klöckner & co

multi metal distribution

Klöckner & Co SE

A Leading Multi Metal Distributor

Interim Report

as of March 31, 2010

INTERIM REPORT AS OF MARCH 31, 2010

KLÖCKNER & CO SE

Klöckner & Co Group Figures

Income statement		Q1 2010	Q1 2009
Sales	€ million	**1,049**	1,095
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	**29**	–132
Earnings before interest and taxes (EBIT)	€ million	**11**	–149
Earnings before taxes (EBT)	€ million	**–4**	–165
Net income	€ million	**2**	–127
Net income attributable to shareholders of Klöckner & Co SE	€ million	**1**	–126
Earnings per share (basic)	€	**0.02**	–2.70
Earnings per share (diluted)	€	**0.02**	–2.43

Cash flow statement		Q1 2010	Q1 2009
Cash flow from operating activities	€ million	**–60**	261
Cash flow from investing activities	€ million	**–127**	–5

Balance sheet		0.00	December 31, 2009
Net working capital*)	€ million	**868**	637
Net financial debt	€ million	**150**	–150
Equity	€ million	**1,137**	1,123
Balance sheet total	€ million	**3,041**	2,713

Key figures		Q1 2010	Q1 2009
Sales volumes	to '000	**1,180**	1,068

		0.00	December 31, 2009
Employees at end of period		**9,498**	9,032

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

Group Interim Management Report

With increased sales volumes a positive operating income (EBITDA) and, for the first time since the start of the financial crisis, a slightly positive net income were achieved. Further significant improvement of earnings situation expected based on current price and demand trends for the second quarter. Sales guidance including completed acquisitions has been revised to more than 25% from more than 20% growth.

For the first time since the start of the crisis, Group sales volumes were both higher than in the previous quarter and in the first quarter of 2009. Thereby, both the European and the North American segments were able to consecutively improve sales volumes in the first quarter of 2010. Sales volumes also increased on a year-on-year basis, whereby the increase in Europe was the result of acquisitions. Because of price levels, sales were still below the previous year's levels despite higher volumes.

Disregarding generally continued adverse economic conditions, the Group had positive operating income (EBITDA) and slightly positive after-tax earnings, allowing it to benefit from sustained cost reduction measures.

With the successfully completed acquisition of Becker Stahl-Service Group (BSS) in Germany initiated in the prior year, and Bläsi AG in Switzerland, we have resumed our strategy of growth through acquisitions. Specifically, we were able to strengthen our leading market position in Germany and Western Europe by acquiring BSS.

The increase in working capital due to the further rejuvenation of sales volumes over the previous quarter, as well as the completed acquisitions of Becker Stahl-Service Group (BSS) and Bläsi AG made a significant contribution to net financial debt of €150 million at the end of the quarter which compares to the net cash position of €150 million at the end of 2009. With more than €600 million in liquid funds, Klöckner & Co remains well-positioned to take advantage of the opportunities the crisis creates.

We now anticipate an increase in sales of at least 25% for the full year, with markedly positive operating income. Risks will remain for the second half if the broadly expanding production capacity at steel producers is not met with real demand increases, which in turn could lead once again to severe pressure on prices which have massively benefited from the cost push in raw materials.

Key figures of the first three months of 2010

- Sales volumes increased by 10.5% to 1.2 million tons compared to Q1 2009 and by 22.2% compared to the previous quarter
- Sales, at around €1.0 billion were –4.2% compared to the previous year because of lower average prices
- Operating income (EBITDA) of €29 million; net income likewise positive at €2 million
- Earnings per share €0.02 compared to €–2.70 in the comparable prior-year period
- Cash flows used in operating activities of €60 million due to net working capital build-up
- Net financial debt of €150 million as of March 31, 2010 compared to net cash position of €150 million at the end of 2009

Improved economic environment

The economic trend has generally continued its positive development starting at the end of last year. Industrial production and global trade have risen steadily since the middle of last year, although the pace of economic recovery has varied considerably from country to country. In some Emerging Markets, especially in Asia, the expansion has been enormous. In the industrialized countries, overall business capacity continues to be underutilized and cannot revive investment activity sustainably, even if capacity utilization in March increased significantly across a broad front. Therefore, economic indicators driven specifically by expansive fiscal policies have particularly in Europe still not observably recovered.

Based on aggregate estimates, real gross domestic product increased in the first quarter by only 0.6% in the euro zone while an increase by 3.0% in the US was seen compared to the previous year. However, early indicators point to the beginning of economic recovery in all major regions starting in spring.

After sluggish growth in 2009 as a whole, early rejuvenation of demand for steel and metal products has started to the end of the quarter at the distribution level. According to data from the Eurometal industry association, sales volumes increased in the first quarter by 4.6% compared to the previous year and 11% compared to the previous quarter. In the US, distributors saw an 11% increase in sales volumes compared to the first quarter of 2009. The increase over the fourth quarter of 2009 was 18%.

In its latest estimate, the Eurofer industry association anticipates 14% growth in steel demand in 2010 compared to the previous year. The World Steel Association is even projecting a 27% increase in demand for North America. The higher volume is primarily driven by restocking along the whole value chain, while real steel and metal use is only expected to increase slightly. Eurofer has predicted growth of 5.9% in the automotive industry, which has become increasingly important for Klöckner & Co since the acquisition of Becker Stahl-Service, and it is followed by the machinery and mechanical engineering industries which will grow by 1.9%. Only the construction industry, which suffered less last year, is expected to decline by 2.4%.

Positive price trend because of rising raw material costs

Steel and metal prices have recovered significantly following a temporary weak phase toward the end of the year primarily driven by severe price increases in iron ore, coking coal and scrap across the board. This is primarily true for flat products in Europe and North America which increased by roughly 20%. Prices for long products also recovered significantly, whereas the increase was steeper in Europe than in the US.

This price trend is primarily driven by the rapid increase in iron ore and coking coal prices, which will make production significantly more expensive. In addition, the severe capacity reduction in the past has created temporary market bottlenecks for some products.

According to data from the World Steel Association, raw steel production increased by 29% worldwide in the first quarter of 2010 compared to the prior year, which was the result of restarting of production in Europe and North America where severe production cuts had been made in response to the collapse in sales volumes over the past year. In March 2010, capacity utilization in steel production worldwide was at 80% and thus nearly at pre-crisis levels. Production in Europe rose by 37% and in North America by 54% over the first quarter of 2009.

In its April estimate for the full year, the International Monetary Fund assumed that global economic growth will be 4.2%. According to these estimates, the European Union is to contribute growth of only 1.0%, while for the US an increase by 3.1% is expected.

Results of operations, financial position and net assets

Sales volumes and net income above, sales slightly below prior-year level

Because of the increase in demand and due to acquisitions, sales volumes at Klöckner & Co in the first three months of fiscal year 2010, at 1.2 million tons, was 10.5% higher than the prior year (1.1 million tons). Sales volumes increased in Europe by 9.8% and in North America by 12.9% over the previous year. Adjusted for the BSS acquisition, sales volume in Europe remained at their level for the previous year, while the sales volumes for the entire Group rose by 2.8%. The sales volumes increase compared to the previous quarter was 24.3% in Europe and 15.6% in North America. A sales volume increase of 22.2% was achieved overall. Adjusted for BSS, the increase was 13.0% in Europe and 13.6% overall.

Due to prices, the sales trend was weaker than that of sales volumes. Group sales in the first quarter of 2010 were around €1.0 billion, 4.2% lower (8.9% lower with BSS excluded) than in the same period as the year before. While sales prices rose significantly over the quarter, they tended to remain below the level of the comparable period in the previous year.

Gross profit of €236 million was around 200% higher than the figure for the first quarter of 2009, which was severely adversely affected by write-downs of inventories to net realizable value. The gross profit margin increased accordingly from 7.1% to 22.5%. Because of the sharp rise in gross profit and the sustained cost reductions launched in the crisis programs, operating income (EBITDA) improved significantly from €–132 million in the first quarter of 2009 to €29 million in the first quarter of 2010, which gave the prevailing trend of significantly improved earnings momentum that has been observed since the middle of last year.

The European segment closed the first three months with positive EBITDA of €25 million, after operating losses of €93 million in the comparable period for the previous year. All of the segment's country organizations had positive EBITDA. Once again, business was especially positive in Switzerland, where hardly any negative impact from the economic crisis has been observed to date.

Likewise in the North American segment, a considerable improvement in EBITDA was achieved with €9 million compared to €– 31 million. The determining factors here were the rise in sales volumes and especially the sharp rise in market prices for quarto plates during the quarter.

EBIT for the first three months of the fiscal year was €11 million, matching the EBITDA trend. Group earnings before taxes were €–4 million. Taking into account tax benefits mainly caused by the acquisition of BSS, the Group posted in the first three months a net income of €2 million compared to a loss of €127 million in the previous year. Basic earnings per share stood at €0.02, compared with €– 2.70 the previous year.

Statement of financial position impacted by BSS acquisition and build-up of net working capital; continued solid equity position

The change in the balance sheet structure is in particular characterized 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 €860 million (up 20.8%). Of the €148 million increase, €49 million is attributable to intangible assets and €80 million to property, plant and equipment. This includes the addition of long-term assets of €113 million for the initial consolidation of the BSS Group.

Net working capital of €868 million was much higher than the €637 million at the end of 2009 the fiscal year. Again a major portion of the increase, €115 million, was due to the initial consolidation of BSS. The remainder of the increase is primarily the result of improvements in operations and the herewith linked additional net working capital requirements.

The acquisitions and the additional funds tied up led to a decline in liquidity from €827 million from December 31, 2009 to €615 million at the end of the quarter. Nevertheless, we continue to have a solid foundation for pursuing our growth strategy.

The equity ratio on March 31, 2010 was around 37% after being 41% at the end of the 2009 fiscal year. It would be 47% if the liquid funds could be used entirely to retire financial debt.

Cash flow from operating activities was negative at €60 million compared to €+261 million in the prior year period, primarily due to the increased net working capital. Particularly due to cash outflows for acquisitions during the first quarter, including the retirement of around €58 million in financial debts assumed, liquid funds were reduced by €212 million.

Resumption of the acquisition strategy with acquisition of Becker Stahl-Service Group (BSS) and Bläsi AG

The acquisition of BSS was successfully completed in the first quarter. BSS operates one of the largest and most modern steel service centers in the world. The group has about 460 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 reinforces its leading market position in Germany and Western Europe, adds to its range of products and services, and improves the sector mix of the customer groups it supplies.

In January, via our Swiss subsidiary, Debrunner Koenig Holding AG, we acquired the distributor Bläsi AG in Bern. 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 Bern region geographically with this product portfolio. In 2008, the company generated sales of about €32 million from its two locations in the Bern region.

Subsequent events

In April and May 2010, the Company issued promissory notes of €145 million, with maturities of between three and five years as part of its ongoing efforts to optimize its financing and maturity profile. The promissory notes are based on basic, standard documentation using the same financial covenants as the syndicated loan.

The European asset-backed securities (ABS) program was extended for two years, effective April 1, 2010. The €420 million financing volume was retained while the number of participating banks was reduced from four to three.

On May 5, 2010 Standard & Poor's Ratings Services improved its rating outlook to "stable" and confirmed the long term rating of "BB." The outlook revision is based on our improved profitability owing to cost-cutting measurements and more stable selling prices and the expectation of further improvements in earnings due to a moderate economic recovery.

Risk and opportunity management

We have implemented a risk and opportunity management system that continuously monitors and analyzes major risks and opportunities. Coordination between our holding Company and the international subsidiaries is based on a structured risk and opportunity reporting process. The core tool of the system for monitoring risks and opportunities is the quarterly update of risks and opportunities in the opportunities and risks report, supplemented on a case-by-case basis by ad-hoc reporting on any last-minute risks that might threaten the Company as a going concern or major risks to the Company. 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 three months of 2010. The information thus obtained will ensure 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.

During the crisis, we have placed particular emphasis on controlling the risks associated with 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 action programs aimed at cutting costs and increasing efficiency Group-wide.

The liquidity and credit risks inherent in Group financing have come under particular scrutiny during 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 March 31, 2010, Klöckner & Co credit facilities totaling €1.7 billion, which were extended to approximately €1.9 billion in May by the issuance of promissory notes.

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

Above and beyond our risk monitoring and control systems, we systematically expanded the Group-wide compliance program that we instituted in 2009 in the first quarter of 2010. This program is intended to ensure that we continuously analyze and are in a position to properly react to any compliance risks and that our conduct towards our employees, customers and suppliers is responsible and respectful. In addition, we have published numerous guidelines to prohibit corruption and illegal price agreements as well as a code of conduct, in which our ethic values are described as a code of behavior.

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 balance sheet date, including guarantees by third parties.

As a stockholding multi-metal distributor, Klöckner & Co’s market risk is primarily related to demand and price trends. The price increases observed in recent weeks may not be sustainable and – despite the low level of inventory – price-related write-downs of inventory values may therefore become necessary.

Further, the recovery in demand may only be of short-term nature, reflecting the restocking of warehouses along the value chain. This could reflect only a short-term recovery in sales, which could have a distinct negative impact on our net assets and operating results. In addition, a decrease in demand could lead to another economic downturn, which could result in further impairments.

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

The reduction in the antitrust fine, that French antitrust authorities imposed in December 2008, from €169.3 million to €23.5 million by the court of appeal is now legally binding; the Group holds reimbursement claims against previous owners of Klöckner & Co for the portion of the fine exceeding €20 million.

We cannot rule out that French and Spanish competition authorities are further investigating allegations of anti-competitive behavior by specific branches or regional operations and/or the industry association. If violations of the applicable antitrust law should be found, 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-monitoring organization established in recent years. This 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. Compliance management will deal with any allegations unconditionally and the necessary actions will be taken.

Meanwhile, we believe that market consolidation and correction will create opportunities during the crisis. 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 accounting risks have been adequately accounted for and that all the actions necessary to cushion the impact of potential market risks have been taken. Given the 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.

Forecast

Following the seasonally weak months of January and February, which this year were further affected by extreme weather conditions, demand for steel and metal products has increased significantly since March. In our view, in addition to the weather-related construction recovery in March, the positive trend in sales volumes primarily reflected early purchases prompted by drastic increases in prices.

For the full year 2010, Klöckner & Co has revised its sales guidance from more than 20% to more than 25% growth. This sales growth is mainly a result of acquisitions, the return to normal inventory levels in our customers' warehouses and higher price increases for steel and metal products. We are sticking to our previous projections, which indicated that real steel consumption in our major markets in Europe and North America will not increase significantly in 2010, even though the automotive industry and the machinery and mechanical engineering sectors are currently recovering faster than expected. However, the automotive industry continues to face the risk that production volumes will drop in the second half of the year, especially in Europe, if domestic demand decreases are not offset by higher exports. By contrast, the current increase in new orders for machinery and mechanical engineering services will probably result in stronger demand in the second half of the year, particularly in Germany. We still see no signs of any trend toward recovery in the construction industry in either North America or Europe.

Based on the current price and volume increases, we expect second-quarter earnings to be substantially higher than in the first quarter. In case that a sustainable increase in demand will not realize, there is a risk of overcapacity in production, which would also result in renewed price pressure in the course of the year. Prices, however, are not expected to return to their levels at the beginning of the year, due to the sharp increase in raw material prices.

Based on the aforementioned trends, the successful integration of the acquisitions and the strict cost-cutting carried out last year, the Management Board expects significantly positive operating income for the full year, but not to meet our own goal of achieving an EBITDA to sales ratio of at least 6%.

Nevertheless, as we have further expanded our financial flexibility, we believe that we are well positioned to take advantage of the expected economic upturn and simultaneously to seize the opportunities presented by consolidation.

KLÖCKNER&CO SHARE

Key data on the 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 figures - Klöckner & Co share

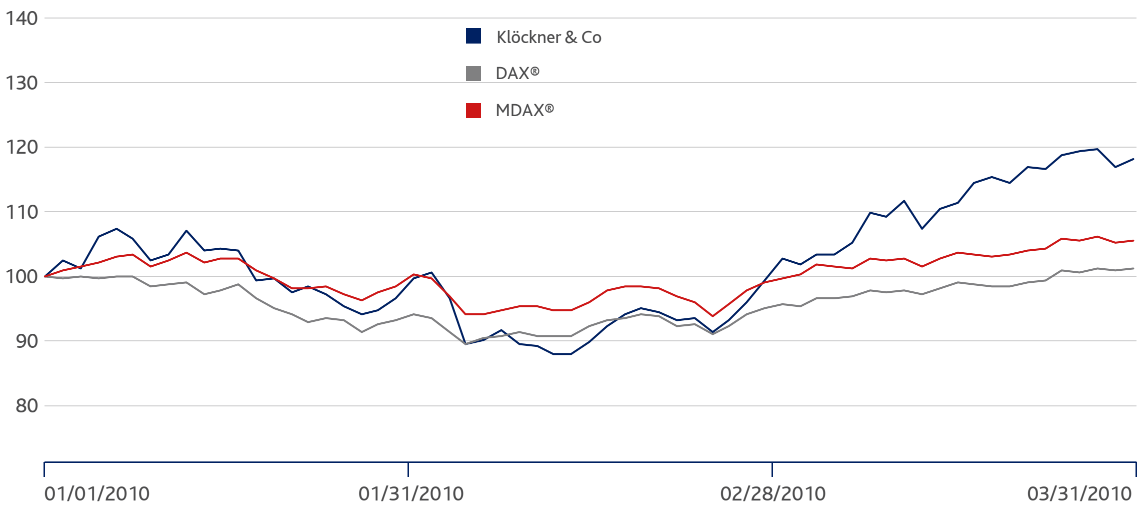
		January – March 2010	January – March 2009
Number of shares	in shares	**66,500,000**	46,500,000
Closing price (XETRA, close)	€	**21.90**	7.43
Market capitalization	€ million	**1,456**	345
High (XETRA, close)	€	**22.51**	13.30
Low (XETRA, close)	€	**16.10**	5.63
Average daily trading volume	in shares	**874,783**	510,314

Share price continues to recover

The positive trend seen in the Klöckner & Co share since the end of 2009 continued in the first quarter of 2010, driven in part by the generally positive expectations in the capital markets of an improvement in the economy. In addition, our share price was influenced by positive developments in the steel industry. The capital markets responded to the resumption of our acquisition strategy, decoupling the Klöckner & Co share from its virtually parallel movement with the MDAX® and DAX® following our biggest acquisition since the IPO and causing it to rise sharply in March.

At the end of the first quarter, Klöckner & Co's share price stood at €21.90, an 23% increase over the closing price at the end of 2009. This represented a 195% increase over the first quarter of 2009. The MDAX® was around 8.5% higher than at the end of 2009. The DAX® gained only about 3.3% over this period.

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



Focus on biggest acquisition since IPO

In the first quarter, 21 banks and investment firms published over 50 research reports on Klöckner & Co. Reports from the first quarter focused on the annual results published on March 9 and on the two companies acquired. At the end of the first quarter, 18 investment firms gave a "buy" recommendation for the Klöckner & Co share. Two investment firms issued a "hold" recommendation and one gave a "sell" recommendation.

The Group maintained its contacts with private and institutional investors during the first quarter. Klöckner & Co SE's management participated at three road shows and five domestic and international conferences and also held individual discussions to inform investors about the Group's results and strategy. These discussions were wide-ranging, focusing on topics as diverse as the crisis-management steps we have taken and our future prospects. At the Analyst Conference on March 9, Klöckner & Co SE's CEO/CFO, Gisbert Rühl, answered questions from the biggest group of analysts and investors yet. An audience of around 100 people followed the Chairman of the Management Board's remarks via live stream on the Internet or in person in Frankfurt. The investors and analysts were particularly interested in the contract signed with the Becker Stahl-Service Group, the Group's biggest acquisition since its initial public offering.

In addition, we provide continuous updates on developments at the Group in the Investor Relations section of our website www.kloeckner.de/de/investoren.html. Along with information on our convertible bonds, financial reports and financial calendar, the website also contains corporate governance information and current data on the price trend for the share and the 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 three-month period ending March 31, 2010

(€ thousand)	Q1 2010	Q1 2009
Sales	1,048,841	1,095,246
Other operating income	8,028	14,141
Change in inventory	– 698	– 17,414
Own work capitalized	5	-
Cost of materials	– 812,538	– 999,792
Personnel expenses	– 111,180	– 121,976
Depreciation, amortization and impairments	– 18,393	– 17,598
Other operating expenses	– 103,372	– 101,731
Operating result	**10,693**	**– 149,124**
Finance income	2,057	2,103
Finance expenses	– 17,213	– 18,110
Financial result	**– 15,156**	**– 16,007**
Income before taxes	**– 4,463**	**– 165,131**
Income taxes	6,194	37,811
Net income	**1,731**	**– 127,320**
thereof attributable to		
– shareholders of Klöckner & Co SE	*1,166*	*– 125,688*
– non-controlling interests	*565*	*– 1,632*
Earnings per share		
– basic	**0.02**	**– 2.70**
– diluted	**0.02**	**– 2.43**

KLÖCKNER & CO SE

Statement of comprehensive income for the three-month period ending March 31, 2010

(€ thousand)	Q1 2010	Q1 2009
Net income	1,731	– 127,320
Income/expenses directly recognized in equity		
Foreign currency translation	31,963	13,575
Gain/loss from cash flow hedges	– 21,120	– 10,694
Related income tax	1,575	– 99
Other comprehensive income	12,418	2,782
Total comprehensive income	14,149	– 124,538
thereof attributable to		
– shareholders of Klöckner & Co SE	*13,674*	*– 122,908*
– non-controlling interests	*475*	*– 1,630*

KLÖCKNER & CO SE

Consolidated statement of financial position as of March 31, 2010

Assets

(€ thousand)	March 31, 2010	December 31, 2009
Non-current assets		
Intangible assets	244,053	194,985
Property, plant and equipment	506,279	426,151
Investment property	11,657	11,675
Financial assets	2,440	2,376
Other assets	29,360	26,736
Income tax receivable	11,726	11,638
Deferred tax assets	54,118	38,355
Total non-current assets	**859,633**	**711,916**
Current assets		
Inventories	798,354	570,918
Trade receivables	689,512	464,266
Income tax receivable	26,199	72,224
Other assets	51,235	65,840
Liquid funds	614,559	826,517
Assets held for sale	1,187	1,081
Total current assets	**2,181,046**	**2,000,846**
Total assets	**3,040,679**	**2,712,762**

Equity and liabilities

(€ thousand)	March 31, 2010	December 31, 2009
Equity		
Subscribed capital	166,250	166,250
Capital reserves	429,493	429,493
Retained earnings	519,787	518,621
Accumulated other comprehensive income	6,339	– 6,169
Equity attributable to shareholders of Klöckner & Co SE	**1,121,869**	**1,108,195**
Non-controlling interests	15,543	15,068
Total equity	**1,137,412**	**1,123,263**
Non-current liabilities and provisions		
Provisions for pensions and similar obligations	177,143	174,598
Other provisions	31,068	31,287
Income tax liabilities	21	20
Financial liabilities	668,448	618,744
Other liabilities	52,196	31,080
Deferred tax liabilities	72,470	71,029
Total non-current liabilities	**1,001,346**	**926,758**
Current liabilities		
Other provisions	107,588	109,868
Income tax liabilities	23,172	50,667
Financial liabilities	90,776	52,169
Trade payables	620,038	398,387
Other liabilities	60,347	51,650
Total current liabilities	**901,921**	**662,741**
Total liabilities	**1,903,267**	**1,589,499**
Total equity and liabilities	**3,040,679**	**2,712,762**

KLÖCKNER & CO SE

Consolidated statement of cash flows for the three-month period ending March 31, 2010

(€ thousand)	Q1 2010	Q1 2009
Income before taxes	–4,463	–165,131
Financial result	15,156	16,007
Depreciation, amortization and impairments	18,393	17,598
Other non-cash income and expenses	361	–116
Gain on disposal of subsidiaries and other non-current assets	–465	–3,960
Operating cash flow	**28,982**	**–135,602**
Changes in provisions	–12,469	–24,830
Changes in other assets and liabilities		
Inventories	–110,559	246,218
Trade receivables	–141,158	113,872
Other receivables	43,422	34,047
Trade payables	155,950	54,047
Other liabilities	–25,598	–25,541
Income taxes paid	1,064	–1,175
Cash flow from operating activities	**–60,366**	**261,036**
Proceeds from the sale of non-current assets and assets held for sale	935	4,785
Payments for intangible assets, property, plant and equipment	–3,966	–5,846
Acquisition of subsidiaries	–124,282	-
Margin deposits for derivative transactions	-	–4,068
Cash flow from investing activities	**–127,313**	**–5,129**
Borrowings	45,864	34,610
Repayment of financial liabilities	–11,424	–140,406
Repayment of BSS shareholder loans	–57,878	-
Interest paid	–4,223	–7,072
Interest received	1,465	1,892
Cash flow from financing activities	**–26,196**	**–110,976**
Changes in cash and cash equivalents	**–213,875**	**144,931**
Effect of foreign exchange rates on cash and cash equivalents	1,917	1,039
Cash and cash equivalents at the beginning of the period	826,517	293,531
Cash and cash equivalents at the end of the period	**614,559**	**439,501**

KLÖCKNER & CO SE

Summary of changes in equity

				Accumulated other comprehensive income				
(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	Currency translation adjustment	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				13,573		13,573	2	**13,575**
Gain/loss from cash flow hedges					–10,694	–10,694		**–10,694**
Related income tax				–3,382	3,283	–99		**–99**
Net income			–125,688			–125,688	–1,632	**–127,320**
Total comprehensive income						**–122,908**		
Change in scope of consolidation							50	**50**
Balance as of March 31, 2009	**116,250**	**260,496**	**582,584**	**25,480**	**–38,364**	**946,446**	**10,418**	**956,864**
Balance as of Januar 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				32,053		32,053	–90	**31,963**
Gain/loss from cash flow hedges					–21,120	–21,120		**–21,120**
Related income tax				–4,911	6,486	1,575		**1,575**
Net income			1,166			1,166	565	**1,731**
Total comprehensive income						**13,674**		
Balance as March 31, 2010	**166,250**	**429,493**	**519,787**	**38,136**	**–31,797**	**1,121,869**	**15,543**	**1,137,412**

Selected explanatory notes to the interim consolidated financial statements for the three-month period ending March 31, 2010

(1) BASIS OF PRESENTATION

The interim consolidated financial statements of Klöckner & Co SE for the three-month period ended March 31, 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 March 31, 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 March 31, 2010 are not necessarily indicative of future results.

The interim consolidated financial statements for the three-month period ended March 31, 2010 were authorized for issuance by the Management Board after discussion with the Audit Committee of the Supervisory Board on May 12, 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 Klöckner & Co Group initially applied the second omnibus standard (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 the International Financial Interpretation Committee (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 interpretation is yet outstanding. Further standards and interpretations issued during the reporting period which 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 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 ofthe standard on its consolidated financial statements.

In November 2009 the IASB issued changes to IFRIC 14 (The Limit of 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 currently assesses the impact of the revised interpretations on its consolidated financial statements.

(3) ACQUSITIONS AND DISPOSALS

Becker Stahl-Service Group

On March 1, Klöckner & Co completed the acquisition Becker Stahl-Service Group with headquarters in Bönen, Germany and 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 460 employees and generated sales of about €600 million in the 2008/2009 fiscal year ending September 30, 2009.

Due to timing of the transaction near the end of the reporting period the allocation of the purchase price to the acquired assets and liabilities is as yet in part provisional. The preliminarily recognized amounts are 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*	*5.6*	*5.6*
current	217.4	4.6	222.0
Liabilities and provisions			
non-current	27.1	0.0	27.1
current	153.8	0.0	153.8
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 €29.5 million to customer relationships and with €6.3 million to the trade name. Goodwill primarily represents future earnings potential. BSS contributed €50.6 million to the Group's net sales for the first quarter and, including one-off effects from the purchase price allocation and real estate transfer tax, €–0.6 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 €2.5 million, if BSS had been consolidated since the beginning of the reporting period.

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 €32 million in 2008. Bläsi AG has been included in the Group's financial statements since January 2010.

The carrying amounts and fair value of the acquired assets and liabilities which in part are provisional were as follows:

	Carrying amounts and fair values as of initial consolidation date		
(€ million)	Carrying amount	Adjustments	Fair value
Assets			
non-current	6.7	6.7	13.4
thereof goodwill	*0.0*	*0.0*	*0.0*
current	14.1	0.2	14.3
Liabilities and provisions			
non-current	1.2	1.3	2.5
current	2.6	1.2	3.8
Acquired net assets	**17.0**	**4.4**	**21.4**
Purchase prices			**21.4**
thereof paid in cash and cash equivalents			*21.4*

Bläsi AG contributed sales of €5.8 million and net income of €0.1 million to the consolidated financial statements since the initial consolidation in January 2010.

(4) SHARE-BASED PAYMENT

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

Under the Management Board programs a total of 667,800 (December 31, 2009: 667,800) virtual stock options are outstanding as of March 31, 2009. In addition to the Management Board program 90,000 (2009: 108,000) virtual stock options for 2010 were granted to certain members of the senior management in the first quarter. 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 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	-	90,000	**90,000**
Exercised	-	– 13,000	**– 13,000**
Outstanding at the end of the year	**667,800**	**257,000**	**924,800**

During the first quarter 13,000 (2009: 0) virtual stock options were exercised. Payments for share-based compensation amounted to €0.1 million (2009: €0.0 million). The pro rata provision for share-based payments to the Management Board and senior management amounts to €3.8 million (December 31, 2009: €2.9 million) with total expense recognized of €1.0 million (2009: income from reversal of provisions €0.9 million).

To limit expenses and cash flows for the granted and approved further grants of virtual stock options until and including financial year 2011 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 in the first quarter of 2010 amount to €2.7 million (2009: expense €4.6 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 have not been included in the computation of diluted earnings per share as they were anti-dilutive.

		Q1 2010	Q1 2009
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	**1,166**	– 125,688
Weighted average number of shares	(thousands of shares)	**66,500**	46,500
Basic earnings per share	**(€/share)**	**0.02**	**– 2.70**
Diluted earnings per share	(€/share)	**0.02**	– 2.43

(6) INVENTORIES

(€ million)	March 31, 2010	December 31, 2009
Cost	854.7	641.9
Valuation allowance (net realizable value)	– 56.3	– 71.0
Inventories	**798.4**	**570.9**

(7) FINANCIAL LIABILITIES

(€ million)	March 31, 2010	December 31, 2009
Non-current financial liabilities		
Bonds	365.4	360.9
Liabilities due to banks	248.8	230.6
Liabilities under ABS programs	48.1	20.7
Finance lease liabilities	6.2	6.5
	668.5	**618.7**
Current financial liabilities		
Bonds	8.1	5.4
Liabilities due to banks	80.7	44.5
Liabilities under ABS programs	0.0	0.1
Finance lease liabilities	1.9	2.2
	90.7	**52.2**
Financial liabilities as per consolidated balance sheet	**759.2**	**670.9**

Net financial debt developed as follows:

(€ million)	March 31, 2010	December 31, 2009
Financial liabilities as per consolidated balance sheet	**759.2**	**670.9**
Transaction cost	5.3	6.0
Gross financial liabilities	**764.5**	**676.9**
Liquid funds	– 614.6	– 826.5
Net financial debt Klöckner & Co Group	**149.9**	**– 149.6**

(8) SUBSEQUENT EVENTS

In April and May 2010, the Company issued promissory notes of €145 million, with maturities of between three and five years as part of its ongoing efforts to optimize its financing and maturity profile. The promissory notes are based on basic, standard documentation using the same financial covenants as the syndicated loan.

The European asset-backed securities (ABS) program was extended for two years, effective April 1, 2010. The €420 million financing volume was retained while the number of participating banks was reduced from four to three.

(9) SEGMENT REPORTING

	North America		Europe		Headquarters / Consolidation		Total	
(€ million)	2010	2009	2010	2009	2010	2009	2010	2009
Segment sales	**190.9**	212.7	**857.9**	882.5	**0.0**	0.0	**1,048.8**	1,095.2
EBITDA (segment result)	**9.1**	−30.9	**24.5**	−92.8	**−4.5**	−7.8	**29.1**	−131.5
EBIT	**3.0**	−37.6	**12.5**	−102.7	**−4.8**	−8.8	**10.7**	−149.1
Net working capital March 31, 2010 (December 31, 2009)	**136.3**	95.9	**734.1**	541.0	**−2.6**	−0.1	**867.8**	636.8
Employees as of March 31, 2010 (December 31, 2009)	**1,195**	1,216	**8,186**	7,708	**117**	108	**9,498**	9,032

Duisburg, May 12, 2010

Klöckner & Co SE

Management Board

FINANCIAL CALENDAR

May 26, 2010	Annual General Meeting 2010 Düsseldorf
August 11, 2010	Q2 interim report 2010
November 10, 2010	Q3 interim report 2010

Subject to subsequent changes

CONTACT

Klöckner & Co SE

Dr. Thilo Theilen
Head of Investor Relations & Corporate Communications
Telephone: +49 (0) 203 307-2050
Fax: +49 (0) 203 307-5025
E-mail: ir@kloeckner.de