klöckner & co

multi metal distribution

Interim Report as of September 30, 2009

Klöckner & Co Group - Key figures

Income statement		Q3 2009	Q3 2008*)	Jan. 1 - Sep. 30, 2009	Jan. 1 - Sep. 30, 2008*)
Sales	€ million	934	1,773	2,988	5,355
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	11	413	–151	735
Earnings before interest and taxes (EBIT)	€ million	–7	395	–204	686
Earnings before taxes (EBT)	€ million	–21	378	–249	634
Net income	€ million	–23	348	–198	526
Net income attributable to shareholders of Klöckner & Co SE	€ million	–23	352	–197	525
Earnings per share (basic)	€	–0.42	7.56	–4.16	11.28
Earnings per share (diluted)	€	–0.42	7.01	–4.16	10.55

Cash flow statement		Q3 2009	Q3 2008*)	Jan. 1 - Sep. 30, 2009	Jan. 1 - Sep. 30, 2008*)
Cash flow from operating activities	€ million			541	32
Cash flow from investing activities	€ million			–6	91

Balance sheet				Sep. 30, 2009	Dec. 31, 2008*)
Working capital**)	€ million			702	1,407
Net financial debt	€ million			–139	571
Equity	€ million			1,105	1,081
Balance sheet total	€ million			2,914	3,084

Key figures		Q3 2009	Q3 2008	Jan. 1 - Sep. 30, 2009	Jan. 1 - Sep. 30, 2008
Sales volume	to '000	1,033	1,348	3,154	4,823
				Sep. 30, 2009	31.12.2008
Employees at end of period				9,166	10,282

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see Note 2 to the interim financial statements).
**) Working capital = inventories plus trade receivables less trade payables

Interim Management Report

Positive operating income (EBITDA) for the first time in the third quarter 2009 since the beginning of the financial crisis, but cumulative losses for the year continued to be high; further strengthening of the liquidity position leads to a net cash position of €139 million; demand stabilizes, but no sign of a sustainable recovery

Overview

- Sales volume, sales and earnings in the first nine months of 2009 significantly below previous year's level, but earnings stabilized during third quarter
- Cash flow from operating activities continued to be strong
- Equity position further strengthened through successful rights issue
- Financing restructured, including an additional convertible bond issue
- 2009 cost-cutting target of €100 million net almost fully achieved
- Net cash position of €139 million at end of third quarter

In a difficult macroeconomic environment, Klöckner & Co continued to rigorously pursue the implementation of measures to cut costs and reduce working capital during the first nine months of 2009.

The Group's equity position was further strengthened by the successful rights issue in September 2009. The Group is now in an excellent financial position due to the completed restructuring of the Group's financing, the issuance of another convertible and the recent rights issue. This will enable the Group to pursue further on acquisitions and will also cover working capital requirements as the business recovers.

Continued stabilization of operating income; positive EBITDA reported in third quarter of 2009

The stabilization in demand seen during the second quarter – albeit at a low level – continued during the third quarter. Continued destocking along the entire value chain and continued reductions in steel manufacturers' production capacity led to price increases especially for flat products – except for heavy plates, for which prices were still slightly declining. Prices for long products continued to stabilize. There was still no noticeable recovery in sales volumes. However, the considerable recovery in September sales volumes offset the seasonal weakness experienced during both of the previous two months resulting in sales volumes that match the previous quarter.

The key figures for the first nine months of fiscal year 2009 were as follows:

- Sales volumes dropped – 34.6% from the first nine months of 2008 to 3.2 million t (including impact of disposals), without disposals the sales volume drop would be -30%
- Sales totaling approximately €3.0 billion were – 44.2% below previous year's level
- Operating loss (EBITDA) of – €151 million and net income totaling – €198 million, with a significant improvement in earnings in the third quarter with an EBITDA of €11 million
- Earnings per share of – €4.16, compared with + €11.28 during the same period last year
- Exceptionally high positive cash flow from operating activities of €541 million due to massive decrease in net working capital
- Net cash position totaling €139 million as of September 30, 2009, compared with net financial debt totaling €571 million at the end of 2008

In response to the economic crisis, risk limiting initiatives implemented in the fourth quarter 2008 which were extended in 2009 had a significant impact during the first nine months of the current fiscal year. The 1,500 planned job cuts have already been fully implemented during the third quarter. Strict working-capital management, the issuance of a convertible bond and the rights issue resulted in net cash position of €139 million, compared with net financial debt of €571 million at the end of 2008. This is equivalent to a change in the net financial position of €710 million. The release of funds resulting from the decrease in working capital led to a significant improvement in cash flows from operating activities to €541 million, compared with €32 million a year earlier.

Overall, the measures adopted to limit risk exposure were only able to partially offset the negative effects of the trend in sales volume and sales, resulting in an EBITDA of – €151 million for the first nine months.

Economic environment: steel industry from today's point of view bottomed out, but still significantly lower than the previous year’s level

During the first nine months of 2009, economic trends worsened significantly compared with the previous year's period. The significant downturn in the real economy resulting from the financial crisis stabilized in the second quarter of 2009. Demand, however, improved somewhat in the course of the third quarter.

According to aggregated estimates for the year-to-date, the gross domestic product (GDP) in Europe will be approximately – 4.6% below the prior-year level, while the third quarter is expected to increase slightly (by 0.7%) compared to the second quarter. In the US, GDP declined by – 1.8% during the reporting period. After bottoming out during the second quarter, there was a slight recovery in the third quarter against the preceding one of 1.1%.

Industrial production – an important indicator of steel consumption – also bottomed out during the second quarter and then recovered slightly, although overall the level was considerably lower than in the previous year.

For the period under review, overall market demand for steel products was significantly lower than the previous year’s level. According to estimates by the European industry association, Dismet, demand fell by a total of – 30% compared with the first nine months of the previous year. According to the Metal Service Center Institute (MSCI), the demand for steel products in the US dropped even more, by – 41%, for the year-to-date.

The drastic fall in demand has affected all customer sectors and countries. In addition to the drop in real demand, the decline was also impacted by the reduction in inventories along the entire value chain. In its latest estimate published in October, the European steel association Eurofer expects demand for steel products in Europe to fall by – 33.4% for the whole of 2009. It also forecasts real steel consumption to decline by – 24.2%. For the two core customer sectors of the Klöckner & Co Group – the construction industry as well as machinery and mechanical engineering – Eurofer is forecasting drops in steel consumption of – 6.7% and – 21.8%, respectively, for 2009.

From their low point in April and May of this year through the end of the third quarter, prices for steel products were trending higher. In Europe, the price for hot rolled coil climbed approximately 20% from April's low. In the US, by contrast, prices for hot rolled coil jumped nearly 45% above the June low by the end of September – from a considerably lower level. However, sectional steel products and beams have hardly benefited from the generally positive price trend, largely remaining flat in Europe and the US since bottoming out.

During October, steel prices once again came under more pressure, which to some extent is attributable to the fact that the mills quickly reactivated temporarily idled capacity in an environment where demand is still too weak. Following severe production cutbacks in the first half of the year, manufacturers have gradually increased their capacity to the point where capacity utilization stands at about 70% in Europe and over 60% in North America.

According to the World Steel Association (WSA), global steel production declined by – 16% in the first nine months of 2009, while steel production was 7.5% higher than the prior-year level in China. Steel production in Europe was – 39% below the level for the first three quarters of 2008 and – 47% lower in the US, according to the WSA.

In October, the International Monetary Fund forecast a – 4.2% decline in economic growth in the Eurozone and a – 2.7% decline in the US for 2009. The IMF forecasts growth of 0.3% and 1.3%, respectively, for next year.

Results of operations, financial position and net assets

Sales volume, sales and earnings well below the previous year's levels

The Klöckner & Co Group posted a sales volume for the first nine months of fiscal year 2009 of 3.2 million t, representing a substantial decline of – 34.6% from the previous year. This was due both to the continued overall weak economic environment and the disposal in July 2008 of the Canadian subsidiary, Namasco Ltd. Excluding Namasco Ltd., the decrease in sales volume would have totaled – 30.0%. Sales volume fell by – 29.3% in Europe and by a total of – 47.7% in North America from the prior year figures. Adjusted for the sale of Namasco Ltd., sales volume in North America fell by – 32.2%. In the first nine months of 2009, the Group's sales totaled approximately €3.0 billion or – 44.2% lower than the previous year's level.

At €447 million, the Group's gross profit was – 62.5% lower than in the first nine months of 2008. This decrease was caused by negative price and volume effects. At the same time, the gross margin fell from 22.3% to 15.0%. However, it gradually improved over the course of the fiscal year. Lower write-downs to the net realizable value of inventories also contributed to a jump in the gross profit margin from 7.1% in the first quarter to more than 16.8% in the second quarter and 22.3% in the third quarter. The Group reported strongly negative EBITDA of – €151 million; it further stabilized during the third quarter. Although EBITDA still stood at a negative – €163 million for the first half, EBITDA improved to a slightly positive €11 million in the third quarter. This improvement was due in part to cost-cutting measures, but primarily to stabilized selling prices and lower write-downs to the net realizable value of inventories as of the reporting date.

Both, the European segment (– €86 million) and the North American segment, (– €46 million) reported high operating losses (EBITDA) for the first nine months, compared to + €587 million and + €144 million, respectively, for the prior-year period. However, in the third quarter of 2009, both segments again reported slight operating profits (+ €4 million for Europe and + €10 million for North America).

In the first nine months of 2009, the Group reported a negative EBIT and a net loss of – €204 million and – €249 million, respectively, reflecting the EBITDA trend. This amount also included net proceeds of €4 million from the adjustment of the provision for and the reimbursement claim arising out of the French anti-trust fine imposed on KDI due to the agreed payment plan and a gain of approximately €2.5 million from the initial consolidation of Klöckner Information Services GmbH, which was sold to a buyer from outside the Group in the third quarter. The financial result, which included charges for one-time expenditures associated with the restructuring of Group financing of around €8 million, totaled – €46 million, compared with – €51 million for the prior-year period. After taking tax benefits into account, the consolidated net loss for the first nine months totaled – €198 million (previous year: consolidated net income of €526 million). Basic earnings per share were – €4.16, compared with + €11.28 the previous year.

Equity position further strengthened through successful rights issue; financing restructured and another convertible bond issued

The Company's share capital was increased by €50 million in the third quarter, from €116.3 million to €166.3 million. The additional capital was raised through the issuance of 20 million no-par-value shares with an accounting par value (pro-rata share in the share capital) of €2.50 each and dividend rights from January 1, 2009. The new shares were offered to Klöckner & Co shareholders for subscription at a 7 : 3 ratio. The subscription price was set at €10.00 per share, yielding gross proceeds from the issue of €200 million. After deducting transaction costs, the Group accounted for an increase in equity of around €193 million. Klöckner & Co intends to use the proceeds from the share placement primarily to finance acquisitions.

The optimization of the financing structure was successfully completed in May with the restructuring of the syndicated loan and the European ABS program. While loan covenants were previously linked to performance indicators, they are now balance-sheet based. The new covenants are tailored much better to the Group's business model and are considerably more robust during economic downturns.

Under the new covenants, net financial debt may not exceed equity by more than 1.5 times. Furthermore, equity must total at least €500 million, and a certain level of receivables and inventories must be available at all times.

On June 9, 2009, an additional convertible bond with a volume of €97.9 million, a maturity of five years and a coupon of 6% was issued to institutional investors. The bond, which is convertible into shares of Klöckner & Co SE, was issued by Klöckner & Co Financial Services S.A., a wholly owned Luxembourg subsidiary of Klöckner & Co SE. It is guaranteed by Klöckner & Co SE. The conversion price was €21.06 when the convertible bond was issued. That was equivalent to a 35% premium over the reference price of €15.60 on the issue date. As a result of the rights issue, the conversion price was adjusted to €18.37.

Klöckner & Co now has €1.6 billion of facilities that are largely free of performance-based covenants. The core elements of financing continue to be the ABS programs in Europe and the US (€505 million), the syndicated loan (€300 million), bilateral credit lines (about €400 million) and the convertible bonds (a total of €423 million).

Net working capital drastically reduced; solid equity position, despite high losses, particularly in the first half

The balance-sheet structure is characterized by a significant decrease in net working capital and a further expansion of liquidity reserves because the current use of financing instruments limits the potential for a further reduction of gross financial debt. Net working capital totaled €702 million, 50% below the level of €1,407 million at the end of fiscal year 2008. The release of funds resulting from the decrease in working capital and the cash inflows resulting from the rights issue and the convertible bond issue further expanded the liquidity position to €863.1 million (a + 191.0% increase from December 31, 2008). As of September 30, 2009, the Group reported a net cash position totaling €139 million, compared with net financial debt of €571 million at December 31, 2008 and has therefore a solid foundation to resume the growth strategy by acquisitions.

Even after taking into account the loss for the first nine months of the fiscal year, the equity ratio was around 38% on September 30, 2009, compared to 35% at the end of fiscal year 2008. The equity ratio would total 50% if liquid funds could be used to reduce financial debt.

Immediate action programs already fully implemented; measures for organic growth introduced

During the first nine months, Klöckner & Co fully implemented – and in some cases exceeded – the measures designed to cushion the impact of the crisis. The 1,500 planned job cuts were already achieved during third quarter. The Company had almost fully achieved its targeted cuts in personnel and operating expenses of €100 million net, in the first nine months.

Now, after immediate action programs have been implemented, the focus is once again on growth opportunities. In addition to growth through acquisitions, Klöckner & Co also believes that the crisis offers opportunities for organic growth. Klöckner & Co's operations will benefit from the fact that some of its competitors will lose their supply capacity due to financial constraints. The focal points of the newly implemented program include continuing to develop market and customer segmentation, expanding the product portfolio to include value-adding processing services with higher margins and implementing market-specific price segmentation.

Subsequent events

On November 11, 2009 Klöckner & Co SE has signed a preliminary agreement for the acquisition of the Becker Stahl-Service Group with headquarters in Bönen, Germany. 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. It is expected that the transaction, which is subject to approval by the antitrust authorities, will be concluded in the beginning of 2010. Becker Stahl-Service is one of the largest steel service center companies in Europe. By acquiring the Becker Stahl-Service Group, Klöckner & Co is strengthening its leading market position in Germany and Western Europe. The transaction will also complement its product and service portfolio and enhance the sector mix of the supplied customer groups.

Risk and opportunity management

The Group's risk and opportunity management system constantly analyzes and monitors major risks and opportunities. The coordination between country organizations and the Holding is based on a structured chances and risk reporting process. This process was also ongoing in the first nine months of 2009. The core of the risk and opportunity monitoring system within the Klöckner & Co Group is the risks and opportunities report that is updated on a quarterly basis, supplemented by ad-hoc reporting on emerging risks that might create a risk to the Company as a going concern or major risks.

Klöckner & Co differentiates between external, strategic, operating, employee-related, IT, financial and other risks and further distinguishes between quantifiable and non-quantifiable risks. Under working capital management, risk control in particular includes inventory and receivables management. Inventory management is both usage- and demand-based. The strict receivables management takes into account local business requirements, plus insurance coverage for greater default risks taking into consideration cost benefit aspects. In addition, potential risk exposure to price and market trends in purchasing, Group financing and legal, tax, IT and insurance-related aspects is subject to constant monitoring.

In 2009, the Group's corporate internal auditing department also reviewed compliance, both domestically and internationally, with existing risk-management requirements and Group guidelines. The information thus obtained will ensure that risks are detected and managed as soon as possible and to further optimize detection processes.

Klöckner & Co restructured the Group-wide compliance program during the fiscal year. The main rationale behind this program is that, within the context of value-based corporate management, compliance forms the basis for ethical and legally compliant behavior in business operations. The Group-wide implemented program reflects the common practices in the industry and has been reviewed by an independent auditor. There are three main elements of the program: prevention, detection and response. These are taylored to ensure that Klöckner & Co continually analyzes compliance risks, has an adequate response to such risks and behaves responsibly and respectfully towards its employees, customers and suppliers. Implementation of the compliance program is well-advanced. In addition to on-site anti-trust and anti-corruption training, recurrent training will be offered on an ongoing basis in an e-learning format beginning next year. In addition, a whistle-blowing system is currently being implemented; it will enable both employees and third parties to report instances of non-compliance. The effectiveness of the compliance program will be continually tested through annual compliance audits and adjustments will be made, where necessary.

Current assessment of opportunities and risks

The Management Board remains confident that all risks that require recognition in the accounts are covered by sufficient provisions at the level of Group subsidiaries and of the holding company and/or by third-party guarantees.

There is an additional risk that a negative expectation regarding prices of steel products will affect sales volumes, resulting in the need for additional price-induced write-downs. Continued weakness in real demand may in the event of mill underutilization lead to shorter, more volatile price cycles as a stable balance between supply and demand is not achieved. This could have a significant impact on our net assets and results of operations. Without a further revival of demand, the economic outlook could become more pessimistic than previously expected, possibly triggering impairment losses. A worsening of our customers' liquidity situation could lead to higher bad-debt losses as well as a shortfall in demand. Safeguarding of delivery transactions through credit insurers common in the industry could also become more difficult which could negatively affect sales and performance. Meanwhile, market consolidation and correction will create opportunities during the crisis. As a result of the early response to the crisis, the Group may have a competitive advantage in the market.

In the second quarter of 2009, an agreement was reached with the French Treasury on an installment plan for payment of the anti-trust fine (€169.3 million) imposed last year. In spite of this, Klöckner & Co believes that there is a strong possibility that the appeal it has filed will lead to a substantial reduction in the fine.

In addition, the French and Spanish competition authorities are investigating allegations of anti-competitive behavior by individual foreign subsidiaries. If these investigations should find violations of the applicable anti-trust laws, this could result in monetary fines that would have a negative impact on earnings. Based on the nature of the charges under investigation, the Management Board currently envisages only a slight financial risk which is covered by the general risk management.

In summary, the Management Board is confident that the systems for managing the risks and opportunities of the Klöckner & Co Group work well and that all known accounting risks have been adequately accounted for. In addition, the necessary measures to cushion looming market risks have been initiated. The Group does not expect to encounter any liquidity problems as a result of its current financing structure and the measures that have already been taken, particularly the restructuring of the credit facilities, the issuance of the new convertible bond and the rights issue. General market risks and specific risks affecting the steel market cannot be precisely gauged at this time. There is no indication of any concrete risks that could threaten the Company's future as a going concern.

Forecast

First signs of a recovery of demand seen in September cannot yet be regarded as a sustainable trend. However, it can be assumed that demand has bottomed out and that it will gradually improve into the next year.

Since there is yet no stable balance between supply and demand prices remain volatile and therefore influence customers buying behavior. As a consequence, prices for certain steel and metal products came under pressure again compared to the end of September with negative effects on customer demand. Even though both, EBITDA for the third quarter and based on preliminary accounts also for October were positive, Management Board is expecting at best break even on operating income also due to seasonal effects for the second half of the year. Against the first half of the year, earnings improved noticeably, nevertheless, full year net income will be significantly negative.

Despite the ongoing tough market situation, Klöckner & Co considers itself well positioned, due to the capacity-reduction and cost-cutting measures implemented and to its restructured financing. The Group has now access to facilities of €1.6 billion that are largely free of performance-based covenants and a net cash position of more than €139 million. With that, Klöckner & Co is able to participate in the expected recovery of economic prospects accompanied by a gradual increase of demand in the next year. The secure financing, including the placement of the convertible bond and the rights issue, provides a solid financial basis for resuming the acquisition strategy and taking advantage of the opportunities offered by market consolidation. In addition, the strength of the distribution network will make it possible to grow organically again and to further expanding the Group's market position.

Klöckner & Co share

Key data on the Klöckner & Co share:

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

Key data - Klöckner & Co shares

		Jan. - Sep. 2009	Jan. - Sep. 2008	Q3 2009	Q3 2008
Number of shares	in shares	66,500,000*)	46,500,000	66,500,000*)	46,500,000
Closing price (XETRA, Close)	€	15.66	16.07	15.66	16.07
Market capitalization	€ million	1,041	747	1,041	747
High (XETRA, Close)	€	17.62	40.50	17.62	30.19
Low (XETRA, Close)	€	4.87	15.26	12.18	13.20
Average daily trading volume	in shares	765,015	812,071	798,846	992,012

*) Including rights issue in Q3.

Share price recovers

The capital markets sentiment has improved markedly since the end of the first quarter. Share prices in the steel sector also gained from growing expectations for the overall economic environment. Shares in Klöckner & Co are considered to be early cyclical with a high beta. The Company's share price normally has a strong reaction to slight improvements in expectations for the overall economy. This was once again the case in the third quarter of 2009. In addition, the capital markets seem to be rewarding the early implementation of cost-cutting measures, debt reduction and the restructuring of financing. The capital measures taken to support future growth through acquisitions also had a positive effect on the share price.

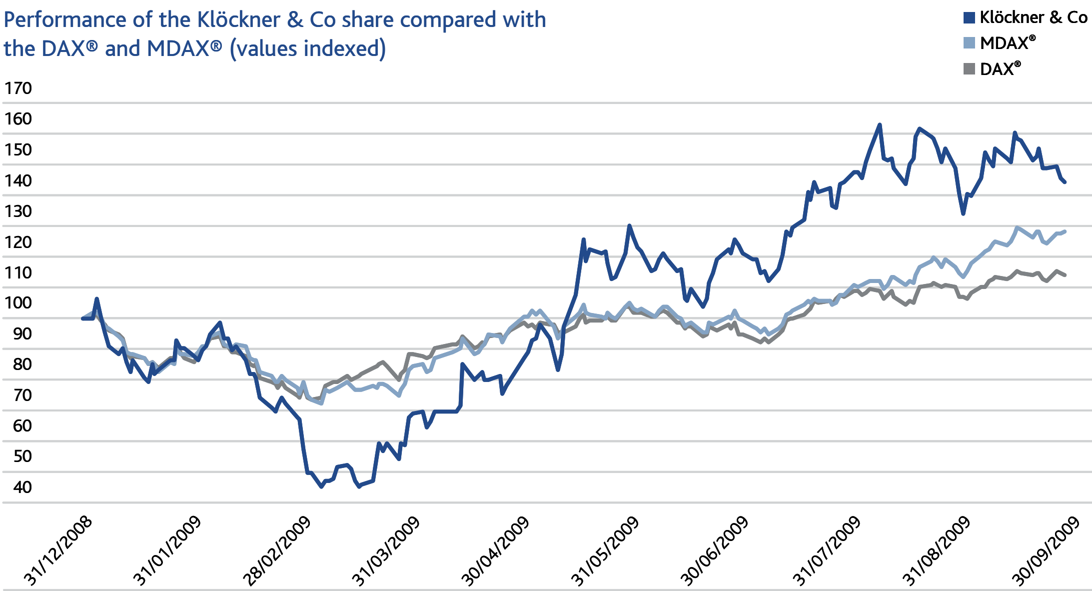
At the end of the third quarter, Klöckner & Co's shares was €17.62, representing an increase of about 43% over the closing price at the end of 2008. Since the end of 2008, the MDAX® rose around 31% and the DAX® about 18%.

Capital increase of 20 million shares successfully placed

In September 2009, Klöckner & Co SE successfully placed a rights issue of 20,000,000 newly registered no-par-value shares. The subscription price of the new shares was €10. The new shares were offered to shareholders for subscription at a ratio of 7 : 3. This gave shareholders the right to acquire three new shares at a price of €10 per share per seven old shares. 99.6% of the existing shareholders' subscription rights were exercised. The consortium banks had guaranteed a 100% placement, so 0.4% of the subscription rights were placed on the open market. The new shares have been included in the listing (German Securities Number (WKN) KC0100) since September 22, 2009, and have had dividend rights since January 1, 2009.

Klöckner & Co SE intends to use the net proceeds of €193 million from the rights issue primarily to continue the acquisition strategy which had been suspended as the result of the crisis.

Performance of the Klöckner & Co share compared with the DAX® and MDAX® (values indexed)



Analyst coverage expanded

Interest in Klöckner & Co on the part of financial markets communication remained undiminished. The number of analysts rose once again in the third quarter, with BHF Bank, CA Cheuvreux and Mainfirst starting coverage of Klöckner & Co. This brought the number of Klöckner & Co analysts to 21 banks and securities firms at the end of the third quarter. In the period from July to September, 37 research reports were issued totaling to 116 since the beginning of the year.

At the end of the third quarter of 2009, 13 firms rated the Klöckner & Co share as a "buy", four as a "hold" and four as a "sell".

The intensive dialogue with analysts and potential investors continued in the third quarter with a large number of individual meetings and roadshows with the management of Klöckner & Co SE. During the first nine months, the Company informed interested capital market participants both in Germany and abroad about Klöckner & Co at 11 roadshows and 11 conferences. In addition to ongoing communication with investors, as part of the roadshow for the rights issue, management visited investors in Europe and the United States to provide information on the background to and the purpose of the rights issue.

The discussions with analysts and investors initially focused on the implementation of the immediate action programs introduced in response to the crisis as well as questions about recent market developments. The rights issue had the effect of pushing the above topics somewhat into the background. The focus of the discussions after that point was largely on the acquisition strategy and the potential of consolidation.

You can find detailed information about the Klöckner & Co share as well as publications and dates in the Investor section of our Web site http://www.kloeckner.de/en/index.php. Our quarterly shareholder letter and our newsletter keep you informed about current developments in the Klöckner & Co Group. You are welcome to subscribe to the newsletters at ir@kloeckner.de.

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

Interim consolidated financial statements

Consolidated statement of income

for the nine-month period ending September 30, 2009

(€ thousand)	Jan. 1 - Sep. 30, 2009	Jan. 1 - Sep. 30, 2008*)	Q3 2009	Q3 2008*)
Sales	**2,987,625**	**5,355,199**	**933,531**	**1,773,201**
Other operating income	34,926	328,342	9,573	307,809
Change in inventory	–10,992	–3,214	93	–602
Own work capitalized	2	43	2	20
Cost of materials	–2,529,277	–4,158,960	–725,219	–1,382,056
Personnel expenses	–337,171	–408,316	–108,873	–144,150
Depreciation, amortization and impairments	–52,421	–49,128	–17,927	–18,280
thereof impairment losses	*828*	*0*	*828*	*0*
Other operating expenses	–296,436	–378,370	–97,850	–140,808
Operating result	**–203,744**	**685,596**	**–6,670**	**395,134**
Income from investments	**8**	**0**	**8**	**0**
Finance income	6,491	4,113	2,566	1,756
Finance expenses	–52,086	–55,497	–16,770	–19,265
Financial result	**–45,595**	**–51,384**	**–14,204**	**–17,509**
Income before taxes	**–249,331**	**634,212**	**–20,866**	**377,625**
Income taxes	51,400	–108,389	–2,256	–29,661
Net income	**–197,931**	**525,823**	**–23,122**	**347,964**
thereof attributable to				
- shareholders of Klöckner & Co SE	–197,351	524,541	–23,415	351,531
- minority interests	–580	1,282	293	–3,567
Earnings per share				
- basic	–4.16	11.28	–0.42	7.56
- diluted	–4.16	10.55	–0.42	7.01

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see note 2 to the interim financial statements).

Statement of comprehensive income

for the nine-month period ending September 30, 2009

(€ thousand)	Jan. 1 - Sep. 30, 2009	Jan. 1 - Sep. 30, 2008*)	Q3 2009	Q3 2008*)
Net income	**–197,931**	**525,823**	**–23,122**	**347,964**
Income/expenses directly recognized in equity				
Foreign currency translation	–15,822	27,487	–9,707	45,247
Gain/loss from cash flow hedges	20,881	–13,170	5,833	–26,092
Related income tax	–2,747	700	737	1,346
Other comprehensive income	**2,312**	**15,017**	**–3,137**	**20,501**
Total comprehensive income	**–195,619**	**540,840**	**–26,259**	**368,465**
thereof attributable to				
- shareholders of Klöckner & Co SE	**–195,052**	**539,558**	**–26,556**	**372,032**
- minority interests	**–567**	**1,282**	**297**	**–3,567**

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see note 2 to the interim financial statements).

Consolidated balance sheet

as of September 30, 2009

ASSETS

(€ thousand)	Sep. 30, 2009	Dec. 31, 2008*)	Jan. 1, 2008*)
Non-current assets			
Intangible assets	207,537	235,931	197,581
Property, plant and equipment	455,648	479,421	482,138
Investment property	13,127	13,188	0
Financial assets	2,246	2,364	2,661
Other assets	25,323	34,332	27,377
Deferred tax assets	42,385	46,491	33,336
Total non-current assets	**746,266**	**811,727**	**743,093**
Current assets			
Inventories	573,145	1,000,612	955,644
Trade receivables	556,159	798,618	929,964
Current income tax receivable	44,049	29,388	6,572
Other assets	126,138	141,845	86,367
Liquid funds	863,116	296,636	153,558
thereof cash and cash equivalents	863,116	293,531	153,558
thereof restricted cash	0	3,105	0
Assets held for sale	5,086	4,942	98,596
Total current assets	**2,167,693**	**2,272,041**	**2,230,701**
Total assets	**2,913,959**	**3,083,768**	**2,973,794**

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see note 2 to the interim financial statements).

EQUITY AND LIABILITIES

(€ thousand)	Sep. 30, 2009	Dec. 31, 2008*)	Jan. 1, 2008*)
Equity			
Subscribed capital	166,250	116,250	116,250
Capital reserves	429,267	260,496	260,496
Retained earnings	510,011	708,272	418,263
Accumulated other comprehensive income	– 13,365	– 15,664	–28,332
Equity attributable to shareholders of Klöckner & Co SE	**1,092,163**	**1,069,354**	**766,677**
Minority interests	12,390	11,998	84,283
Total equity	**1,104,553**	**1,081,352**	**850,960**
Non-current liabilities and provisions			
Provisions for pensions and similar obligations	176,596	180,095	188,457
Other provisions	169,506	36,924	59,151
Income tax liabilities	102	50	92
Financial liabilities	618,428	813,000	813,076
Other liabilities	28,457	59,634	8,962
Deferred tax liabilities	78,004	86,873	83,969
Total non-current liabilities	**1,071,093**	**1,176,576**	**1,153,707**
Current liabilities			
Other provisions	125,832	284,766	144,355
Income tax liabilities	6,830	19,139	18,223
Financial liabilities	98,779	48,112	72,644
Trade payables	427,628	392,183	609,863
Other liabilities	79,244	81,640	91,748
Liabilities associated with assets held for sale	0	0	32,294
Total current liabilities	**738,313**	**825,840**	**969,127**
Total liabilities	**1,809,406**	**2,002,416**	**2,122,834**
Total equity and liabilities	**2,913,959**	**3,083,768**	**2,973,794**

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see note 2 to the interim financial statements).

Consolidated statement of cash flows

for the period from January 1 to September 30, 2009

(€ thousand)	Jan. 1 - Sep. 30, 2009	Jan. 1 - Sep. 30, 2008*)
Income before taxes	**–249,331**	**634,212**
Financial result	45,595	51,384
Depreciation and amortization	52,421	49,128
Other non-cash income and expenses	–3,444	–7,600
Gain on disposal of subsidiaries and other non-current assets	–6,413	–274,886
Operating cash flow	**–161,172**	**452,238**
Changes in provisions	–33,087	44,488
Changes in other assets and liabilities		
Inventories	427,122	–327,026
Trade receivables	242,753	–180,088
Other receivables	19,737	–28,294
Trade payables	33,442	122,850
Other liabilities	4,985	25,160
Income taxes paid	6,768	–77,305
Cash flow from operating activities	**540,548**	**32,023**
Proceeds from the sale of non-current assets and assets held for sale	7,109	9,299
Proceeds from / disbursements for the sale of consolidated subsidiaries	–572	378,183
Payments for intangible assets, property, plant and equipment	–15,359	–32,637
Acquisition of subsidiaries	0	–263,920
Margin deposits for derivative transactions	3,105	0
Cash flow from investing activities	**–5,717**	**90,925**
Equity component of convertible bond	26,047	0
Capital increase by issuance of new shares	194,758	0
Dividends paid to		
- shareholders of Klöckner & Co SE	0	–37,200
- minority interests	0	–993
Borrowings	119,224	353,963
Repayment of financial liabilities	–280,132	–332,023
Interest paid	–30,060	–25,470
Interest received	5,392	3,205
Cash flow from financing activities	**35,229**	**–38,518**
Changes in cash and cash equivalents	**570,060**	**84,430**
Effect of foreign exchange rates on cash and cash equivalents	–475	2,597
Cash and cash equivalents at the beginning of the period	293,531	153,558
Cash and cash equivalents at the end of the period	**863,116**	**240,585**

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see note 2 to the interim financial statements).

Statement 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	Minority interests	Total
Balance as of January 1, 2008 as previously reported	**116,250**	**260,496**	**412,227**	**−27,737**	**−595**	**760,641**	**84,283**	**844,924**
Initial application of IFRIC 14*)			6,036			6,036		6,036
Balance as of January 1, 2008 as restated for effects of IFRIC 14	**116,250**	**260,496**	**418,263**	**−27,737**	**−595**	**766,677**	**84,283**	**850,960**
Income/expenses directly recognized in equity								
Foreign currency translation				27,487		27,487		27,487
Gain/loss from cash flow hedges					−13,170	−13,170		−13,170
Related income tax				−3,343	4,043	700		700
Net income			524,541			524,541	1,282	525,823
Total comprehensive income						**539,558**		
Acquisition of minority interests			−70,795			−70,795	−59,714	−130,509
Business combinations							4,051	4,051
Dividends			−37,200			−37,200	−993	−38,193
Balance as of September 30, 2008 as restated for effects of IFRIC 14	**116,250**	**260,496**	**834,809**	**−3,593**	**−9,722**	**1,198,240**	**28,909**	**1,227,149**
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**		
Acquisition of minority 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**

*) See Note 2 to the interim financial statements.

Selected explanatory notes to the interim consolidated financial statements for the nine-month period ending September 30, 2009

(1) Basis of presentation

The interim consolidated financial statements of Klöckner & Co SE, for the nine-month period ended September 30, 2009, 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 financial statements were not reviewed by an independent auditor.

Except for the application of new standards as discussed below, 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, 2008 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 81 to 91 of the 2008 Annual Report. Foreign exchange gains and losses resulting from financing transactions including fair value changes of derivative financial instruments for which no hedge accounting is applied are, however, presented net in other operating income. In the first nine months of 2009 expenses of €11.7 million were offset against corresponding exchange gains.

The preparation of the interim consolidated financial statements for the period ended September 30, 2009 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, 2008.

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, 2009 are not necessarily indicative of future results.

The interim consolidated financial statements for the nine-month period ended September 30, 2009 were authorized for issuance by the Management Board after discussion with the Audit Committee of the Supervisory Board on November 13, 2009. Unless otherwise indicated, all amounts are stated in million euros (€ million). Deviations to the unrounded figures may arise.

(2) New standards and interpretations

In 2009 the Group initially applied IAS 1 rev. 2008 (Presentation of Financial Statements), IFRS 8 (Operating Segments) and the interpretation IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction).

Under IFRS 8, operating segments are based on the internal reporting organization ("Management Approach"). The initial application did not result in changes in the segmentation of the Group.

IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus of a pension plan that can be recognized as an asset. The initial application resulted in adjustments to the asset recognized for the Swiss pension plans. In accordance with the transition provisions the application has been made retrospectively. The comparative amounts for 2008 have been restated as follows:

(€ thousand)	As previously reported	Initial application of IFRIC 14	As restated
Balances as of January 1, 2008			
Excess of pension assets and Swiss employer contribution reserves	5,349	7,641	12,990
Deferred tax liabilities	82,364	1,605	83,969
Equity attributable to shareholders of Klöckner & Co SE	**760,641**	**6,036**	**766,677**
Balances as of September 30, 2008			
Excess of pension assets and Swiss employer contribution reserves	4,583	8,208	12,791
Deferred tax liabilities	79,139	1,724	80,863
Equity attributable to shareholders of Klöckner & Co SE	**1,191,756**	**6,484**	**1,198,240**
Personnel expenses	408,505	–189	408,316
Income taxes	108,349	40	108,389
Net income attributable to shareholders of Klöckner & Co SE	**525,674**	**149**	**525,823**
Earnings per share (€/share)			
- basic	11.28	0.00	**11.28**
- diluted	10.55	0.00	**10.55**
Balances as of December 31, 2008			
Excess of pension assets and Swiss employer contribution reserves	4,804	8,787	13,591
Deferred tax liabilities	85,028	1,845	86,873
Equity attributable to shareholders of Klöckner & Co SE	**1,062,412**	**6,942**	**1,069,354**
Personnel expenses	546,272	–255	546,017
Income taxes	79,254	54	79,308
Net income attributable to shareholders of Klöckner & Co SE	**398,134**	**201**	**398,335**
Earnings per share (€/share)			
- basic	8.56	0.00	**8.56**
- diluted	8.11	0.00	**8.11**

On April 16, 2009 the IASB issued the Annual Improvements 2007–2009. The Annual Improvements will modify ten IFRS and two IFRIC interpretations. The majority of the changes require initial application in financial years starting on or after January 1, 2010. Klöckner & Co is currently assessing potential implications of the initial application of the pronouncements on its consolidated financial statements.

(3) Disposal of Klöckner Information Services GmbH

On August 19, 2009 the Group disposed of its investment in Klöckner Information Services GmbH to third-party investors. The disposal resulted in a gain of approximately €2.5 million which is included in other operating income. The purchase price was settled by a waiver of existing liabilities.

(4) Share-based payment

In light of the initiated transition for the Chair of the Management Board the existing virtual stock option programs for the Management Board were modified and cover a total of 788,700 virtual stock options as of September 30, 2009 (December 31, 2008: 858,000 virtual stock options). The maximum exercise gain is limited in accordance with section 4.2.3 of the German Corporate Governance Code.

In addition to the virtual stock option program of the Management Board, 108,000 virtual stock options for the year 2009 were granted to certain members of the senior management throughout the Group in the first quarter. The exercise conditions are largely identical to the Management Board of Klöckner & Co SE program.

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	**858,000**	**76,500**	**934,500**
Granted	232,500	108,000	340,500
Exercised	–60,000	–2,000	–62,000
Forfeited	–241,800	–5,000	–246,800
Outstanding at the end of the reporting period	**788,700**	**177,500**	**966,200**

During the first nine months of 2009 62,000 virtual stock options were exercised. Payments for share-based compensation amounted to €0.5 million.

The pro rata provision for share-based payments to the Management Board and senior management amounts to €3.3 million with total expense recognized in the first nine months of €1.6 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 in January 2008. 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 amount to €4.0 million and were offset against personnel expenses in the first nine months of 2009.

(5) Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period including the effects of the rights issue in the third quarter. Potential dilutive shares of the convertible bond have not been included in the computation of diluted earnings per share in accordance with IAS 33.41 which prohibits inclusion if the effect would decrease net losses per share.

		Jan. 1 - Sep. 30, 2009	Jan. 1 - Sep. 30, 2008*)
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	– 197,351	524,541
Weighted average number of shares	(thousands of shares)	47,456	46,500
Basic earnings per share	**(€/share)**	**–4.16**	**11.28**
Diluted earnings per share	**(€/share)**	**–4.16**	**10.55**

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see note 2 to the interim financial statements)

(6) Inventories

(€ thousand)	September 30, 2009	December 31, 2008
Raw materials and supplies	15,632	30,807
Work in progress	2,783	7,317
Finished goods and merchandise	554,727	948,415
Advance payments	3	14,073
Inventories	**573,145**	**1,000,612**

Allowances for write-downs to net realizable value as of September 30, 2009 amount to €78.9 million (December 31, 2008: €102.5 million).

(7) Shareholders' equity

Conditional capital

By resolution of the Annual General Meeting on May 26, 2009 Klöckner & Co's share capital was conditionally increased up to €11,625,000 through the issue of up to 4,650,000 newly registered no-par-value shares which are entitled to profits from the beginning of the business year in which they are issued.

The conditional capital serves to grant subscription and/or conversion rights to the holders of option bonds and/or convertible bonds that are issued by Klöckner & Co SE or a Group company in accordance with the authority of the Annual General Meeting.

Rights issue

Effective with registration on September 18, 2009 the Company's subscribed capital was increased from €116,250,000 by €50,000,000 to €166,250,000. The increase from authorized capital was achieved by issuance of 20,000,000 no-par value shares with a calculated pro rata share of the capital stock of €2.50 per share with full dividend rights from January 1, 2009. The issue price for the new shares amounts to €10.00 per share, resulting in gross issue proceeds of about €200 million.

The new shares were offered to Klöckner & Co shareholders for subscription at a ratio of 7 : 3. Shareholders' statutory subscription rights are excluded for residual rights of 71,429 shares to ensure an even subscription ratio.

After utilization of the residual rights and deduction of issuance cost the net increase amounted to €192.7 million of which €142.7 million were posted to capital reserves.

(8) Provision for French antitrust fine

With respect to the French antitrust fine of €169.3 million imposed in 2008, Klöckner & Co reached an agreement with the French Treasury for a multi-year payment plan that provides for installments of €10.0 million, €15.0 million, €25.0 million, €30.0 million and €20.0 million in the years 2009 through 2013, with any remainder due upon final judgment. The adjustments to provision and the related indemnity claim against former shareholders of €4.1 million have been included in other operating income. Notwithstanding the payment plan Klöckner & Co is pursuing the appeal process with the aim of significantly reducing the initial fine.

(9) Financial liabilities

(€ million)	September 30, 2009	December 31, 2008
Non-current financial liabilities		
Bonds	356.7	276.2
Liabilities to banks	241.3	317.9
Liabilities under ABS programs	13.4	210.0
Finance lease liabilities	7.0	8.9
	618.4	**813.0**
Current financial liabilities		
Bonds	2.7	2.1
Liabilities to banks	51.6	43.0
Liabilities under ABS programs	42.1	0.5
Finance lease liabilities	2.4	2.5
	98.8	**48.1**
Financial liabilities as per consolidated balance sheet	**717.2**	**861.1**

Net financial debt developed as follows:

(€ million)	September 30, 2009	December 31, 2008
Financial liabilities as per consolidated balance sheet	**717.2**	**861.1**
Transaction cost	6.7	6.3
Gross financial liabilities	**723.9**	**867.4**
Liquid funds	–863.1	–296.6
Net financial debt Klöckner & Co Group	**–139.2**	**570.8**

Convertible bonds

On June 9, 2009 Klöckner & Co issued via its wholly owned Luxembourg subsidiary, Klöckner & Co Financial Services S.A., a senior unsecured convertible bond with a nominal value of €97.9 million. Payments under the bond are guaranteed by Klöckner & Co SE. The bond, which is convertible into existing or new shares of Klöckner & Co SE, has a maturity of five years and a coupon of 6.0%. The initial conversion price was set at €21.06 (i.e. a 35% premium over the share price at closing). To allow for dilutive effects of the rights issue the conversion price was reduced to €18.37. The bond cannot be called by the issuer for the first three years, and are callable thereafter if the stock exchange price of Klöckner & Co's shares (over certain periods) exceeds 130% of the conversion price.

Klöckner & Co intends to use the proceeds from the sale of the convertible bond for general corporate purposes and to continue its stated external expansion at a later stage.

The convertible bond is bifurcated into an equity and liability component. €26.0 million of the proceeds are attributable to the equity component and have been recorded in capital reserves, net of transaction costs.

Also as a result of the rights issue the conversion price of the convertible bond issued in 2007 was reduced from €80.75 to €70.44.

Multi-currency revolving credit facility and European ABS program

During the second quarter of 2009 the terms and conditions for the syndicated multi-currency revolving credit facility and the European ABS facility were renegotiated. Performance covenants were replaced with balance-sheet-related covenants.

As part of the renegotiation the volume of the multi-currency revolving credit facility was reduced from €600 million to €300 million. The term of the facility remains unchanged.

Under the revised terms gearing (i.e. net financial debt divided by consolidated shareholders' equity) may not exceed 150% and consolidated shareholders' equity may not decrease below €500 million. Violation of such financial covenants would not automatically result in an event of default but would require repayment of all outstanding amounts. Subsequent drawings would then be available when the covenants are again met.

Expenses incurred in regard to the restructuring of the facilities amounted to €7.7 million and are presented in the financial result.

(10) Subsequent events

On November 11, 2009 Klöckner & Co SE has signed a preliminary agreement for the acquisition of the Becker Stahl-Service Group with headquarters in Bönen, Germany. 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. It is expected that the transaction, which is subject to approval by the antitrust authorities, will be concluded in the beginning of 2010.

(11) Segment reporting

(€ million)	North America 2009	North America 2008	Europe 2009	Europe 2008*)	Headquarters / Consolidation 2009	Headquarters / Consolidation 2008	Total 2009	Total 2008*)
Segment sales	531.4	1,082.2	2,456.2	4,273.0	0.0	0.0	2,987.6	5,355.2
EBITDA (segment result)	−46.3	143.5	−86.2	587.2	−18.8	4.0	−151.3	734.7
EBIT	−65.4	128.2	−117.3	557.2	−21.0	0.2	−203.7	685.6
Net working capital as of September 30, 2009 (December 31, 2008)	92.3	279.6	613.1	1,109.8	−3.7	17.6	701.7	1,407.0
Employees as of September 30, 2009 (December 31, 2008)	1,219	1,409	7,844	8,696	103	177	9,166	10,282

*) Comparative amounts for 2008 restated due to initial application of IFRIC 14 (see note 2 to the interim financial statements)

Duisburg, November 13, 2009

Klöckner & Co SE
Management Board

Financial calendar 2010

March 9, 2010	Annual statement 2009 Financial statement press conference Analyst conference
May 12, 2010	Q1 interim report 2010
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

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Disclaimer

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

Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Klöckner & Co’s control. Among the relevant factors are the impact of important strategic and operating initiatives, including the acquisition or disposal of companies.

If these or other risks or uncertainties materialize, of if the assumptions underlying any of the statements prove incorrect, Klöckner & Co’s actual results may be materially different from those stated or implied by such statements. Klöckner & Co SE can offer no assurance that its expectations or targets will be achieved.

Without prejudice to existing obligations under capital market law, Klöckner & Co SE does not assume any obligation to update forward-looking statements to take information or future events into account or otherwise.

In addition to the figures prepared in line with IFRS, Klöckner & Co SE presents non-GAAP financial performance measures, e. g. EBITDA, EBIT, net working capital and net financial debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP measures are not subject to IFRS or to other generally accepted accounting principles. Other companies may define these terms in different ways..

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