klöckner & co

multi metal distribution

Interim Report as of September 30, 2008

Klöckner & Co Group-Key Figures

Income Statement		Q3 2008	Q3 2007	YTD 2008	YTD 2007
Sales	€ million	1,773	1,583	5,355	4,783
Earnings before interest, taxes depreciation and amortization (EBITDA)	€ million	413	93	735	288
Earnings before interest and taxes (EBIT)	€ million	395	76	685	242
Earnings before taxes (EBT)	€ million	378	59	634	162
Earnings after taxes (EAT)	€ million	348	45	526	115
Earnings per share (basic)	€	7.56	0.79	11.28	2.07
Earnings per share (diluted)	€	7.01	0.78	10.55	2.07

Cash Flow Statement		Q3 2008	Q3 2007	YTD 2008	YTD 2007
Cash flow from operating activities	€ million			32	–51
Cash flow from investing activities	€ million			91	–367

Balance Sheet				Sept. 30, 2008	Dec. 31, 2007
Working capital*, **	€ million			1,720	1,323
Net financial debt	€ million			690	746
Equity	€ million			1,221	845
Balance sheet total	€ million			3,559	2,966

Key Figures		Q3 2008	Q3 2007	YTD 2008	YTD 2007
Sales volume	to'000	1,348	1,601	4,823	4,893

				Sept. 30, 2008	Dec. 31, 2007
Employees at end of period				10,469	10,581

* Working capital = Inventories plus trade receivables less trade payables

** 2007 including Namasco Ltd. and KVT AG

Klöckner & Co Group remains on course for record year

Operating earnings up sharply in first three quarters of 2008

Klöckner & Co held its own in a deteriorating business environment during the first nine months of fiscal year 2008. The positive first-half earnings trend continued into the third quarter of 2008, although the progressive deterioration of the economic environment during that quarter caused the cumulative sales volume to decline slightly compared to the prior year period. Including non-recurring capital gains from divestments, operating earnings (EBITDA) rose by 155.1% to €734.5 million. EBIT increased by 183.5% to €685.4 million. Sales and gross profit for the first nine months of 2008 were also substantially higher than a year earlier.

The key figures for the first three quarters of 2008 are as follows:

- At approximately €5.4 billion, sales were 12.0% higher than in the prior year period
- Sales volume declined by 1.4% to 4.8 million tons compared to the prior year period
- EBITDA before non-recurring capital gains from divestments rose by 88.6% to €481.1 million
- Consolidated net income for the period increased by €411.0 million to €525.7 million
- Earnings per share rose from €2.07 to €11.28
- Net financial debt was reduced by €382.2 million to €689.5 million compared to June 30, 2008

For the entire year of 2008, Klöckner & Co will be able to reach its operating EBITDA target of €500 million only if the steel prices, which decreased significantly during the last weeks, will not decline further in the first quarter of 2009. Should this be the case, further write-downs on inventories will be necessary.

In view of the renewed heightening of the banking crisis toward the end of the reporting period and its impact on the real economy, Klöckner & Co implemented several group-wide measures to limit risk without losing sight of business opportunities. These measures largely concern inventory management, additional efficiency gains under the STAR program, a temporary suspension of the acquisition strategy and personnel cuts. Despite the heightened financial crisis, group financing remains on solid ground.

Declining growth momentum also affects steel sector

The steel industry and the steel distribution sector could not escape the economic downswing in most global regions that gained speed during the third quarter of 2008. Growth momentum in the emerging markets has slowed at a high level. In September 2008, global steel production suffered the first year-to-year decline in several years, according to the manufacturers' association Worldsteel (previously IISI). However, the association's figures still point to – albeit weakening – growth of 4.6% for the first nine months of 2008.

Iron ore, coking coal, scrap and energy prices as well as freight rates soared during the first six months of 2008, a trend that did not, however, continue into the third quarter of 2008. The same applies to prices for global steel products, which grew sharply during the first half of 2008, in some cases doubling. Prices for flat products started to fall back from their high level during the third quarter of 2008, while declining scrap prices caused the price of long products to plummet close to the level where it stood before its first-half rally.

Mixed trends in sales volume and sales at the Klöckner & Co Group, operating earnings up 155.1% year-to-year during the first nine months of 2008

The Klöckner & Co Group reported a sales volume of 4.8 million tons for the first nine months of 2008. The decline of 1.4% compared to the year-earlier period was attributed to the general economic slowdown that set in during the third quarter. While mostly acquisition-related growth in the U.S. market more than compensated for the decline caused by divestments in Canada, the poor business environment and the selective withdrawal from unprofitable activities in Spain dampened Group sales and eradicated volume growth in the rest of Europe and North America.

Group sales amounted to approximately €5.4 billion in the first nine months of 2008, with the year-to-year increase of 12.0% due to price factors and acquisitions. The divestment in Canada had less impact on sales than on sales volume. This is due to the particular local business structure, with a high refinishing share, which means that the sales tonnage of activities acquired in the United States generates substantially more sales than the divested tonnage in Canada.

At €1,193.1 million, the company's gross profit showed an increase of nearly 30% year-to-year until September 2008. Price factors contributed about 90% to this increase, which continued into the third quarter. Due mostly to positive inventory effects, the gross profit margin increased, rising as high as 22.3%. EBITDA, including about €270 million in capital gains from divestments in Switzerland and Canada, rose by 155.1% to €734.5 million compared to the year-earlier period. Excluding effects of capital gains from divestments, operating EBITDA rose by 88.6% to €481.1 million compared to the year-earlier period.

The company managed to turn favorable price trends into higher gross profit margins in Europe as well as North America and posted another increase in operating EBITDA in both reporting segments. Despite declining sales volumes, operating EBITDA rose by 28.7% to €336.8 million in Europe. The jump of 185.7% to €143.0 million in North America was attributable to markedly improved product and business structures in this segment. The acquisitions made in the upscale and relatively stable heavy plate distribution segment in 2007 and 2008 are already showing a positive effect.

Like EBITDA, Group EBIT, including all non-recurring items, also rose markedly by 183.5% to €685.4 million during the first nine months compared to the year-earlier period. Earnings before taxes almost quadrupled to €634.0 million. Consolidated net income, i.e. earnings net of income taxes, increased even more strongly to €525.7 million as capital gains from the divestment in Switzerland will continue to remain largely tax free. Earnings per share rose from €2.07 to €11.28 (basic). Aside from non-recurring capital gains, the improvement over the year-earlier period was also due to comparatively high non-recurring financing expenses during the second quarter of the previous year, which did not apply in 2008.

The positive development of Group operating earnings in the first nine months of 2008 testifies to the continued improvement of the company's business situation during the reporting period. In view of the ongoing deterioration of the global economic environment and the improved assessment basis at the time of compilation of this interim report in early November 2008, a substantial economic slowdown appears likely in all major regions in which Klöckner & Co operates. The length and intensity of this downswing cannot be gauged at this point in time. However, Klöckner & Co projects markedly lower earnings over the next few months and during the early part of 2009.

Higher equity ratio and substantially lower indebtedness

Equity primarily increased due to capital gains – above all from the sale of the Swiss subsidiary – to €1,220.7 million and the equity ratio to 34.3%. At the same time, net financial debt was reduced by about €382 million to €689.5 million between June 30, 2008, and September 30, 2008, pushing debts below the already rather low end-2007 figure. The Group's net working capital, which had risen by 24.9% during the first half of 2008 compared to the end of 2007, increased only slightly during the third quarter and declined again in September. The transformation of the Group's finance operations in 2007 created stability amid the tension on the credit markets during the first nine months of 2008 and has thus proven itself in a more challenging environment.

Exploitation of strategic options

The Klöckner & Co Group successfully continued its acquisition strategy with the nearly complete takeover of Bulgarian distributor Metalsnab, the purchase of distributors Multitubes in the UK and the activities of Temtco Steel in the United States during the first nine months of the current fiscal year. In addition, the company acquired the remaining minority shares in its Swiss subsidiary Debrunner Koenig Holding AG (DKH). Following the complete takeover, the Debrunner Koenig subsidiary Koenig Verbindungstechnik, which is not part of its parent's core business, was sold to private equity investor Capvis. In addition, the divestment of Canada's Namasco Ltd., which no longer fits the Klöckner & Co Group strategy, was completed in July 2008. The divestments generated net earnings of about €270 million.

On June 20, 2008, the company's annual general meeting authorized the adoption of the legal form of European public limited company (SE) by Klöckner & Co Aktiengesellschaft. The change of legal form became effective with the commercial register entry on August 8, 2008.

Material decisions and events after September 30, 2008

At the start of October 2008, the Management Board introduced a comprehensive immediate action program of measures to take immediate effect in order to cushion the potential negative impact of the financial market crisis and prepare the company for the general economic downturn that now appears unavoidable. This includes, in particular, continued reduction of indebtedness through a temporary investment freeze, reduction of net working capital, temporary suspension of new acquisitions and personnel cuts. Since the Management Board of Klöckner & Co assumes that financing conditions will generally deteriorate even after the immediate global financial crisis has been overcome, the debt limit has also been adjusted downward. The suspension of acquisitions, however, does not represent a change in Group strategy but merely an operative measure taken within the context of a temporary adjustment to priorities.

Group workforce declines on balance

As of September 30, 2008, the Klöckner & Co Group employed 10,469 people; that is slightly fewer employees than a year earlier and 112 fewer than at the end of 2007. The personnel cuts initiated at nearly all national subsidiaries in response to the generally weaker business environment will cause the number of employees to decline further over the next few months.

Financial market crisis as a current topic in risk and opportunity management

Management of interest and currency risks as well as cash management and – roughly from the middle of September 2008 – the response to the renewed heightening of the financial market crisis are the focus of the Group's risk management. The system for monitoring risks and opportunities within the Klöckner & Co Group, which has been continuously enhanced over the past 10 years, and the quarterly updated risk and opportunities report form the core of Group risk management. With regard to the sensitivity of key financing figures of the Klöckner & Co Group concerning defaults of individual financial market instruments and sources amid a worsening financial crisis, the company has determined on the basis of scenarios that Group financing remains secure even under realistic worst-case scenarios.

The monitoring and consulting work of the six-member Supervisory Board, which is staffed exclusively with shareholder representatives, was duly continued and selectively intensified during the reporting period and beyond. The Supervisory Board convened five times during the first nine months of 2008 and discussed transactions and measures subject to authorization at its meetings and between meetings. All Supervisory Board committees convened several times during this period. The Supervisory Board chair and the chair of the Audit Committee conducted talks with members of the Management Board and the auditor as well as the company's consultants. In mid-July 2008, the Supervisory and Management Boards met for a special strategy meeting as part of an additional Supervisory Board meeting. In its plenary and committee meetings on September 23, 2008, the Supervisory Board extensively discussed the possible direct and indirect effects of the financial market crisis on the Klöckner & Co Group and the company's necessary and planned responses.

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. This also applies to antitrust proceedings of an associated company in France, which are close to conclusion and which the Management Board expects to result in a fine for the French subsidiary. To date, the proceedings launched by Spanish antitrust authorities during the third quarter of 2008 have not yielded any results that could damage the company. Nonetheless, company investigation and training activities within the context of organizing group-wide monitoring of compliance have been strengthened. A comprehensive out-of-court settlement on the so-called Balli complex was concluded among all affected parties in September 2008 and will be implemented in November 2008. The material risks and opportunities related to this complex, however, have not applied to the Klöckner & Co Group since 2005.

The short- to medium-term opportunities for the operating business of the Klöckner & Co Group deteriorated during the first nine months of the year 2008 amid the spillover of the financial crisis on the real economy. Weaker demand and generally declining prices dampened the earnings prospects of the distributor sector and the Klöckner & Co Group during the fourth quarter. The Klöckner & Co Group is aware of the inventory risks resulting from expected sales volume and price developments and has started to implement countermeasures going beyond the day-to-day business.

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. Thanks to its current financing structure and the measures that have already been taken, the Group does not expect any liquidity bottlenecks. General market risks and specific risks affecting the steel market cannot be gauged precisely at this point in time, but they have clearly increased markedly during the third quarter of 2008 and beyond. There is no indication of any concrete risks that could threaten the company's future as a going concern.

No threat to record operating year 2008, well-prepared for significantly more difficult environment in 2009

Despite the sharp deterioration of economic conditions during the fourth quarter of 2008, Klöckner & Co maintains its full-year forecast of record operative earnings before non-recurring income from divestments. The currently unpredictable course of steel prices will, however, require a writedown on inventories at the end of the year. For this reason, it is not possible today to issue a forecast about EBITDA and consolidated net income including all special items.

Also, the current global economic uncertainties make it impossible to forecast business developments in 2009 at this point in time. As a result of already implemented and initiated measures and thanks to its broadly based, flexible organization, Klöckner & Co feels well prepared for the likely deterioration of demand in key customer sectors and deteriorating financing options. Nonetheless, it now seems likely that the earnings position will deteriorate significantly compared to the current fiscal year. At the same time, declining prices and volumes enable the company to unlock substantial tied-up capital and thus forge ahead with its debt reduction efforts.

The 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

Share price performance in a difficult market environment

Persistent problems in the credit markets and concerns over an intensification of the liquidity crisis in the financial sector caused further turmoil in the capital markets during the third quarter of 2008. Global stock market uncertainties were heightened by the insolvency proceedings of major U.S. banks and growing fears of a recession in both Europe and the United States. The spillover of the financial market crisis on the real economy had a particularly strong impact on steel market stocks. As a result, they were hit especially hard by the general downtrend.

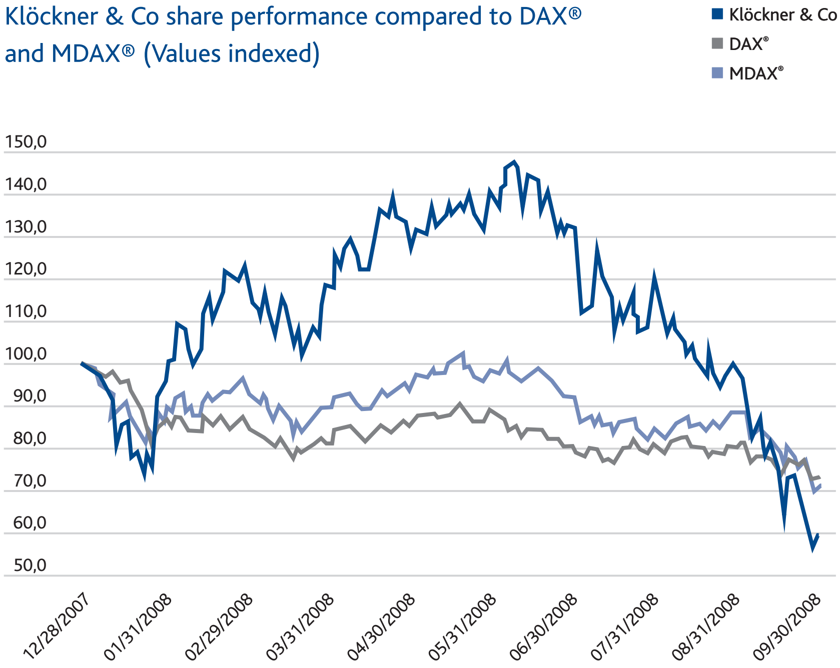
These developments also affected the Klöckner & Co share. Since August, the share has come under increasing pressure amid the accelerating downward trend on global stock markets. As a consequence, the share fell to a low of €15.26 despite the company's consistently positive results. The Klöckner & Co share closed the third quarter at €16.07, 42% lower than the closing price for 2007. Compared to year's end 2007, the MDAX® fell by about 29.5%, a performance that roughly matched that of the DAX®.

At 812,071, the Klöckner & Co share's average daily trading volume was very high compared to the average of 636,861 for the same period last year.

Klöckner & Co share performance indicators

		Jan. – Sept. 2008	Jan. – Sept. 2007
Number of shares	in shares	46,500,000	46,500,000
Closing price (XETRA, close)	€	16.07	48.47
Market capitalization	€ million	747	2.254
High (XETRA, close)	€	40.50	63.20
Low (XETRA, close)	€	15.26	31.18
Average daily trading volume	in shares	812,071	636,861

Klöckner & Co share performance compared to DAX® and MDAX® (Values indexed)



Focus on intense exchange with capital market participants

Klöckner & Co continued its intense dialogue with investors and potential investors in the third quarter of 2008. During the first nine months, the company informed interested capital market participants about Klöckner & Co at around 25 roadshows, 11 conferences and about 50 one-on-one meetings. In addition, Management Board members discussed the company's earnings developments, investment and divestment strategy and expected steel price trends as well as their potential effects on Klöckner & Co with analysts and investors during a conference call on the first-half results for 2008.

Klöckner & Co's intense capital market communication and capital market participants' interest in the company were also reflected in the number of published research reports. Overall, 16 banks and securities houses had released 108 reports and opinions on the Klöckner & Co share by November 10, 2008. The share was rated a "buy" by 13 institutes, two rated it a "hold" and only one rated it a "sell".

You will find detailed information about the Klöckner & Co share on our Website www.kloeckner.de/investor/en/index_en.php.

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Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Duisburg, November 14, 2008

Klöckner & Co SE
Management Board

Consolidated income statement

for the nine-month period ending September 30, 2008

(€ thousand)	Jan. 1 – Sept. 30, 2008	Jan. 1 – Sept. 30, 2007	Jan. 1 – Sept. 30, 2008	Jan. 1 – Sept. 30, 2007
Sales	**5,355,199**	**4,782,540**	**1,773,201**	**1,583,099**
Other operating imcome	328,342	82,130	307,809	49,930
Change in inventory	–3,214	662	–602	1,731
Own work capitalized	43	36	20	34
Cost of materials	–4,158,960	–3,862,637	–1,382,056	–1,299,126
Personnel expenses	–408,505	–380,435	–144,213	–125,397
Depreciation and amortization	–49,128	–46,056	–18,280	–17,160
Impairment losses	0	–81	0	–1
Other operating expenses	–378,370	–334,401	–140,808	–117,004
Operating result	**685,407**	**241,758**	**395,071**	**76,106**
Income from investments	0	–7	0	–7
Finance income	4,113	3,450	1,756	924
Finance expenses	–55,497	–83,303	–19,265	–17,941
Financial result	**–51,384**	**–79,853**	**–17,509**	**–17,017**
Income before taxes	**634,023**	**161,898**	**377,562**	**59,082**
Income taxes	–108,349	–47,250	–29,648	–14,089
Net income	**525,674**	**114,648**	**347,914**	**44,993**
thereof attributable to – shareholders of Klöckner & Co SE	524,392	96,188	351,481	36,889
– minority interest	1,282	18,460	–3,567	8,104
Earnings per share				
– basic	**11.28**	**2.07**	**7.56**	**0.79**
– diluted	**10.55**	**2.07**	**7.01**	**0.78**

Consolidated balance sheet

as of September 30, 2008

Assets (€ thousand)	Sept. 30, 2008	Dec. 31, 2007
Non-current assets		
Intangible assets	238,520	197,581
Property, plant and equipment	488,228	482,138
Financial assets	2,177	2,661
Other assets	20,163	19,736
Deferred tax assets	32,862	33,336
Non-current assets	**781,950**	**735,452**
Current assets		
Inventories	1,328,461	955,644
Trade receivables	1,137,819	929,964
Income tax receivable	10,030	6,572
Other assets	58,991	86,367
Cash and cash equivalents	240,585	153,558
Non-current assets held for sale	1,190	98,596
Total current assets	**2,777,076**	**2,230,701**
Total assets	**3,559,026**	**2,966,153**

Equity and liabilities (€ thousand)	**Sept. 30, 2008**	**Dec. 31, 2007**
Equity		
Subscribed capital	116,250	116,250
Capital reserves	260,496	260,496
Retained earnings	828,624	412,227
Accumulated other comprehensive income	–13,614	–28,332
Equity attributable to shareholders' of Klöckner & Co SE	**1,191,756**	**760,641**
Minority interests	28,909	84,283
Total equity	**1,220,665**	**844,924**
Liabilities		
Non-Current liabilities		
Provisions for pensions and similar obligations	183,884	188,457
Other provisons	57,892	59,151
Income tax liabilities	47	92
Financial liabilities	873,921	813,076
Other liabilities	28,840	8,962
Deferred tax liabilities	79,139	82,364
Total non-current liabilities	**1,223,723**	**1,152,102**
Current liabilities		
Other provisons	154,700	144,355
Income tax liabilities	54,479	18,223
Financial liabilities	49,336	72,644
Trade payables	746,579	609,863
Other liabilities	109,544	91,748
Liabilities associated with non-current assets held for sale	0	32,294
Total current liabilities	**1,114,638**	**969,127**
Total liabilities	**2,338,361**	**2,121,229**
Total equity and liabilities	**3,559,026**	**2,966,153**

Cash flow statement

for the period from January 1 to September 30, 2008

(€ thousand)	Jan. 1.– Sept. 30, 2008	Jan. 1.– Sept. 30, 2007
Results before taxes	634,023	161,898
Interest and impairment losses on investments	51,384	79,853
Depreciation and amortization	49,128	46,137
Other non-cash income and expenses	–7,600	21
Gain on disposal of subsidiaries and other non-current assets	–274,886	–34,377
Operating cash flow	**452,049**	**253,532**
Changes in provisions	44,488	–18,956
Changes in other assets and liabilities		
Inventories	–327,026	–147,385
Trade receivables	–180,088	–109,558
Other assets	–28,105	–23,695
Trade payables	122,850	15,567
Other liabilities	25,160	9,389
Income tax payments	–77,305	–30,208
Cash flow from operating activities	**32,023**	**–51,314**
Proceeds from the sale of non-current assets and assets held for sale	9,299	19,544
Proceeds from the disposal of subsidiaries	378,183	0
Payments for intangibles assets, property plant and equipment	–32,637	–37,291
Acquisition of subsidiaries	–263,920	–349,185
Cash flow from investing activities	**90,925**	**–366,932**
Equity component of convertible bond	0	62,098
Dividends paid to		
Shareholders of Klöckner & Co SE	–37,200	–37,200
Minority interest holders	–993	–7,753
Borrowings	353,963	1,211,219
Repayment of financial liabilities	–332,023	–748,570
Interest paid	–25,470	–64,291
Interest received	3,205	3,190
Cash flow from financing activities	**–38,518**	**418,693**
Changes in cash and cash equivalents	**84,430**	**447**
Effect of foreign exchange rates on cash and cash equivalents	2,597	–449
Cash and cash equivalents at the beginning of the period	153,558	130,156
Cash and cash equivalents at the end of the period	**240,585**	**130,154**

Summary of changes in equity

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	Accumulated other comprehensive income		Equity attributable to shareholders of Klöckner & Co SE	Minority interests	Total
				Currency translation adjustment	Fair value adjustments of financial instruments			
Balance as of January 1, 2007	**116,250**	**197,699**	**381,915**	**–9,204**		**686,660**	**112,789**	**799,449**
Income/Expenses directly recognized in equity								
Foreign currency translation				–11,036		–11,036	–2,029	–13,065
Net income			96,188			96,188	18,460	114,648
Compehensive income						**85,152**		
Dividends			–37,200			–37,200	–7,753	–44,953
Acquisition of minority interests			–66,493			–66,493	–39,725	–106,218
Equity component of convertible bond incl. transaction cost, net of deferred tax		62,797	–489			62,308		62,308
Other changes			1,110			1,110		1,110
Balance as of September 30, 2007	**116,250**	**260,496**	**375,031**	**–20,240**		**731,537**	**81,742**	**813,279**
Balance as of January 1, 2008	**116,250**	**260,496**	**412,227**	**–27,737**	**–595**	**760,641**	**84,283**	**844,924**
Income/Expenses directly recognized in equity								
Foreign currency translation				27,188		27,188		27,188
Gain-/Loss from cash flow hedges					–13,170	–13,170		–13,170
Related income tax				–3,343	4,043	700		700
Net income			524,392			524,392	1,282	525,674
Compehensive income						**539,110**		
Business combinations							4,051	4,051
Acquisition of minority interests			–70,795			–70,795	–59,714	–130,509
Dividends			–37,200			–37,200	–993	–38,193
Balance as of September 30, 2008	**116,250**	**260,496**	**828,624**	**–3,892**	**–9,722**	**1,191,756**	**28,909**	**1,220,665**

Selected explanatory notes on the interim consolidated financial statements of Klöckner & Co SE for the nine-month period ended September 30, 2008

(1) Basis of presentation

The interim consolidated financial statements of Klöckner & Co SE, which originated from Klöckner & Co AG by legal transformation on August 8, 2008, for the nine-month period ended September 30, 2008, were prepared in accordance with International Financial Reporting Standard (IFRS) and the respective interpretations issued by the International Accounting Standard Board (IASB) as adopted for use in the EU. The interim financial statements were not subject to review 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 the former Klöckner & Co AG as of December 31, 2007 as supplemented by the regulations of IAS 34 (Interim Financial Reporting). A detailed description of such policies is provided in the notes to the consolidated financial statements on pages 66 to 76 of the 2007 Annual Report.

The preparation of the interim consolidated financial statements for the period ended September 30, 2008 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 ending December 31, 2007.

In the opinion of the Management Board, the interim consolidated financial statements for the nine-month period ended September 30, 2008 reflect all adjustments deemed necessary to provide a true and fair view of the results. Results for the period ended June 30, 2008 are not necessarily indicative of future results.

The interim consolidated financial statements for the nine-month period ended September 30, 2008 were authorized for issuance by the Management Board on November 14, 2008. Unless otherwise indicated, all amounts are stated in million euros (€ million). Deviations to the unrounded figures may arise.

(2) New standards and interpretations

The interpretation IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), which was published in July 2007, 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 interpretation, which has not been endorsed for use in the EU, is to be applied for financial years beginning on or after January 1, 2008.

In January 2008, the IASB published a revised version of IFRS 3 (Business Combinations). Significant changes from the previous standard relate among other things to the recognition and measurement of assets and liabilities acquired in a business combination, the calculation of goodwill, the treatment of acquisition related cost and the presentation of contingent considerations. The revised standard has not yet been endorsed for use in the EU. Klöckner & Co is currently evaluating the potential effects of the revised standards which is to be applied for business combinations in financial years starting on or after July 1, 2009.

(3) Acquisitions and disposals

Taylor Equipment and Machine Tool Corporation

In April 2008, Klöckner & Co entered into an agreement to acquire the operating assets of the distribution company Taylor Equipment and Machine Tool Corporation (Temtco Steel), headquartered in Louisville, Mississippi, USA. The acquisition is deemed to be a material business combination under IFRS 3. The activities have been included in the Group's consolidated financial statement since closing on May 5, 2008. Temtco Steel employs some 180 staff in 5 locations in the US and generated sales of approximately €226 million in 2007.

The effects of the purchase price allocation required by IFRS 3 which is yet provisional due to the preliminary purchase price is as follows:

(in € million)	Carrying amounts and fair values as of initial consolidation date		
	Carrying amounts	Adjustments	Fair values
Assets			
non-current	3.4	56.9	60.3
thereof goodwill	0.0	9.1	9.1
current	75.5	5.1	80.6
Liabilities			
non-current	0.0	0.0	0.0
current	19.0	0.0	19.0
Net assets acquired	**59.9**	**62.0**	**121.9**
Purchase prices			**121.9**
thereof paid in cash or cash equivalents			121.9

The contribution of Temtco to consolidated sales as of September 30, 2008 was €104,6 million; the contribution to consolidated net income amounts to €7,4 million. The consolidated sales would have been €91,3 million higher and the consolidated net income would have been by €8,6 million higher, if the acquisition had occurred on January 1, 2008.

Other acquisitions

In January 2008, the transaction initiated in 2007 to acquire a controlling stake of then 77.3% from 7.3% held previously in Metalsnab Holding AD (Metalsnab), Sofia, Bulgaria, was closed. The name of the company was subsequently changed to Klöckner Metalsnab Holding AD, Sofia, Bulgaria. During the third quarter further stakes of 22.4% were acquired. As such the Group now holds 99.7% in this company. Metalsnab has been included in the consolidated financial statements since January 1, 2008. The purchase price allocation remains preliminary until resolution of certain open questions with regard to non-current assets. In 2007, the company generated sales of €40 million with a staff of 247.

Also in January 2008, Klöckner & Co acquired 100% of the shares in Multitubes Ltd. (Multitubes), Brierley Hill, West Midlands, Great Britain. The company was initially consolidated on January 1, 2008. The 2007 sales amounted to €5 million, generated by 16 employees.

By agreement of May 21, 2008, Sherex Industries Ltd. (Sherex), New York, USA, was acquired. Sherex is part of the disposal group Koenig Verbindungstechnik AG, Dietikon, Switzerland (KVT Group).

(in € million)	Carrying amounts and fair values as of initial consolidation date		
	Carrying amounts	Adjustments	Fair values
Assets			
non-current	13.8	0.8	14.6
thereof goodwill	0.0	0.8	0.8
current	18.9	2.2	21.1
Liabilities			
non-current	0.8	0.0	0.8
current	13.7	0.9	14.6
Net assets acquired	**18.2**	**2.1**	**20.3**
Minority interests	4.0	0.0	4.0
Purchase prices			**15.2**
thereof paid in cash or cash equivalents			15.2

The contribution of the other acquisitions to sales and net income for the nine-month period amounts to €39.9 million and €2.5 million, respectively.

In the first six months of 2008, Klöckner & Co Aktiengesellschaft acquired another 22.0% of the shares in Debrunner Koenig Holding AG, (DKH), Switzerland, at a purchase price of approximately €126.7 million. Klöckner & Co now holds 100% in DKH. As a result of this transaction, the minority interests were reduced by €55.4 million. The difference between the acquired net assets in DKH and the purchase price was debited to the controlling equity interest and therefore has no effect on net income. Accordingly, the equity attributable to shareholders of the former Klöckner & Co AG was reduced by €71.2 million.

Disposals

To further concentrate on the Group's core business the following entities were disposed of in the third quarter of 2008.

With effect of July 9, 2008 the sale of the Canadian Namasco Ltd. was completed, Namasco Ltd.'s subsidiary which primary business is the processing of flat-rolled metal products for the North American automotive industry.

On September 4, 2008 the Group disposed of its interests in the Koenig Verbindungstechnik AG-group (KVT). KVT's business activity is concentrated in the markets of fastening systems and sealing plugs.

(4) Share based payment

The existing virtual stock option program for the Management Board was increased due to the enlargement of the Board; as of September 30, 2008 it covers a total of 858,000 virtual stock options. The maximum exercise gain is limited in accordance with section 4.2.3 of the German Corporate Governance Kodex.

In addition to the virtual stock option program of the Management Board, 121,500 virtual stock options were granted to certain members of the senior management throughout the Group in the first six months. The exercise conditions are largely identical to the Management Board of Klöckner & Co SE program except for a lower cap on the exercise gain for certain members of the program.

During the first nine months of 2008 a total of 233,000 virtual stock options were exercised.

The pro-rata provision for share based payments to the Management Board and senior management amounts to €2.6 million with total expense recognized for the nine-month-period of €3.1 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 fair value changes, net of gains on exercise of certain instruments, of these instruments amounts to a negative €4.6 million which has been recorded as personnel expenses.

(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. Potential dilutive shares of the convertible bond have been included in the computation of diluted earnings per share.

		01.01.– 30.09.2008	01.01.– 30.09.2007
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	524,392	96,188
Weighted average number of shares	(thousands of shares)	46,500	46,500
Basic earnings per share	**(€/share)**	**11.28**	**2.07**
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	524,392	96,188
Interest expense on convertible bond (net of tax)	(€ thousand)	8,761	2,009
Net income used to determine diluted earnings per share	(€ thousand)	533,153	98,197
Weighted average number of shares	(thousands of shares)	46,500	46,500
Dilutive potential shares from convertible bond	(thousands of shares)	4,025	973
Weighted average number of shares for diluted earnings per share	(thousands of shares)	50,525	47,473
Diluted earnings per share	**(€/share)**	**10.55**	**2.07**

(6) Other income and other operating expenses

The increase in other income is largely driven by the gain on sale (i.e. purchase prices less net assets disposed of) of the non-core activities KVT and Namasco Ltd. (approx. €270 million). Also included therein are net gains on reversals of provisions for risks and pending litigation, allowances for bad debt and other liabilities associated with the former shareholder Balli (€28 million) for which a global settlement was reached.

Triggered by the real estate and financial markets crisis in Spain the acquirer of the Valencia premises was no longer able to meet his payment obligations and the sale of the Valencia premises was rescinded, resulting in other operating expenses of €21 million.

(7) Financial liabilities

(in € million)	September 30, 2008	December 31, 2007
Non-current financial liabilities		
Bonds	273.2	264.2
Liabilities to financial institutions	321.7	244.1
Liabilities arising from ABS program	269.7	293.6
Finance lease liabilities	9.4	11.2
Subtotal non-current financial liabilities	**874.0**	**813.1**
Current financial liabilities		
Bonds	0.9	2.0
Liabilities to financial institutions	45.5	66.3
Liabilities arising from ABS program	0.4	1.2
Finance lease liabilities	2.5	3.1
Total current financial liabilities	**49.3**	**72.6**
Financial liabilities per consolidated balance sheet	**923.3**	**885.7**

Net financial debt developed as follows:

(in € million)	September 30, 2008	December 31, 2007
Financial liabilities	**923.3**	**885.7**
Transaction costs	6.8	10.4
Total financial liabilities	**930.1**	**896.1**
Cash and cash equivalents	–240.6	–153.6
Net financial debt excluding Namasco Ltd. and KVT AG	**689.5**	**742.5**
Net financial debt Namasco Ltd. and KVT AG	0.0	4.0
Net financial debt Klöckner & Co Group	**689.5**	**746.4**

(8) Related party information

On January 25, 2008, Ulrich Becker was appointed as a member of the Management Board effective April 1, 2008. Ulrich Becker will assume responsibility for the Europe segment and take on functional responsibility for purchasing.

(9) Segment reporting

	North America		Europe		Headquarters/ Consolidation		Total	
(in € million)	2008	2007	2008	2007	2008	2007	2008	2007
Segment sales	1,082.2	793.9	4,273.0	3,988.7	0	0	5,355.2	4,782.5
EBITDA	143.5	50.1	587.0	261.6	4.0	–23.8	734.5	287.9
Segment result (EBIT)	128.2	39.3	557.0	232.2	0.2	–29.7	685.4	241.8
Number of employees on Sept. 30, 2008 (Dec. 31, 2007)	1,467	1,628	8,827	8,799	175	154	10,469	10,581

Duisburg, November 14, 2008

Klöckner & Co SE
Management Board

Financial Calendar 2009

February	Capital Markets Day
March 31	Annual statement 2008
May 14	Q1 interim report 2009
May 26	Annual General Meeting
May 27	Dividend Payout
August 13	Q2 interim report 2009
November 13	Q3 interim report 2009

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Disclaimer

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