klöckner & co

multi metal distribution

Interim Report as of June 30, 2008

Klöckner & Co Group – Key Figures

Income Statement		Q2 2008	Q2 2007	HY1 2008	HY1 2007
Sales	€ million	1,922	1,650	3,582	3,199
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	212	103	321	195
Earnings before interest and taxes (EBIT)	€ million	197	87	290	166
Earnings before taxes (EBT)	€ million	180	35	256	103
Earnings after taxes (EAT)	€ million	125	23	178	70
Basic earnings per share	€	2.63	0.41	3.72	1.28
Diluted earnings per share	€	2.48	0.41	3.54	1.28

Cash Flow Statement				HY1 2008	HY1 2007
Cash flow from operating activities	€ million			3	–140
Cash flow from investing activities	€ million			–274	–351

Balance Sheet				June 30, 2008	Dec. 31, 2007
Working Capital*, **	€ million			1,652	1,323
Net financial debt**	€ million			1,072	746
Equity	€ million			856	845
Total assets	€ million			3,612	2,966

Key Figures		Q2 2008	Q2 2007	HY1 2008	HY1 2007
Sales volume	to'000	1,755	1,663	3,475	3,292

				June 30, 2008	Dec. 31, 2007
Employees at end of period				11,096	10,581

* Working Capital = Inventories plus trade receivables less trade payables

** Including Namasco Ltd. and KVT Group

Klöckner & Co bound for another record year

Operating result in the first half of 2008 rises 65.0% above last year's level

After the Klöckner & Co Group performed exceptionally well in Q1 2008, the company's earnings situation improved even further during Q2 2008 as a result of continuing favorable market conditions. Sales volume, sales and gross profit in H1 2008 were in part considerably higher than year-earlier results. Operating earnings (EBITDA) climbed to €321.2 million, an increase of 65.0% year-on-year. Consolidated net profit for the period rose 155.2% to €177.8 million. Earnings per share nearly tripled to €3.72.

These positive results were based on the successful translation of favorable price developments, which improved further compared with Q1 2008, into higher gross margins. Assuming business conditions remain stable, Klöckner & Co expects underlying EBITDA to climb above €500 million for the full year of 2008. Including non-recurring income from divestments, EBITDA is forecasted to double over last year's level, reaching more than €770 million. The consolidated net profit for the period is expected to triple to more than €500 million.

Key figures for H1 2008:

- At €3.6 billion, sales increased 12% compared with the year-earlier period.
- Sales volume climbed 5.5% to 3.5 million tons.
- EBITDA rose 65.0% to €321.2 million.
- Consolidated net profit for the period increased 155.2% to €177.8 million.
- Earnings per share rose from €1.28 to €3.72.
- Net financial liabilities totaled €1,071.7 million compared with €746.4 million as of December 31, 2007.

Other significant developments included the targeted advancement of the Group's portfolio through acquisitions, particularly in North America, and divestments of non-core activities.

Economic parameters and sectoral environment remain stable overall

During H1 2008, the steel and steel distribution industries were largely able to decouple themselves from the more or less pronounced economic downturn in various regions of the world. The slowdown in the United States that

was triggered by the subprime crisis had only a limited effect on the global economy during the reporting period. The economic momentum in emerging markets remained unchecked. While growth in Europe did indeed weaken, the focus remained on processing the high backlog of orders in key industries relevant to Klöckner & Co, particularly in Germany, the Netherlands and France.

The past years' consolidation of the steel industry, a development characterized by increased price discipline and capacity utilization during a period of stable demand, has created significant structural changes in the steel market. Continually rising prices for iron ore, coking coal, scrap metal, energy and freight have caused a significant shift in global production cost structures. The structural importance of offerings has grown enormously in the raw material- and freight markets, while personnel costs have become less significant. As a result of this process, the cost advantages in such countries as China are being eroded to a certain extent, in some cases completely. As a result, steel producers in North America were able to pass along price increases to their customers despite rather moderate demand in a market characterized by declining imports and low inventories. With the exception of Spain and Great Britain, steel price increases in Europe were also driven by demand.

The effects of this structural shift in the steel market, which emerged in Q1 2008, came into full view during Q2 2008. Europe and North America experienced strong, and at times even steep, price increases for both flat and long products, including tubes. Quality steel more than made up for the decline experienced at the beginning of Q1. As a result of a less favorable demand-supply balance, industrial and precious metals showed a more moderate development. While aluminum prices stabilized at February's level, the prices for stainless high-grade steel began to weaken in May 2008 as a result of dropping prices for nickel and slightly falling base prices caused by overcapacity worldwide.

Steel distribution profited particularly from explosive price developments during Q2 2008 for flat and long products because the value of the respective inventories rose significantly. Distribution also profited from the fact that the leeway for a higher absolute margin per ton of sold steel is fundamentally greater at a high price level.

Sales volume up 5.5%, sales up 12.0%, EBITDA up 65.0% over previous year's level

Largely as a result of acquisitions, sales volume of the Klöckner & Co Group reached 3.5 million tons during H1 2008, an increase of 5.5% year-on-year. Sales were also driven by prices, rising 12.0% to €3.6 billion over the level for the same period last year. Gross profit in H1 2008 was €802.5 million, a 26.4% increase year-on-year as a result of acquisitions and prices. The gross profit margin rose from 19.8% to 22.4% largely because of positive inventory effects. EBITDA climbed by 65.0% to €321.2 million compared with the same period last year.

While EBITDA growth in Q1 2008 was focused in the North America segment – as a result of higher price increases and acquisitions, among other things – both segments grew significantly during Q2 and in H1 2008 overall. EBITDA for H1 2008 climbed by 31.3% to €234.3 million in Europe and by 185.5% to €92.9 million in North America. The result for North America already includes a pro-rata figure in the single-digit million euros for the newly acquired Temtco, which was consolidated as of May 2008.

In line with EBITDA, the company's EBIT increased by 75.3% to €290.3 million in H1 2008 compared to the year-earlier period. Income before taxes rose by 149.4% to €256.5 million, and the consolidated net profit for the period increased by 155.2% to €177.8 million. Earnings per share climbed from €1.28 to €3.72 (undiluted). The improvement during Q2 2008 can be attributed partly to the relatively high non-recurring financing costs incurred during the same quarter of last year.

Based on the information available at the time this Interim Report was compiled at the beginning of August 2008 and in consideration of the very positive earnings trends seen in H1 2008, the company's business situation has improved again on its already high level. The positive effect of the sale of the Namasco Ltd., Canada and of Koenig Verbindungstechnik AG (KVT), Switzerland is not included in the H1 results. It will not be reflected in the company's reporting until Q3 2008.

Net working capital and debt rise as a result of acquisitions and business activities

As was the case after Q1 2008, the structure of the asset side of the balance sheet showed no fundamental changes after H1 2008 compared with the end of 2007. However, acquisitions and price developments, in particular, were responsible for a 21.8% increase in total assets to €3.6 billion. Non-current assets rose by 6.8% to €785.7 million, primarily as a result of positive changes in the market value of hedging instruments. The increase in current assets was much more pronounced at 26.7% to a total of €2,826.5 million. This increase resulted from higher inventories and trade receivables fueled by sales volume and sales, with the acquisition of the Temtco activities already showing an effect as of May 2008. Assets for sale that are reported separately and the corresponding, separately reported liabilities apply to the pending sale of the Canadian Namasco Ltd. and the Swiss KVT.

The increase in assets resulting from acquisitions and business activities is netted against a 40.7% rise in trade payables as well as significant growth in both current and non-current financial liabilities, in particular. Overall, the group's net working capital rose by 24.9% to €1,651.9 million, including the net working capital attributed to Canada and KVT, during H1 2008 compared with the end of 2007.

During H1 2008, the company's financial liabilities before deduction of transaction costs and including Canada and KVT rose to €1,194.8 million, a development that can be attributed partly to the acquisition of further minority shares in the Swiss country company Debrunner Koenig Holding AG (DKH). In consideration of reduced cash and cash equivalents, net cash indebtedness including Canada and KVT totaled €1,071.7 million as of June 30, 2008, an increase of 43.6% over December 31, 2007.

The Group's equity ratio slipped from 28.5% to 23.7% since the end of December 2007 primarily as a result of the acquisition of additional minority shares in DKH, which was recognized in equity without an effect on income, and the increase in total assets. Group financing, significant segments of which were reorganized in 2007, proved to be stable during H1 2008 in the face of continued tension in credit markets. It proved itself very well amid increased demands.

New strategic options, further acquisitions and legal changes

In January 2008, Klöckner & Co acquired nearly 100% of its Swiss subsidiary Debrunner Koenig Holding AG, St. Gallen, through an additional tranche. The remaining minority shares of 0.8% were acquired in April 2008. The total purchase price was €126.7 million. By raising its investment in this highly profitable company, in which Klöckner & Co had held only a 60% stake since May 2007, Klöckner & Co can participate to an even greater extent in the business' success while creating new strategic options at the same time.

Also in January 2008, the company completed its effort to acquire a majority stake in Metalsnab Holding AD of Sofia, Bulgaria, that was initiated in 2007. Following the acquisition of several small stakes, the Klöckner & Co Group will hold nearly 80% in the Bulgarian metal distributor, a company that generated sales of €40 million with nearly 250 employees in 2007 and that was consolidated on January 1, 2008.

With the acquisition of the distribution company Multitubes Ltd., based in Brierley Hill, West Midlands, the British subsidiary strengthened its very good market position for tubes with its third consecutive purchase in Q1 2008. Multitubes has sales of €5 million and specializes in the pre-processing and distribution of welded tubes.

By acquiring the activities of Temtco Steel, based in Louisville, Mississippi, USA, the Klöckner & Co Group took a major step during Q2 2008 toward advancing its expansion strategy. Temtco Steel is a leading distribution company for heavy plate with a large share of processing. The company has about 180 employees in five locations and generated sales of €226 million in 2007. Together with the Group company Primary Steel, another specialist in heavy plate acquired in 2007, Klöckner & Co is extending its leading market position in heavy plate through its U.S. subsidiary Namasco Corporation.

With the entry into the Commercial Register of the Duisburg Municipal Court, the transformation of Klöckner & Co Aktiengesellschaft into a European Company (Societas Europaea, SE) was concluded on August 8, 2008. As a result, the company is now known as Klöckner & Co SE. In a – legally mandated – special negotiating committee, the employees' future codetermination rights on the Group level were worked out jointly with employee representatives of the Group's European companies. The previous split between managerial and control bodies will be maintained through the use of the Management and Supervisory Boards. The members of the Management Board will continue to be appointed by the Supervisory Board. The Supervisory Board, which will continue to consist of stockholder representatives, will be elected by the Annual General Meeting.

Significant measures and events after June 30, 2008

At the beginning of May 2008, the contract to sell Namasco Ltd. in Toronto, the Canadian organization of Klöckner & Co that could no longer be strategically developed under the umbrella of the Klöckner & Co Group, to Samuel, Son & Co. Ltd. was signed. The transaction was completed in July 2008 after it was approved by the Canadian anti-trust authorities. The sale of the stake in Namasco Ltd. produced a book gain in the single-digit millions and a capital release effect of €67 million, which could rise to €76 million after expiration of typical guarantee periods. Namasco Ltd. has about 350 employees and generated sales of around €255 million in 2007.

In July 2008, Klöckner & Co also concluded a contract for the sale of the wholly owned subsidiary Koenig Verbindungstechnik (KVT) to the private equity company Capvis via its Swiss subsidiary Debrunner Koenig Holding AG (DKH). Together with its parent company DKH, KVT had been acquired at the beginning of the 1990s. For years, KVT has successfully done business in the market for fastening systems and sealing plugs. As a highly specialized metal processor, however, it was never part of the Group's core business. KVT generated sales of about €120 million with 300 employees in 2007. According to preliminary calculations, the purchase price of about €325 million is expected to yield a net book gain of around €265 million. This strategy-driven transaction is still subject to approval by the anti-trust authorities.

The execution of the divestments in Namasco of Canada and KVT in Switzerland is expected to contribute about €270 million to earnings in Q3 2008 and result in a drop of nearly €400 million in net cash indebtedness.

Group's workforce grows by 7.1%

On June 30, 2008, the workforce of the Klöckner & Co Group totaled 11,096, an increase of 738 people, or 7.1%, year-on-year. The rise was largely acquisition related, in Europe through the majority stake in Bulgarian Metalsnab with 247 employees and in the United States through the purchase of Temtco with 184 employees. Through the sale of KVT in Switzerland and Namasco Ltd. in Canada, the number of employees – considered in isolation – will decrease by about 650 people during the current quarter.

Effective risk and opportunity management

The risk and opportunities report, which is updated on a quarterly basis, forms the heart of the risk and opportunities monitoring system that was introduced 10 years ago and has been continuously refined since then. Furthermore, the management of interest-rate and currency risks as well as liquidity remained a focal point in the first six months of 2008. The potential negative effects on earnings arising from future tranches of the virtual stock-option program for members of the Management Board and selected executives were hedged in January 2008 under favorable conditions. The set-up phase of the organization initiated in 2007 to monitor group-wide compliance using a system of independent compliance officers in all countries working on the basis of group guidelines was completed in June 2008.

The monitoring and consultation work performed by the six-member Supervisory Board was continued as required during the reporting period and afterward. In H1 2008, the Supervisory Board met three times, and addressed business activities and measures subject to approval during consultations held during and away from the meetings. All of the Supervisory Board's committees met during H1 2008. The chairman of the Supervisory Board and the chairman of the Audit Committee held meetings with members of the Management Board and the auditor as well as with the company's consultants. In mid-July 2008, the Supervisory Board also met with the Management Board during a strategy retreat as part of an additional Supervisory Board meeting.

Current assessment of risks and opportunities

The Management Board continues to believe that all accounting risks are covered by sufficient provisions at the level of the Group subsidiaries and the holding level or by third-party guarantees. The company is cooperating with anti-trust officials as part of a case involving an associated company in France. A case initiated by Spanish anti-trust officials after the reporting period ended has produced no concrete results that should have been included in these Interim Financial Statements. The Balli Complex, a matter that had not been completed at the time of the report and whose material risks and opportunities have no longer been with today's Klöckner & Co SE since 2005 as is generally known, is seen as offering more opportunities than posing risks for the company.

The short- and mid-term opportunities for the business of the Klöckner & Co Group remain stable on a high level after the first six months of 2008. An end of the worldwide steel boom continues to be nowhere in sight. At the most, growth rates will moderate. Demand still exceeds supply. The company's major customer industries are generally very busy. The strong demand for steel products and the drastic price increases seen for the raw materials necessary for steel production and services during Q2 have once again lifted the price level in the distribution step – accompanied by positive inventory effects. Further price increases on the part of producers for some product groups have already been announced for Q3 2008, and they will most likely be accepted. As a result, additional inventory gains for distribution are also likely at the start of the second half of the year.

The expected new price increases would also cause trading companies' working capital and, as a result, financing costs to rise. At the same time, inventory risks would rise if demand among customer industries were to decline significantly. There is no sign of this for the months ahead despite the global economic slowdown, even if demand is dropping off in individual countries like Spain and Great Britain. Prices are expected to stabilize in Q4 2008.

The global economic outlook remains fraught with uncertainty. But it appears that steel production and steel distribution will be less affected by the previously described conditions. For the entire year of 2008, the International Iron and Steel Institute expects consumption of crude steel to rise by 6.7% around the world. That would be about the same growth rate as last year. In H1 2008, the global growth rate was 5.7%. The trend reversal forecast for North America is being backed up by a 4.9% rise in sectoral output in H1 2008 and reflects positive sectoral developments in the United States. Although growth in the European Union (27) is expected to increase by just 0.1% from its already high level, this is not a bad sign given the current high level of capacity utilization. The economic downturn already occurring or forecast for Europe in 2008 and the overall weak growth in North America will hardly dampen steel distribution's positive development in both regions in 2008.

In summary, the Management Board believes that the systems to manage the risks and opportunities of the Klöckner & Co Group are working well and that all known balance-sheet risks are sufficiently recorded. The market risks are also clear. They have not changed in the reporting period and are unlikely to change in H2 2008 and, thus, the full year. Risks that could endanger the company's existence are not in evidence.

Positive outlook for full year 2008

Based on the described risks and opportunities associated with continuing business operations of the Klöckner & Co Group, the Management Board views the overall situation positively in the summer of 2008. In terms of price developments for steel products and the resulting effects on warehousing distribution, opportunities are expected to outweigh risks in H2 2008. Steel producers around the world continue to work at the limits of their capacity. Business conditions for steel distribution remain good as well. Utilization levels and order books of major customer industries for Klöckner & Co remain at a high level. In North America, demand for steel products in the regions and product segments in which Klöckner & Co is active is expected to outgrow the overall economy in H2 2008.

Given these prospects, Klöckner & Co expects continued positive business developments for the rest of 2008 compared with last year, which was marked by inventory losses in stainless steel, particularly in the third quarter. In addition to potential further inventory gains in Q3 2008, the company expects to generate additional earnings contributions from the business optimization program STAR and from the largely completed integration of companies acquired in 2007 and 2008. Group operating earnings for H2 2008 will considerably exceed the year-earlier level even without non-recurring income from the divestments.

Against this backdrop and excluding non-recurring income from the divestments in Canada and Switzerland, Klöckner & Co projects operating EBITDA of more than €500 million for full year 2008. Including non-recurring income from the two transactions, which have been nearly concluded, the company expects a doubling of EBITDA to more than €770 million year-on-year and a tripling of consolidated net profit for the period to over €500 million. This will create an excellent platform for the Group's continued strategic development.

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

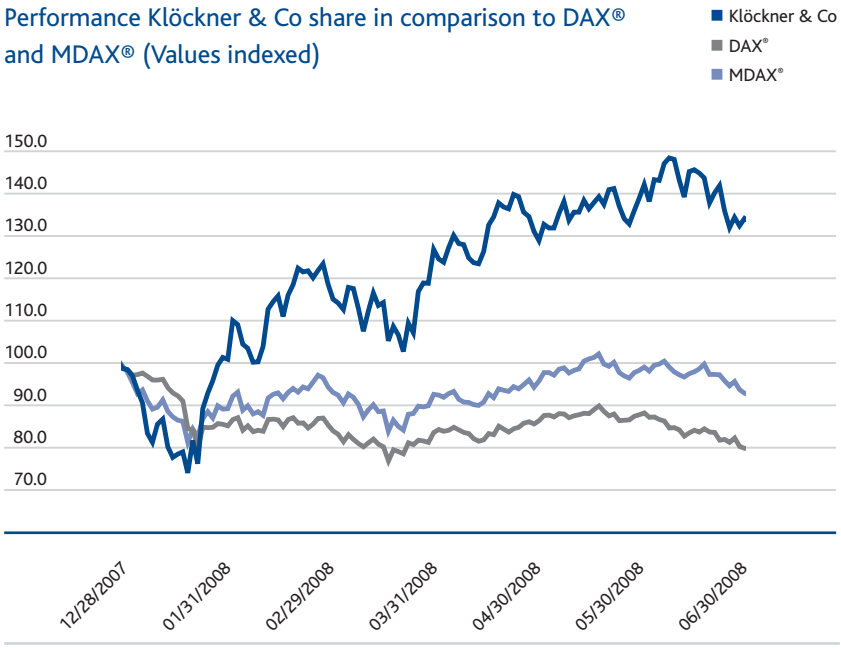
Company stock continues to outperform the market

Mirroring conditions in the first quarter, international financial markets were shaped during the second quarter of 2008 largely by the financial crisis and climbing prices in some raw-material markets. During the second quarter, the Klöckner & Co share resisted the pull of the generally downward trend and continued the good performance achieved in the first quarter of 2008. After climbing 18% in the first three months of 2008, the stock's price rose more than 12% in the second quarter. The Klöckner & Co share closed the first half of 2008 at €36.38, an increase of about 32% over the price at the end of 2007. As a result, the Klöckner & Co share was the second-best performer among the 50 MDAX® companies since the beginning of the year. During the same period, the German stock indices DAX® and MDAX® recorded losses of about 20% and 8%, respectively.

Klöckner & Co share performance indicators

		HY1 2008	HY1 2007
Number of shares	in shares	46,500,000	46,500,000
Closing price (XETRA, close)	€	36.38	53.85
Market capitalization	€ million	1,692	2,504
High (XETRA, close)	€	40.50	55.45
Low (XETRA, close)	€	20.16	31.18
Average daily trading volume	in shares	768,559	558.848

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



Intensive capital market communication continued

The interest of capital market participants in Klöckner & Co is unbroken. During the first half of 2008, Klöckner & Co met with investors during about 20 road shows and seven conferences held in all major financial centers in Europe and North America. In addition, the Management Board of Klöckner & Co continued its dialogue with current and potential institutional investors during numerous individual and group meetings. The company also addressed many questions raised by private investors. The share's good price development and its continued potential are reflected in the investment recommendations provided by analysts: Of the 15 banks and investment firms that regularly follow Klöckner & Co, 14 rate the Klöckner & Co share as a "Buy." Just one firm rates it as a "Hold."

Annual General Meeting and dividend

A total of 42.61% of voting capital was represented at this year's Annual General Meeting of Klöckner & Co AG held on June 20, 2008, in Düsseldorf. Stockholders approved the proposals presented by the Management and Supervisory Boards with clear majorities of 95.18% to 99.99%. One critical proposal was the conversion of Klöckner & Co AG into the legal form of a European Company (SE). The Annual General Meeting approved this proposal with a majority of 99.91%. On August 8, 2008, the shareholders of Klöckner & Co AG became shareholders of Klöckner & Co SE. In principle, the change in legal form has resulted in no changes for shareholders. They can continue to attend the Annual General Meeting, just as they did for Klöckner & Co AG, and exercise their voting rights. The shares of Klöckner & Co SE continue to be listed on the stock exchanges where the stock of Klöckner & Co AG was also listed in the past.

The Annual General Meeting also approved the proposed dividend of €0.80 per share for fiscal year 2007. Like last year, 30% of the consolidated net profit allocable to shareholders of the former Klöckner & Co AG after special effects was distributed. This amounted to a total payout of €37.2 million. Based on the stock's closing price for 2007, the dividend yield was about 2.9%. Klöckner & Co intends to continue the dividend policy of an annual payout ratio of 30% of the consolidated net profit after special effects.

You will find detailed information about the Klöckner & Co share on our website www.kloeckner.de.

Interim consolidated financial statements

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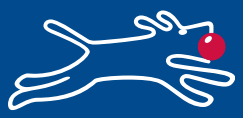

Responsibility statement

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, August 13, 2008

Klöckner & Co SE
Management Board

Review report

To Klöckner & Co SE

We have reviewed the condensed interim consolidated financial statements of Klöckner & Co SE, Duisburg (until August 8, 2008: Klöckner & Co Aktiengesellschaft, Duisburg) – comprising the balance sheet, the income statement, cash flow statement, statement of changes in equity and selected explanatory notes – together with the interim group management report of Klöckner & Co SE, for the period from January 1 to June 30, 2008 that are part of the semi annual financial report according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Cologne
August 13, 2008

KPMG Hartkopf + Rentrop Treuhand KG
Wirtschaftsprüfungsgesellschaft

Philippi	Michels-Scholz
Wirtschaftsprüfer	Wirtschaftsprüfer

Consolidated income statement

for the six-month period ending June 30, 2008

(€ thousand)	HY1 2008	HY1 2007	Q2 2008	Q2 2007
Sales	**3,581,998**	**3,199,441**	**1,922,275**	**1,649,731**
Other operating income	20,533	32,200	9,260	22,658
Change in inventory	–2,612	–1,069	1,326	–4,101
Own work capitalized	23	2	21	–5
Cost of materials	–2,776,904	–2,563,511	–1,461,425	–1,317,791
Personnel expenses	–264,292	–255,038	–137,588	–135,554
Depreciation and amortization	–30,848	–28,896	–14,952	–15,250
Impairment losses	0	–80	0	–80
Other operating expenses	–237,562	–217,397	–121,684	–112,433
Operating result	**290,336**	**165,652**	**197,233**	**87,175**
Finance income	2,357	2,526	763	1,721
Finance expenes	–36,232	–65,362	–17,583	–54,139
Financial result	**–33,875**	**–62,836**	**–16,820**	**–52,418**
Income before taxes	**256,461**	**102,816**	**180,413**	**34,757**
Income taxes	–78,701	–33,161	–54,944	–11,625
Net income	**177,760**	**69,655**	**125,469**	**23,132**
thereof attributable to				
– shareholders of Klöckner & Co SE	172,911	59,299	122,221	19,150
– minority interests	4,849	10,356	3,248	3,982
Earnings per share				
– basic	**3.72**	**1.28**	**2.63**	**0.41**
– diluted	**3.54**	**1.28**	**2.48**	**0.41**

Consolidated balance sheet

as of June 30, 2008

Assets (€ thousand)	June 30, 2008	December 31, 2007
Non-current assets		
Intangible assets	226,909	197,581
Property, plant and equipment	473,497	482,138
Financial assets	2,472	2,661
Other assets	54,960	19,736
Deferred tax assets	27,897	33,336
Non-current assets	**785,735**	**735,452**
Current assets		
Inventories	1,199,287	955,644
Trade receivables	1,236,343	929,964
Income tax receivables	5,411	6,572
Other assets	80,100	86,367
Cash and cash equivalents	123,737	153,558
Assets held for sale	181,576	98,596
Total current assets	**2,826,454**	**2,230,701**
Total assets	**3,612,189**	**2,966,153**

Equity and liabilities (€ thousand)	June 30, 2008	December 31, 2007
Equity		
Subscribed capital	116,250	116,250
Capital reserves	260,496	260,496
Retained earnings	476,705	412,227
Accumulated other comprehensive income	–34,002	–28,332
Equity attributable to shareholders of Klöckner & Co SE	**819,449**	**760,641**
Minority interests	36,767	84,283
Total equity	**856,216**	**844,924**
Liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	182,858	188,457
Other provisions	58,023	59,151
Income tax liabilities	111	92
Financial liabilities	1,043,381	813,076
Other liabilities	8,568	8,962
Deferred tax liabilities	82,753	82,364
Total non-current liabilities	**1,375,694**	**1,152,102**
Current liabilities		
Other provisions	168,254	144,355
Income tax liabilities	47,344	18,223
Financial liabilities	151,403	72,644
Trade payables	858,185	609,863
Other liabilities	102,494	91,748
Liabilities associated with assets held for sale	52,599	32,294
Total current liabilities	**1,380,279**	**969,127**
Total liabilities	**2,755,973**	**2,121,229**
Total equity and liabilities	**3,612,189**	**2,966,153**

Cash flow statement

for the period from January 1 to June 30, 2008

(€ thousand)	HY1 2008	HY1 2007
Income before taxes	256,461	102,816
Interest and impairment losses on investments	33,875	62,836
Depreciation, amortization, impairments and reversal of impairments	30,848	28,976
Other non-cash income and expenses	–1,342	–191
Gain on disposal of non-current assets	–2,688	–6,393
Operating cash flow	**317,154**	**188,044**
Changes in provisions	35,910	–573
Changes in other assets and liabilities		
Inventories	–224,196	–154,513
Trade receivables	–296,817	–221,748
Other current assets	–73,206	–10,945
Trade payables	247,098	73,540
Other current liabilities	37,875	4,800
Income taxes paid	–40,543	–18,953
Cash flow from operating activities	**3,275**	**–140,348**
Proceeds from the sale of non-current assets and assets held for sale	7,952	15,320
Payments for intangible assets, property, plant and equipment	–21,933	–21,006
Acquisition of subsidiaries	–259,667	–345,055
Cash flow from investing activities	**–273,648**	**–350,741**
Dividends paid to		
– shareholders of Klöckner & Co SE	–37,200	–37,200
– minority interests	–993	–7,753
Borrowings	345,915	852,151
Repayment of financial liabilities	–49,670	–320,911
Interest paid	–19,437	–53,009
Interest received	3,183	1,880
Cash flow from financing activities	**241,798**	**435,158**
Changes in cash and cash equivalents	**–28,575**	**–55,931**
Effect of foreign exchange rates on cash and cash equivalents	–1,246	–274
Cash and cash equivalents at the beginning of the period	153,558	130,156
Cash and cash equivalents at the end of the period	**123,737**	**73,951**

Summary of changes in equity

(€ thousand)	Subscribed capital of Klöckner & Co SE	Capital reserves of Klöckner & Co SE	Retained earnings	Accumulated other comprehensive income: Currency translation adjustment	Accumulated other comprehensive income: Fair value adjustments of financial instruments	Equity attributable to shareholders of Klöckner & Co SE	Minority interests	Total
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				–3,255		–3,255	–1,877	–5,132
Net income Jan. 1–June 30, 2007			59,299			59,299	10,356	69,655
Comprehensive income						**56,044**		
Other changes			1,110			1,110		1,110
Dividends			–37,200			–37,200	–7,753	–44,953
Acquisition of minority interests			–66,491			–66,491	–39,725	–106,216
Balance as of June 30, 2007	**116,250**	**197,699**	**338,633**	**–12,459**		**640,123**	**73,790**	**713,913**
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				–17,946		–17,946		–17,946
Gain/loss from cash flow hedges					12,922	12,922		12,922
Related income tax				3,322	–3,968	–646		–646
Net income Jan. 1–June 30, 2008			172,911			172,911	4,849	177,760
Comprehensive income						**167,241**		
Acquisition of minority interests			–71,233			–71,233	–55,422	–126,655
Business combinations							4,050	4,050
Dividends			–37,200			–37,200	–993	–38,193
Balance as of June 30, 2008	**116,250**	**260,496**	**476,705**	**–42,361**	**8,359**	**819,449**	**36,767**	**856,216**

Selected explanatory notes on the interim consolidated financial statements of Klöckner & Co SE (former Klöckner & Co AG) for the six-month period ended June 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 six-month period ended June 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 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 June 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 six-month period ended June 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 six-month period ended June 30, 2008 were authorized for issuance by the Management Board on August 13, 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 AG 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 preliminary acquisition costs, which are subject to change due to the terms of the agreement, amount to €121.7 million; the difference between purchase price and net assets acquired is €56.5 million.

The purchase price allocation required by IFRS 3 is yet provisional due to the preliminary purchase price and the short period of time between the date of the acquisition and the reporting date. The difference between purchase price and net assets acquired will mainly be allocated to goodwill, customer relations at fair value, trade name and to property, plant and equipment as well as inventories. As of the balance sheet date, the full amount is recorded as goodwill.

The contribution of Temtco to consolidated sales as of June 30, 2008 was €42.6 million; the contribution to consolidated net income amounts to €3.7 million. The consolidated sales would have been €90.8 million higher and the consolidated net income would have been by €8.5 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 in Metalsnab Holding AD (Metalsnab), Sofia, Bulgaria, was closed. The name of the company was changed to Klöckner Metalsnab Holding AD, Sofia, Bulgaria. The Klöckner & Co Group held a stake of 77.3% in this company as of June 30, 2008. 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). Accordingly, the assets and liabilities purchased were included in assets held for sale and associated liabilities.

(€ 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		0.8	0.8
current	18.9	2.2	21.1
Liabilities			
non-current	0.5		0.5
current	13.7	0.9	14.6
Net assets acquired	**18.5**	**2.1**	**20.6**
Minority interests	4.1		4.1
Excess of net assets acquired recognized as income			1.3
Purchase prices			**15.2**
thereof paid in cash or cash equivalents			15.2

The contribution of the other acquisitions to sales and half-year net profit amounts to €28.4 million and €2.6 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.

(4) Share based payment

The existing virtual stock option program for the Management Board was increased due to the enlargement of the Board; it covers a total of 1,044,000 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.

The pro-rata provision for share based payments to the Management Board and senior management amounts to €9.5 million with total expense recognized for the reporting period of €6.7 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). During the first half of 2008, the fair value of these instruments increased by €11.4 million, which has been recorded as reduction of 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.

		HY1 2008	HY1 2007
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	172,911	59,299
Weighted average number of shares	(thousands of shares)	46,500	46,500
Basic earnings per share	**(€/share)**	**3.72**	**1.28**
Net income attributable to shareholders of Klöckner & Co SE	(€ thousand)	172,911	59,299
Interest expense on convertible bond (net of tax)	(€ thousand)	5,834	0
Net income used to determine diluted earnings per share	(€ thousand)	178,745	59,299
Weighted average number of shares	(thousands of shares)	46,500	46,500
Dilutive potential shares from convertible bond	(thousands of shares)	4,025	0
Weighted average number of shares for diluted earnings per share	(thousands of shares)	50,525	46,500
Diluted earnings per share	**(€/share)**	**3.54**	**1.28**

(6) Assets held for sale and associated liabilities

Assets held for sale almost exclusively relate to Namasco Ltd., Toronto, Ontario, Canada, and the Swiss Koenig Verbindungstechnik AG, Dietikon, including subsidiaries (KVT Group):

(€ million)	Namasco Ltd.	KVT Group	Total
Assets	97.4	84.0	181.4
Liabilities	26.8	25.8	52.6

(7) Financial liabilities

During the first six months of 2008, financial liabilities increased by €309.1 million to €1,194.8 million.

(€ million)	June 30, 2008	December 31, 2007
Non-current financial liabilities		
Bonds	270.2	264.2
Liabilities to financial institutions	441.7	244.1
Liabilities arising from ABS programs	321.5	293.6
Finance lease liabilities	10.0	11.2
Subtotal non-current financial liabilities	**1,043.4**	**813.1**
Current financial liabilities		
Bonds	4.5	2.0
Liabilities to financial institutions	143.9	66.3
Liabilities arising from ABS programs	0.4	1.2
Finance lease liabilities	2.6	3.1
Total current financial liabilities	**151.4**	**72.6**
Financial liabilities as per consolidated balance sheet	**1,194.8**	**885.7**

Net financial indebtedness developed as follows:

(€ million)	June 30, 2008	December 31, 2007
Financial liabilities	**1,194.8**	**885.7**
Transaction costs	7.6	10.4
Total financial liabilities	**1,202.4**	**896.1**
Cash and cash equivalents	–123.7	–153.6
Net cash indebtedness excluding Namasco Ltd. and KVT Group*	**1,078.7**	**742.5**
Net cash indebtedness Namasco Ltd. and KVT Group*	–7.0	4.0
Net cash indebtedness including Klöckner & Co Group	**1,071.7**	**746.4**

* In 2007 Namasco Ltd. only.

(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	
(€ million)	2008	2007	2008	2007	2008	2007	2008	2007
Segment sales	700.3	486.0	2,881.7	2,713.4	0	0	3,582.0	3,199.4
EBITDA	92.9	32.5	234.3	178.4	–6.0	–16.3	321.2	194.6
Segment result (EBIT)	84.9	26.9	214.0	159.4	–8.6	–20.6	290.3	165.7
Number of employees on June 30, 2008 (Dec. 31, 2007)	1,819	1,628	9,109	8,799	168	154	11,096	10,581

(10) Subsequent events

On July 8, 2008, the sale of the Canadian subsidiary Namasco Ltd. to Samuel, Son & Co. Ltd. was closed.

In addition, on July 21, 2008, the Company signed a contract to dispose of the Swiss KVT Group. The transaction, which is subject to approval by the antitrust authorities, is expected to result in a gain of approximately €265 million.

Duisburg, August 13, 2008

Klöckner & Co SE
Management Board

Financial calendar 2008

October 14, 15	Analysts' and Investors' Conference
November 14	Q3 interim report 2008

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Disclaimer

This Report (particularly the "Outlook" 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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