangible assets cannot be ruled out.

A decline in our customers' liquidity could lead to higher bad-debt losses as well as demand shortfalls. Obtaining credit insurance for supply transactions, as is common in the industry, could also become more difficult, which could have a negative impact on our earnings.

We assume that the French and Spanish competition authorities will continue their investigations relating to suspected anticompetitive behavior. If violations of the applicable antitrust laws should emerge from these investigations, this could, among other things, result in fines that would have a negative impact on our net assets, financial position and operating results. Based on the nature of the charges under investigation, the Management Board currently foresees only a minor financial risk, which does not require separate recognition in the financial statements.

We also believe that grave compliance violations will be proactively prevented as a result of the Group-wide compliance organization established in recent years. It will enable us to avoid serious losses. However, despite the comprehensive set of measures adopted, we cannot completely rule out the possibility that isolated violations may occur, or that there may still be some old violations, which might become the subject of regulatory investigative proceedings. Even though these would likely not be serious violations, the imposition of fines that could adversely impact the Group cannot be ruled out.

Meanwhile, we believe that market consolidation and correction will create opportunities. Moreover, as a result of our early response to the crisis, we may be better positioned than our competitors.

In summary, the Management Board is confident that the systems for managing the risks and opportunities at Klöckner & Co Group work well, that all known risks have been adequately accounted for in the financial statements, and that all the actions necessary to cushion the impact of pending market risks have been taken. Given our current financing structure, no liquidity shortages are expected. General market risks and specific risks affecting the steel market cannot be finally gauged at this time. There are no indicators of any specific risks that could threaten the Company's future as a going concern.

Outlook

The significant demand created by the restocking in Q2 has diminished in Q3 as the inventory effect failed to take place. Demand trends among our main customer industries still remained inconsistent. Our automotive related business, especially via Becker Stahl-Service is benefiting significantly from advanced orders from the automotive industry indicating a solid utilization at least until year's end. The situation in machinery and mechanical engineering industry is similar. No substantial recovery can be seen yet in the construction sector. For the fourth quarter, we generally assume that there will be a slight weakening of sales volumes compared to the prior quarter – also because of seasonal reasons.

Prices for steel and metal have come under increasing pressure since the summer due to the overcapacities in steel production, so that customers are exercising predominantely caution in making purchases.

Despite uncertainties on the price-side and customer reluctance to make purchases, the Management Board continues to expect an operating margin above 4%, EBITDA of over €200 million and thus significantly positive net income. This would also allow us to resume dividend payments in line with our general dividend policy.

With our financial flexibility and improved maturity structure, we are very well positioned to take advantage of the continued economic upturn. Simultaneously it enables us to seize the opportunities presented by consolidation and growth and to realize the ambitious goals set down in our Klöckner & Co 2020 strategy.

KLÖCKNER&CO SHARE

Key data Klöckner & Co share

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

Key data - Klöckner & Co share

		Q3 2010	Q3 2009
Number of shares	in shares	66,500,000	66,500,000
Closing price (XETRA, Close)	€	16.64	15.66
Market capitalization	€ million	1,107	1,041
High (XETRA, Close)	€	17.67	17.62
Low (XETRA, Close)	€	14.19	12.18
Average daily trading volume	in shares	827,336	798,846

Share price continues to be affected by steel price uncertainty
Until the middle of the second quarter of 2010, the Klöckner & Co share price developed ahead of the general market environment. General positive expectations in the capital market for an economic recovery drove this positive trend. In addition, our share price was influenced by the recovery in the steel industry. Starting with the middle of the second quarter, however, the stock price came under pressure due to uncertain expectations regarding steel price trends. By the end of the third quarter, the stock could not compensate the share price loss and was quoted at €16.64 on September 30, 2010. This represented a 6.8% decline below the closing price of 2009. Nevertheless, the MDAX® was around 14% higher and the DAX® around 3% higher than at the end of 2009.

Performance Klöckner & Co share in comparison to DAX® and MDAX® *(value indexed)*

The Klöckner & Co SE management continued its transparent communication in the third quarter and met with interested domestic and international capital market participants to present the Group's results and strategy at two roadshows and five conferences. In addition, the management answered questions from investors, shareholders and analysts in various one-on-one conversations. The focus of interest again in Q3 was on the economic environment and the integration of the acquisitions.

The financial community's interest in Klöckner & Co remains strong. Goldman Sachs was added to its list of analysts in the third quarter. Thus in the first nine months of 2010, 24 banks and investment firms reported on Klöckner & Co in over 100 research reports. The reports focused on the published Group results and on the two companies acquired. At the end of the third quarter, 22 investment firms gave the Klöckner & Co share a "buy" recommendation. One investment firm issued a "hold" recommendation and one gave a "sell" recommendation.

The Chairman of the Management Board, Gisbert Rühl, reports briefly – beginning with the half-year report – and in addition with a podcast on our Web site about key figures and developments within the past reporting season.

We provide continuous updates on Group developments in the Investor Relations section of our Web site www.kloeckner.de/en/investors. Along with information about our convertible bonds, financial reports and financial calendar, the Web site also contains corporate governance information and current data on the price trends for the share and convertible bonds. Moreover, shareholders and interested parties may register for our quarterly shareholders' letter and our newsletter at ir@kloeckner.de. The Investor Relations team looks forward to receiving your questions and suggestions.

KLÖCKNER & CO SE

Consolidated statement of income for the nine-month period ending September 30, 2010

(€ thousand)	Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009	Q3 2010	Q3 2009
Sales	3,865,801	2,987,625	1,400,703	933,531
Other operating income	20,639	34,926	524	9,573
Change in inventory	–2,212	–10,992	971	93
Own work capitalized	34	2	11	2
Cost of materials	–3,002,473	–2,529,277	–1,107,558	–725,219
Personnel expenses	–358,869	–337,171	–118,319	–108,873
Depreciation, amortization and impairments	–62,676	–52,421	–21,967	–17,927
thereof impairment losses	-	*828*	-	*828*
Other operating expenses	–332,748	–296,436	–115,650	–97,850
Operating result	**127,496**	**–203,744**	**38,715**	**–6,670**
Income from investments	-	8	-	8
Finance income	7,138	6,491	3,340	2,566
Finance expenses	–55,389	–52,086	–19,758	–16,770
Financial result	**–48,251**	**–45,595**	**–16,418**	**–14,204**
Income before taxes	**79,245**	**–249,331**	**22,297**	**–20,866**
Income taxes	–16,046	51,400	–7,679	–2,256
Net income	**63,199**	**–197,931**	**14,618**	**–23,122**
thereof attributable to				
– shareholders of Klöckner & Co SE	*61,349*	*–197,351*	14,136	–23,415
– non-controlling interests	*1,850*	*–580*	482	293
Earnings per share				
– basic	**0.92**	**–4.16**	**0.21**	**–0.42**
– diluted	**0.92**	**–4.16**	**0.21**	**–0.42**

KLÖCKNER & CO SE

Statement of comprehensive income for the nine-month period ending September 30, 2010

(€ thousand)	Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009	Q3 2010	Q3 2009
Net income	63,199	−197,931	14,618	−23,122
Income/expenses directly recognized in equity				
Foreign currency translation	51,022	−15,822	−35,674	−9,707
Gain/loss from cash flow hedges	−27,405	20,881	27,926	5,833
Related income tax	4,457	−2,747	−109	737
Other comprehensive income	28,074	2,312	−7,857	−3,137
Total comprehensive income	91,273	−195,619	6,761	−26,259
thereof attributable to				
– shareholders of Klöckner & Co SE	*89,404*	*−195,052*	*6,231*	*−26,556*
– non-controlling interests	*1,869*	*−567*	*530*	*297*

KLÖCKNER & CO SE

Consolidated statement of financial position as of September 30, 2010

Assets

(€ thousand)	September 30, 2010	December 31, 2009
Non-current assets		
Intangible assets	223,266	194,985
Property, plant and equipment	509,011	426,151
Investment property	11,622	11,675
Financial assets	2,657	2,376
Other assets	31,886	26,736
Income tax receivable	5,841	11,638
Deferred tax assets	51,696	38,355
Total non-current assets	**835,979**	**711,916**
Current assets		
Inventories	841,720	570,918
Trade receivables	821,206	464,266
Income tax receivable	26,923	72,224
Other assets	56,506	65,840
Liquid funds	731,992	826,517
Assets held for sale	1,156	1,081
Total current assets	**2,479,503**	**2,000,846**
Total assets	**3,315,482**	**2,712,762**

Equity and liabilities

(€ thousand)	September 30, 2010	December 31, 2009
Equity		
Subscribed capital	166,250	166,250
Capital reserves	429,493	429,493
Retained earnings	579,970	518,621
Accumulated other comprehensive income	21,886	– 6,169
Equity attributable to shareholders of Klöckner & Co SE	1,197,599	**1,108,195**
Non-controlling interests	16,930	15,068
Total equity	1,214,529	**1,123,263**
Non-current liabilities and provisions		
Provisions for pensions and similar obligations	176,765	174,598
Other provisions	35,667	31,287
Income tax liabilities	20	20
Financial liabilities	884,085	618,744
Other liabilities	53,878	31,080
Deferred tax liabilities	73,260	71,029
Total non-current liabilities	1,223,675	**926,758**
Current liabilities		
Other provisions	120,181	109,868
Income tax liabilities	18,462	50,667
Financial liabilities	71,003	52,169
Trade payables	572,627	398,387
Other liabilities	95,005	51,650
Total current liabilities	877,278	**662,741**
Total liabilities	2,100,953	**1,589,499**
Total equity and liabilities	3,315,482	**2,712,762**

KLÖCKNER & CO SE

Consolidated statement of cash flows for the nine-month period ending September 30, 2010

(€ thousand)	Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009
Income before taxes	79,245	–249,331
Financial result	48,251	45,595
Depreciation and amortization	62,676	52,421
Other non-cash income and expenses	–1,008	–3,444
Gain on disposal of non-current assets	–1,394	–6,413
Operating cash flow	**187,770**	**–161,172**
Changes in provisions	–28,801	–33,087
Changes in other assets and liabilities		
Inventories	–142,680	427,122
Trade receivables	–262,765	242,753
Other receivables	39,099	19,737
Trade payables	105,320	33,442
Other liabilities	35,629	4,985
Income taxes paid	–15,130	6,768
Cash flow from operating activities	**–81,558**	**540,548**
Proceeds from the sale of non-current assets and assets held for sale	2,552	7,109
Payments for intangible assets, property, plant and equipment	–15,683	–15,359
Acquisition of subsidiaries	–134,374	–572
Margin deposits for derivative transactions	-	3,105
Cash flow from investing activities	**–147,505**	**–5,717**
Issue proceeds of convertible bond (equity component)	-	26,047
Capital increase by issuance of new shares	-	194,758
Dividend payments to non-controlling interests	–7	-
Borrowings	304,586	119,224
Repayment of financial liabilities	–77,587	–280,132
Repayment of BSS shareholder loans	–57,878	-
Interest paid	–41,600	–30,060
Interest received	3,304	5,392
Cash flow from financing activities	**130,818**	**35,229**
Changes in cash and cash equivalents	**–98,245**	**570,060**
Effect of foreign exchange rates on cash and cash equivalents	3,720	–475
Cash and cash equivalents at the beginning of the period	826,517	293,531
Cash and cash equivalents at the end of the period	**731,992**	**863,116**

KLÖCKNER & CO SE

Summary of changes in equity

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	Accumulated other comprehensive income: Currency translation adjustment	Accumulated other comprehensive income: Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Non-controlling interests	Total
Balance as of January 1, 2009	**116,250**	**260,496**	**708,272**	**15,289**	**–30,953**	**1,069,354**	**11,998**	**1,081,352**
Income/expenses directly recognized in equity								
Foreign currency translation				–15,835		–15,835	13	**–15,822**
Gain/loss from cash flow hedges					20,881	20,881		**20,881**
Related income tax				3,664	–6,411	–2,747		**–2,747**
Net income			–197,351			–197,351	–580	**–197,931**
Total comprehensive income						**–195,052**	**–567**	
Acquisition of non-controlling interests			–910			–910	909	**–1**
Change in scope of consolidation							50	**50**
Equity component of convertible bond		26,047				26,047		**26,047**
Capital increase by issuance of new shares	50,000	142,724				192,724		**192,724**
Balance as of September 30, 2009	**166,250**	**429,267**	**510,011**	**3,118**	**–16,483**	**1,092,163**	**12,390**	**1,104,553**
Balance as of January 1, 2010	**166,250**	**429,493**	**518,621**	**10,994**	**–17,163**	**1,108,195**	**15,068**	**1,123,263**
Income/expenses directly recognized in equity								
Foreign currency translation				51,003		51,003	19	**51,022**
Gain/loss from cash flow hedges					–27,405	–27,405		**–27,405**
Related income tax				–3,967	8,424	4,457		**4,457**
Net income			61,349			61,349	1,850	**63,199**
Total comprehensive income						**89,404**	**1,869**	
Dividends							–7	**–7**
Balance as of September 30, 2010	**166,250**	**429,493**	**579,970**	**58,030**	**–36,144**	**1,197,599**	**16,930**	**1,214,529**

Selected explanatory notes to the interim consolidated financial statements for the nine-month period ending September 30, 2010

(1) BASIS OF PRESENTATION

The interim consolidated financial statements of Klöckner & Co SE for the nine-month period ending September 30, 2010, were prepared in accordance with 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 interim consolidated financial statements were not reviewed by an independent auditor.

Except for the application of new standards as discussed below in Note 2, the accounting policies applied for the interim financial statements are consistent with those used for the consolidated financial statements of Klöckner & Co SE as of December 31, 2009, as supplemented by the regulations of IAS 34 (Interim Financial Reporting). A detailed description of those policies is provided in the notes to the consolidated financial statements on pages 76 to 88 of the 2009 Annual Report.

The preparation of the interim consolidated financial statements for the period ended September 30, 2010 requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. No significant changes were made to such estimates as compared to the period ended December 31, 2009.

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. Results for the period ended September 30, 2010 are not necessarily indicative of future results.

The interim consolidated financial statements for the nine-month period ended September 30, 2010 were authorized for issuance by the Management Board after discussion with the Audit Committee of the Supervisory Board on November 10, 2010. Unless otherwise indicated, all amounts are stated in million euros (€ million). Deviations to the unrounded figures may arise.

(2) NEW STANDARDS AND INTERPRETATIONS

In the reporting period the Klöckner & Co-Group initially applied the Annual Improvements (Improvements to IFRSs) as well as the changes to IFRS 2 (Share-based Payment – Group Cash-settled Share-based Payment Transactions). The initial application of the revised standards and interpretations did not have an impact on the consolidated financial statements.

In addition, the International Accounting Standards Board (IASB) and IFRIC have issued the following standards and interpretations that are applicable for the Group but whose application is not yet mandatory in the reporting period. The application of the standards and interpretations is subject to endorsement by the EU, which for certain standards and interpretations is still outstanding. Further standards and interpretations issued during the reporting period that are not further discussed in the following paragraphs, will not have an impact on the Group's financial statements.

In November 2009, the IASB issued IFRS 9 (Financial Instruments) on the classification and measurement of financial instruments. The release marks the first part of a three-phase project to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 introduces new regulations for the classification and measurement of financial assets. The standard is to be applied for fiscal years beginning on or after January 1, 2013. Klöckner & Co is currently evaluating the impact of the standard on its consolidated financial statements.

In November 2009 the IASB issued changes to IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction). The amendment "Prepayment of a Minimum Funding Requirement", which is limited to certain instances in which an entity is subject to minimum funding requirements and issues prepayments which fulfill these requirements. The amendment now permits the recognition of the economic benefits of such payments as an asset. The revised interpretation must be applied in fiscal years beginning on or after January 1, 2011. Klöckner & Co is currently assessing the impact of the revised interpretations on its consolidated financial statements.

(3) ACQUSITIONS

Becker Stahl-Service Group

On March 1, 2010, Klöckner & Co completed the acquisition of Becker Stahl-Service Group with headquarters in Bönen, Germany, and it has been consolidated since then. The transaction is deemed to be a material business combination under IFRS 3. The Becker Stahl-Service Group operates one of the largest and most modern steel service centers in the world. The group has around 470 employees and generated sales of about €600 million in the 2008/2009 fiscal year ending September 30, 2009.

The allocation of the purchase price to the acquired assets and liabilities which in part is yet provisional, is as follows:

	Carrying amounts and fair values as of initial consolidation date		
(€ million)	Carrying amount	Adjustments	Fair value
Assets			
non-current	60.9	51.8	112.7
thereof goodwill	*0.0*	*5.5*	*5.5*
current	217.4	4.6	222.0
Liabilities and provisions			
non-current	32.2	0.0	32.2
current	148.7	0.0	148.7
Acquired net assets	**97.4**	**56.4**	153.8
Purchase price			153.8
thereof paid in cash and cash equivalents			*153.8*
Assumed net financial debt			53.6
Transaction volume			207.4

Acquired non-current assets relate with €29.6 million to customer relationships and with €6.3 million to the trade name. Goodwill primarily represents future earnings potential. BSS contributed €367.8 million to the Group's net sales for the nine-month period and, including one-off effects from the purchase price allocation and real estate transfer tax, €26.9 million to the Group's net income. Consolidated sales would have been higher by €89.8 million and net income would have been higher by €4.7 million, if BSS had been consolidated since the beginning of the reporting period.

Other acquisitions

Bläsi AG

In January, Klöckner & Co acquired, via its Swiss subsidiary Debrunner Koenig Holding AG, the distribution company Bläsi AG, located in Berne, Switzerland. With this acquisition the Swiss subsidiary now holds a leading position in the greater Berne area for water supply and building technology products. Bläsi's main customers are linked to the construction segment. With its two sites in the greater Berne area, Bläsi generated sales of approximately €30 million in 2009. Bläsi AG has been included in the Group's financial statements since January 2010.

Angeles Welding & Mfg., Inc.

In August 2010, the operations of Angeles Welding & Mfg., Inc. (Angeles Welding) and its subsidiary Get Steel, Inc. were acquired via our U.S. subsidiary Namasco Corp. by form of an asset deal. Angeles Welding conducts business in the basic segments of job shop steel fabrication, precision fabricated parts, and steel service center activity. In fiscal year 2009 Angeles Welding generated sales of €30 million.

The carrying amounts and fair values of the acquired assets and liabilities of the other aquisitions were as follows:

	Carrying amounts and fair values as of initial consolidation date		
(€ million)	Carrying amount	Adjustments	Fair value
Assets			
non-current	9.1	8.4	**17.5**
thereof goodwill	*0.0*	*0.0*	***0.0***
current	20.5	0.2	**20.7**
Liabilities and provisions			
non-current	1.3	1.3	**2.6**
current	2.9	1.2	**4.1**
Acquired net assets	**25.4**	**6.1**	**31.5**
Purchase prices			**31.5**
thereof paid in cash and cash equivalents			***31.5***

The other acquisitions contributed sales of €26.6 million and net income of €1.0 million to the consolidated financial statements since the initial consolidation in January and August 2010, respectively. Sales would be higher by €17.1 million and net income would be lower by €0.7 million if Angeles Welding had been consolidated on January 1, 2010.

(4) SHARE-BASED PAYMENT

In 2006 the Group has established share-based payment programs. Eligible for share-based payment are Management Board members as well as certain members of the domestic and international senior management. The Group's plans are cash-settled virtual stock option plans.

Under the Management Board programs a total of 602,700 (December 31, 2009: 667,800) virtual stock options are outstanding as of September 30, 2010. In addition to the Management Board program, 122,000 (2009: 108,000) virtual stock options for 2010 were granted to certain members of the senior management during the first and second quarter of 2010. The exercise conditions are largely identical to the Management Board program with, however, lower maximum payouts for certain members of senior management. Furthermore, for certain members of the senior management the strike price calculation follows the calculation of the extended Management Board program. The 2010 grants do also account for waiting periods over several years.

The total number of outstanding rights developed as follows:

(Number of virtual stock options)	Management Board programs	Other executives	Total
Outstanding at the beginning of the year	**667,800**	**180,000**	**847,800**
Granted	0	122,000	**122,000**
Exercised	–65,100	–113,000	**–178,100**
Forfeited	0	–1,000	**–1,000**
Outstanding at the end of the reporting period	**602,700**	**188,000**	**790,700**

During the first and second quarter, 178,100 (2009: 62,000) virtual stock options were exercised. Payments for share-based compensation amounted to €1.3 million (2009: €0.5 million). The pro rata provision for share-based payments to the Management Board and senior management amounted to €1.9 million (December 31, 2009: €2.9 million) with a total expense recognized of €0.4 million (2009: €1.6 million).

To limit expenses and cash flows for the granted and approved further grants of virtual stock options until and including the 2011 fiscal year, the Group entered into certain derivative financial instruments. The instruments are accounted for at fair value through profit or loss in accordance with IAS 39 (Financial Instruments: Recognition and Measurement).

The positive fair value changes of these instruments and settlements in the first nine months of 2010 amounted to €0.9 million (2009: €4.0 million), which was recorded in personnel expenses.

(5) EARNINGS PER SHARE

Earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. In accordance with IAS 33.41 (9,943 thousand shares) potential dilutive shares of the convertible bonds were not included in the computation of diluted earnings per share as they were anti-dilutive.

		Jan. 1 - Sep. 30, 2010	Jan. 1 - Sep. 30, 2009
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	61,349	–197,351
Weighted average number of shares	(thousands of shares)	66,500	47,456
Basic earnings per share	(€/share)	0.92	–4.16
Diluted earnings per share	**(€/share)**	**0.92**	**–4.16**

(6) INVENTORIES

(€ million)	September 30, 2010	December 31, 2009
Cost	892.9	641.9
Valuation allowance (net realizable value)	–51.2	–71.0
Inventories	**841.7**	**570.9**

(7) FINANCIAL LIABILITIES

(€ million)	September 30, 2010	December 31, 2009
Non-current financial liabilities		
Bonds	374.4	360.9
Liabilities to banks	255.3	230.6
Promissory notes	144.3	0.0
Liabilities under ABS programs	104.5	20.7
Finance lease liabilities	5.6	6.5
	884.1	**618.7**
Current financial liabilities		
Bonds	2.7	5.4
Liabilities to banks	63.8	44.5
Promissory notes	2.6	0.0
Liabilities under ABS programs	0.1	0.1
Finance lease liabilities	1.8	2.2
	71.0	**52.2**
Financial liabilities as per consolidated balance sheet	**955.1**	**670.9**

Net financial debt developed as follows:

(€ million)	September 30, 2010	December 31, 2009
Financial liabilities as per consolidated balance sheet	**955.1**	**670.9**
Transaction cost	10.3	6.0
Gross financial liabilities	**965.4**	**676.9**
Liquid funds	–732.0	–826.5
Net financial debt Klöckner & Co Group	**233.4**	**–149.6**

European ABS program
As of April 1, 2010, the European ABS program was renewed. The volume remained at a maximum of €420 million.

Promissory notes
In the second quarter of 2010, Klöckner & Co issued promissory notes of €145 million based on a simple standard documentation under the same balance sheet-oriented financial covenants as the syndicated loan. The maturity varies between three and five years. Of the total volume, €39 million are fixed coupon instruments and €106 million bear variable interest rates.

Syndicated loan
The syndicated loan due in May 2011 received an early extension and its volume was increased from €300 million to €500 million. The modified agreement was signed on May 28, 2010 and came into effect on June 7, 2010. The credit facility is provided by 13 banks and has a maturity of three years with a one-year extension allowance. The balance sheet-oriented financial covenant concept introduced in 2009 was maintained.

(8) SUBSEQUENT EVENTS

There are no subsequent events that would require further disclosure in the notes to the condensed interim financial statements.

(9) SEGMENT REPORTING

	Europe		North America		Headquarters/ Consolidation		Total	
(€ million)	2010	2009	2010	2009	2010	2009	2010	2009
Segment sales	3,207.0	2,456.2	658.8	531.4	0.0	0.0	3,865.8	2,987.6
EBITDA (segment result)	177.9	–86.2	26.6	–46.3	–14.3	–18.8	190.2	–151.3
EBIT	134.0	–117.3	8.8	–65.4	–15.3	–21.0	127.5	–203.7
Net working capital September 30, 2010 (December 31, 2009)	937.4	541.0	154.6	95.9	–1.7	–0.1	1,090.3	636.8
Employees as of September 30, 2010 (December 31, 2009)	8,223	7,708	1,209	1,216	123	108	9,555	9,032

Duisburg, November 10, 2010

Klöckner & Co SE

Management Board

FINANCIAL CALENDAR

March 8, 2011	Annual Financial Statements 2010 Press conference Analyst conference
May 11, 2011	Q1 interim report 2011
May 20, 2011	Annual General Meeting 2011, Düsseldorf, Germany
August 10, 2011	Q2 interim report 2011
November 9, 2011	Q3 interim report 2011

Subject to subsequent changes

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