klöckner & co

multi metal distribution

Interim Report as of March 31, 2008

Klöckner & Co Group – Key Figures

Income Statement		Q1 2008	Q1 2007
Sales	€ million	1,660	1,550
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	109	92
Earnings before interest and taxes (EBIT)	€ million	93	78
Earnings before taxes (EBT)	€ million	76	68
Earnings after taxes (EAT)	€ million	52	47
Basic earnings per share	€	1.09	0.86
Diluted earnings per share	€	1.06	0.86

Cash Flow Statement		Q1 2008	Q1 2007
Cash flow from operating activities	€ million	–10	–88
Cash flow from investing activities	€ million	–141	–17

Balance Sheet		Mar. 31, 2008	Dec. 31, 2007
Working capital*/**	€ million	1,404	1,323
Net cash indebtedness**	€ million	904	746
Equity	€ million	771	845
Balance sheet total	€ million	3,152	2,966

Key Figures		Q1 2008	Q1 2007
Sales volume	to '000	1,720	1,629

		Mar. 31, 2008	Dec. 31, 2007
Employees at end of period		10,853	10,581

* Working capital = Inventories plus trade receivables less trade payables

** Including Namasco Ltd.

Interim Management Report

Sound start into the 2008 financial year

Earnings up 18.3% on the good previous-year figure

In the first quarter of 2008, the Klöckner & Co Group increased sales volume, sales and gross profit against the good figure of the previous year, at the same time generating an EBIDTA 18.3% up on the previous year. The positive development was based on the excellent positioning of the Group's international organization in Europe and North America which was further augmented and succeeded in exploiting the good demand situation and the sound development of prices and margins in comparison to the end of 2007. The good first quarter of 2008 combined with the ongoing positive outlook for the second quarter and lower non-recurring charges form a solid foundation for net income in full year 2008 well over that of the previous year.

The key highlights of the last months are:

- Very good earnings in the first quarter of 2008
- Ongoing and successful expansion through acquisitions
- Stable dividend at the level of the previous year proposed
- Good outlook for the full year 2008 further secured

General economic conditions and industry environment better than anticipated

The period of weakness in the US economy triggered by the subprime crisis continued at the beginning of the year. However, the impact on the global economic development is still limited. The emerging markets in particular are still growing in a very dynamic fashion. On the other hand, growth has slowed in Europe. However, the driving forces still preponderate.

The steel industry especially decoupled itself from the recessionary development in North America. This is due to the fact that the extreme price upturn for iron core, coking coal, scrap and energy has completely changed the production cost structure. Whereas production costs for steel products used to be driven by the factor of labor, the key factor now is the cost of raw materials. As a result cost advantages in countries such as China are completely eroded. In addition, high freight charges and shifted exchange rates result in imports from Asia, China in particular, being more expensive than steel produced domestically, despite the strong upturn of steel prices in North America. As considerably less steel is produced in North America than it used to be the case, steel producers can pass on the higher raw material prices in the market without any problem, despite demand being on the moderate side with declining imports and low inventory levels. In general the same applies to Europe, where the price level at the end of 2007 was considerably higher than in North America.

In this situation, in the first quarter of the current year, steel prices rose more sharply in North America than it was the case in Europe and overall flat products moved more strongly than steel long products. In the past and the future, this trend has benefited and will benefit steel distributors in particular, as the value of existing inventories has risen considerably and continue to rise. Furthermore, at a high price level, there is also generally more scope for a higher absolute margin per ton.

The development in the area of stainless steel was less positive. After the drastic slump in the third quarter of last year, prices have now stabilized at the low level reached with fluctuation being low. Prices for aluminum moved upwards in the first quarter, but did not reach the level achieved one year ago.

Sales volume 5.6% higher, sales 7.1% higher, operating earnings 18.3% higher than the previous year

Largely due to acquisitions, the sales volume in the first quarter of 2008 at 1.7 million tons was up 5.6% year-on-year, sales at €1.7 billion were 7.1% higher than the comparable quarter of the previous year. Driven by acquisitions, price and margins, gross profit in the first quarter of 2008 at €340.3 million was 10.8% higher than the comparable quarterly figure of the previous year. The gross profit margin improved from 19.8% to 20.5%. Against the first quarter of the previous year, EBITDA rose 18.3% to €109.0 million.

The increase in provisions for the virtual stock program of €2.7 million recognized as expense was more than offset by income of €7.1 million on the basis of the fair value adjustments of the derivative financial instruments for hedging existing and future payment obligations for the virtual stock program implemented in January 2008. Additional one-off income included in EBITDA was generated by the negative goodwill recognized in income in the context of the first-time consolidation of the interest in the Bulgarian company Metalsnab.

Driven by the higher price increases and acquisitions, EBITDA, with an increase of 88.6% to €26.4 million, is due entirely to the North America reporting segment. In the Europe segment, EBITDA at €83.6 million was 2.0% down on the comparative figure of the previous year, due to fewer working days than in the previous year. Parallel to EBITDA, in the first three months of 2008, EBIT increased year-on-year by 18.6% to €93.1 million. Earnings before tax were increased by 11.7% to €76.0 million and net income by 12.4% to €52.3 million.

Based on the information available when preparing this interim report at the beginning of May 2008 and on the basis of the overall very favorable earnings trend in the first quarter of 2008, the business situation of the Group again improved at a high level over the last few months.

Net working capital and debt increased, optimized Group financing has proved successful

There has been no fundamental change to the assets side of the balance sheet since the end of 2007. Non-current assets rose by 2.4% to €753.4 million. Current assets rose more strongly, by 7.5%, due to higher inventories and trade receivables driven by business and price reasons. This was countered by an increase of trade payables on the liabilities side. Overall in the first quarter of 2008, the Group's net working capital increased by 6.2% to €1,404.3 million against the end of 2007 (including net working capital relating to Namasco Ltd.).

In the first quarter of 2008, financial liabilities before deducting transaction costs rose to €1,013.8 million. This was due chiefly to the acquisition of a further minority interest in the Swiss subsidiary. Taking into account declining cash and cash equivalents, net cash indebtedness totaled €904.0 million as of March 31, 2008 after €746.4 million per December 31, 2007. Total assets increased by 6.2% to €3.1 billion. Assets held for sale and associated liabilities relate to the Canadian Namasco Ltd., Toronto, which is up for sale.

As against the end of December 2007, the Group's equity ratio declined from 28.5% to 24.5%, mainly the result of purchasing further minority interests in the Swiss subsidiary which was taken to equity and the increase in total assets. Group financing, a large part of which was realigned in 2007, demonstrated its stability in the first quarter of 2008 against a background of ongoing tenseness on credit markets and proved to be outstandingly successful.

Further development of expansion and efficiency programs

In the first months of 2008, the Klöckner & Co Group successfully pursued its expansion strategy, particularly in the second quarter with the acquisition of Temtco Steel in the US.

In January 2008, Klöckner & Co acquired further stakes in its Swiss subsidiary, Debrunner Koenig Holding AG, St. Gallen, thus acquiring almost 100% in the company. The purchase price amounted to €122.1 million. As a result of this second increase in the interest of the very profitable company, in which Klöckner & Co had a holding of only 60% to May 2007, Klöckner & Co can participate more strongly in the company's earnings. The remaining minority interest of 0.8% was acquired in April 2008, so that the Swiss company can be fully aligned to the Group strategy – focusing on multi metal distribution.

January 2008 also saw the closing of the acquisition in the majority of the Bulgarian company Metalsnab Holding AD, Sofia, initiated in 2007. The Klöckner & Co Group now holds a 77.3% stake in the Bulgarian metal distributor which generated sales of €40 million with approximately 250 employees in 2007 and which has been fully consolidated since January 1, 2008.

With its third consecutive purchase, in the first quarter of 2008, the British operating subsidiary strengthened its position with the acquisition of the distribution company Multitubes Ltd. headquartered in Brierly Hill, West Midlands. Multitubes generated sales of €5 million and specializes in the processing and distribution of welded tubes.

Subsequent events after March 31, 2008

As a result of the acquisition of the business of Temtco Steel headquartered in Louisville, Mississippi, concluded in the second quarter, the US operating subsidiary will continue to grow in a targeted fashion. Temtco Steel is a leading distribution company for high-quality speciality plates with a large share of processing. The company employs some 180 staff in five locations and generated sales of €226 million in 2007. Together with Primary Steel, another company specialized in plate, which was acquired in 2007, the US operating subsidiary Namasco Corporation is further expanding its leading market position for plate with the acquisition of Temtco.

In addition, at the end of April 2008 the preparation for transforming the legal form of Klöckner & Co Aktiengesellschaft into a European company (SE) was concluded successfully. In the so-called special negotiating body – required by law – the future participation rights of the employees at Group level together with the employee representatives of the European subsidiaries were determined. With the retention of the dual systems with the Management Board and Supervisory Board as Company bodies, the previous separation of management and supervisory bodies will remain. The members of the Management Board will still be appointed by the Supervisory Board. As was previously the case, the members of the Supervisory Board will be elected by the Annual General Meeting. At the end of April, the Management Board and Supervisory Board resolved to propose the Annual General Meeting the transformation of Klöckner & Co AG in an SE on this basis.

At the beginning of May 2008, an agreement was signed to dispose of the Canadian organization Namasco Ltd., Toronto, a company which was no longer to be developed strategically within the Klöckner & Co Group.

The disposal will result in a book gain and a material capital release which supports financing the Temtco acquisition.

Following the acquisition of the remaining stakes in the Swiss subsidiary, Debrunner Koenig Holding AG, St. Gallen, Klöckner & Co is currently examining the disposal of one of the Swiss subsidiaries, Koenig Verbindungstechnik AG, whose products (fastening technology and Koenig expander sealing plugs) are not part of the core business at Klöckner & Co. Any potential proceeds would be available for the further expansion of the Klöckner & Co Group.

Number of employees increases by 11.6% due to acquisitions

The number of employees in the Klöckner & Co Group was 10,853 on March 31, 2008, up 11.6% to the end of the first quarter of the previous year. With an increase of 1,130 in twelve months, the number of employees has thus increased significantly. The net increase is largely driven by aquisitions, but does not yet include the roughly 180 Temtco Steel staff.

Opportunity and risk management as ongoing function

The improved reporting on the material opportunities and risks in the Group was again applied in the first quarter of 2008. The core of the system for monitoring opportunities and risks within the Klöckner & Co Group, which has been in place since 1998, is the opportunities/risks report which is updated on a quarterly basis. Furthermore, the management of interest and currency risks, as well as liquidity, remained in focus in the first three months of 2008. The possible charges on earnings resulting from the future tranches of the virtual stock program for Management Board members and selected executives were secured on the basis of a hedge at favorable conditions in January 2008.

The Supervisory Board with its six members continued its monitoring and advisory work in the reporting period and subsequently in line with its duties, met twice, dealing outside the meetings with transactions and measures requiring approval. The committees of the Supervisory Board also met in the first quarter of quarter 2008. The Chairman of the Supervisory

Board and the Chairman of the Audit Committee met regularly and on a case-by-case basis with members of the Management Board and the auditor. The organization initiated in 2007 for Group-wide monitoring of compliance made good progress. The introductory phase should be concluded in May/June 2008.

Current assessment of the opportunities and risks

The Management Board continues to assume that all risks which must be recognized are secured by way of adequate provisions at the level of the respective subsidiary of the Group and holding company or are secured through guarantees of third parties. In anti-trust proceedings in respect to an affiliated company in France, the Company is cooperating with the competition authorities.

The short to medium-term opportunities for the business of the Klöckner & Co Group have improved further from a good level in the first months of 2008. No end to the global steel boom is in sight. Utilization levels remain good at the main customer industries. High demand for steel products and in some cases dramatic price increases for the raw materials and services required for steel production will further increase the price level at the distribution level, accompanied by positive warehouse effects. In the current market situation, these increased prices can be passed on to the end customer. The price increases result in higher working capital for distributors and as a result higher financing costs. Inventory risks increase at the same time, should there be a demand downturn of the customer industries. At present, there is no indication of this occurring.

Global economic risks remain, emanating primarily from the international credit crisis. However, there are signs that steel production and steel distribution will be less impacted by the effects described. For 2008, the IISI is forecasting an increase in global crude steel consumption of 6.7%, i.e. a growth rate approximately at the level of the previous year. For North America, a trend reversal is forecasted. This is supported by the production figures across the industry in the first quarter. In the EU, the IISI expects moderate growth from the high level reached. The declining economic momentum in Europe forecast for 2008 and weak growth overall in North America will probably not negatively impact the current satisfactory situation of steel distribution in the two regions in any material way in 2008.

In summary, the Management Board assumes that the systems to manage the opportunities and risks in the Klöckner & Co Group function well and that all known risks are sufficiently provisioned. Market risks remain manageable. In the Spring of 2008 opportunities dominated for the rest of the year. No risks have been identified which could jeopardize the Company as a going concern.

Outlook:
2008 better than the previous year

On the basis of the opportunities and risks for the future business development of the Klöckner & Co Group stated, the Management Board assesses the overall situation in Spring 2008 as clearly positive. Due to the development so far in 2008 against the end of 2007, expectations have improved considerably. In respect to the price trend for steel products and the resulting effects for the warehouse-based distribution, opportunities are likely to outweigh clearly the risks in the first six to nine months of 2008. The general business situation for metal distribution remains good. Utilization levels and order books at key customer industries remain at a high level, particularly in Europe. For North America it is possible that demand for steel products in regions and product segments in which Klöckner & Co is positioned will develop better than the overall economy.

In this context, Klöckner & Co expects a continuation of the very good business development for the remainder of 2008. In addition, in Europe, the second stage of the successful STAR improvement program is being started. This includes centralization of purchasing at European Group level. Additional earnings contributions are also expected with the general conclusion of integrating the companies acquired in 2006 and 2007. Consolidated income in the second quarter of 2008 and that of the first half year is likely to be considerably higher than the figures from the previous year. For the full year 2008, the Management Board is also expecting net income well over the level of the previous year.

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

Klöckner & Co share develops positively against the trend

In the first quarter of 2008, many international stock markets recorded considerable price declines. Key reasons for this were the international finance crisis as a result of the US subprime crisis and the resulting critical business situation at numerous banks.

Against the general downward trend, in the first quarter of 2008, the price of the Klöckner & Co share recorded an increase of almost 18% against the closing price at the end of 2007. The Klöckner & Co share thus performed considerably better than the German stock market whose DAX® und MDAX® indexes lost 19% and 11% respectively in the same period.

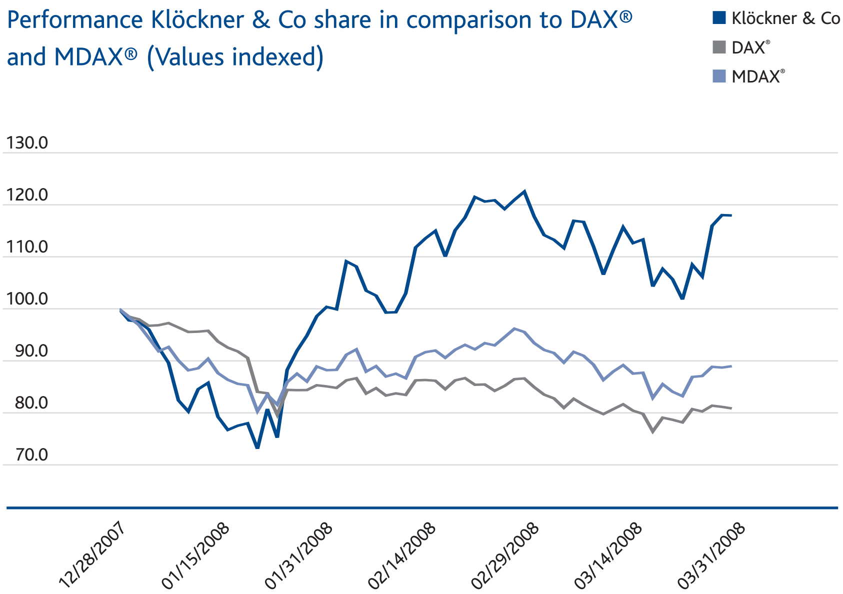
Klöckner & Co share performance indicators

		Q1 2008	Q1 2007
Number of shares	in shares	46,500,000	46,500,000
Closing price (XETRA, close)	€	32.41	41.15
Market capitalization	€ million	1,507	1,914
High (XETRA, close)	€	33.66	42.70
Low (XETRA, close)	€	20.16	31.18
Average daily trading volume	in shares	867,764	552,951

Steady increase of the trading volume

In the first quarter of 2008, the average trading volume of Klöckner & Co shares at 867,764 shares was considerably higher than the already high figure of the equivalent quarter in the previous year. In the wake of the strong upturn in the share price since the beginning of the year, the free float market capitalization increased to €1.4 billion per the end of the first quarter. Per the end of March 2008, Klöckner & Co was thus ranked 9 in the MDAX® for trading volume and 24 for free float market capitalization.

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



Dividend

As in the previous year, on June 20, 2008, the Annual General Meeting will be proposed a dividend of €0.80 per share for the 2007 financial year. This represents a payout ratio of approximately 30% of consolidated net income after deduction of special items. Thus the company continues to meet the dividend target as announced at the IPO. This payout ratio is also to be retained in subsequent years.

Ongoing great importance attached to open and transparent communication

In the first quarter of 2008, the Klöckner & Co Management Board again held a large number of one-on-one meetings with investors and presented the company at road shows inside and outside Germany. Since the beginning of the year, additional banks have taken up coverage and will publish analyses and studies on the Klöckner & Co Group. Currently the Klöckner & Co share is being covered by 15 banks. 14 of these recommend to "Buy" the share, whereas one recommends to "Hold" the share.

Analyst recommendations and comprehensive information on the Klöckner & Co share continues to be available on our website at www.kloeckner.de/ir.

Interim Consolidated Financial Statements

Consolidated statement of income

for the three-month period ending March 31, 2008

(€ thousand)	Q1 2008	Q1 2007
Sales	**1,659,723**	**1,549,710**
Other operating income	11,273	9,542
Change in inventory	– 3,938	3,032
Own work capitalized	2	7
Cost of materials	– 1,315,479	– 1,245,720
Personnel expenses	– 126,704	– 119,484
Depreciation and amortization	–15,896	–13,646
Other operating expenses	– 115,878	– 104,964
Operating result	**93,103**	**78,477**
Finance income	1,594	805
Finance expenses	– 18,649	– 11,223
Financial result	**– 17,055**	**– 10,418**
Income before taxes	**76,048**	**68,059**
Income taxes	– 23,757	– 21,536
Net income	**52,291**	**46,523**
thereof attributable to		
- shareholders of Klöckner & Co AG	50,690	40,149
- minority interest	1,601	6,374
Earnings per share		
- basic	1.09	0.86
- diluted	1.06	0.86

Consolidated balance sheet

as of March 31, 2008

Assets (€ thousand)	March 31, 2008	December 31, 2007
Non-current assets		
Intangible assets	183,108	197,581
Property, plant and equipment	495,624	482,138
Financial assets	2,573	2,661
Other assets	39,219	19,736
Deferred tax assets	32,850	33,336
Total non-current assets	**753,374**	**735,452**
Current assets		
Inventories	1,019,691	955,644
Trade receivables	1,082,637	929,964
Income tax receivable	3,152	6,572
Other assets	97,284	86,367
Cash and cash equivalents	107,657	153,558
Non-current assets held for sale	87,833	98,596
Total current assets	**2,398,254**	**2,230,701**
Total assets	**3,151,629**	**2,966,153**

Equity and liabilities (€ thousand)	**March 31, 2008**	**December 31, 2007**
Equity		
Subscribed capital	116,250	116,250
Capital reserves	260,496	260,496
Retained earnings	394,068	412,227
Accumulated other comprehensive income	– 35,827	– 28,332
Equity attributable to shareholders of Klöckner & Co AG	**734,987**	**760,641**
Minority interest	36,506	84,283
Total equity	**771,493**	**844,924**
Liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	186,631	188,457
Other provisons	59,003	59,151
Income tax liabilities	98	92
Financial liabilities	913,886	813,076
Other liabilities	10,187	8,962
Deferred tax liabilities	85,223	82,364
Total non-current liabilities	**1,255,028**	**1,152,102**
Current liabilities		
Provisons	143,190	144,355
Income tax liabilities	24,551	18,223
Financial liabilities	91,022	72,644
Trade payables	739,977	609,863
Other liabilities	105,268	91,748
Liabilities associated with non-current assets held for sale	21,099	32,294
Total current liabilities	**1,125,107**	**969,127**
Total liabilities	**2,380,136**	**2,121,229**
Total equity and liabilities	**3,151,629**	**2,966,153**

Cash flow statement

for the period from January 1 to March 31, 2008

(€ thousand)	Q1 2008	Q1 2007
Results before taxes	76,048	68,059
Interest and impairment losses on investments	17,055	10,418
Depreciation, amortization, impairments and reversal of impairments	15,896	13,647
Other non-cash income	–2,063	0
Gain on disposal of non-current assets	–157	–577
Operating cash flow	**106,779**	**91,547**
Changes in provisions	9,710	–20,542
Changes in other assets and liabilities		
Inventories	–62,571	–159,258
Trade receivables	–160,807	–199,777
Other assets	–56,422	7,465
Trade payables	135,480	194,978
Other liabilities	31,929	5,978
Income taxes paid	–13,729	–8,748
Cash flow from operating activities	**–9,631**	**–88,357**
Proceeds from the sale of non-current assets and assets held for sale	2,550	1,350
Payments for intangible assets, property plant and equipment	–9,702	–18,557
Acquisition of subsidiaries	–133,356	0
Cash flow from investing activities	**–140,508**	**–17,207**
Dividends paid to minority interests	–89	–269
Borrowings	148,033	99,469
Repayment of financial liabilities	–37,337	–48,094
Interest paid	–6,913	–4,245
Interest received	1,418	729
Cash flow from financing activities	**105,112**	**47,590**
Changes in cash and cash equivalents	**–45,027**	**–57,974**
Effect of foreign exchange rates on cash and cash equivalents	–874	–191
Cash and cash equivalents at the beginning of the period	153,558	130,156
Cash and cash equivalents at the end of the period	**107,657**	**71,991**

Summary of changes in equity

(€ thousand)	Subscribed capital of Klöckner & Co AG	Capital reserves Klöckner & Co AG	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 AG	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				–3,855		–3,855	–918	–4,773
Net income Jan. 1 – Mar. 31, 2007			40,149			40,149	6,374	46,523
Comprehensive income						**36,294**		
Other changes			111			111	–111	
Dividends							–269	–269
Balance as of March 31, 2007	**116,250**	**197,699**	**422,175**	**–13,059**		**723,065**	**117,865**	**840,930**
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				–14,707		–14,707	–278	–14,985
Gain/loss from cash flow hedges					5,524	5,524		5,524
Related income tax				3,384	–1,696	1,688		1,688
Net income Jan. 1 – Mar. 31, 2008			50,690			50,690	1,601	52,291
Comprehensive income						**43,195**		
Acquisition of minority interests			–68,850			–68,850	–53,256	–122,106
Business combinations							4,246	4,246
Dividends							–89	–89
Balance as of March 31, 2008	**116,250**	**260,496**	**394,067**	**–39,060**	**3,233**	**734,986**	**36,507**	**771,493**

Selected explanatory notes on the interim consolidated financial statements of Klöckner & Co Aktiengesellschaft for the three-month period ended March 31, 2008

(1) Basis of presentation

The interim consolidated financial statements for the three-month period ended March 31, 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 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 77 of the 2007 Annual Report.

The preparation of the interim consolidated financial statements for the period ended March 31, 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 three-month period ended March 31, 2008 reflect all adjustments deemed necessary to provide a true and fair view of the results. Results for the period ended March 31, 2008 are not necessarily indicative of future results.

The interim consolidated financial statements for the three-month period ended March 31, 2008 were authorized for issuance by the Management Board on May 14, 2008. All amounts are stated in million euros (€ million) unless otherwise noted. 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 is to be applied for financial years beginning on or after January 1, 2008. The application of the interpretation did not have an impact on the Group's consolidated financial statements.

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 standard which is to applied for business combinations in financial years starting on or after July 1, 2009.

(3) Acquisitions and disposals

During the first three months of financial year 2008, the following subsidiaries were acquired:

- In January 2008 the transaction initiated in 2007 to acquire a controlling stake in Metalsnab Holding AD (Metalsnab), Sofia, Bulgaria was closed. Metalsnab has been included in the consolidated financial statements since January 1, 2008. 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. Sales in 2007 amounted to €5 million, which were generated with 16 employees.

(in € million)	Carrying amounts and fair values as of initial consolidation date		
	Carrying amounts	Adjustments	Fair values as of initial consolidation date
Assets			
non-current	13.9	0.8	14.7
(thereof goodwill)	0	0.8	0.8
current	17.2	0	17.2
Liabilities			
non-current	0.6	0	0.6
current	11.6	0	11.6
Net assets acquired	**18.9**	**0.8**	**19.7**
Minority interests	4.2	0	4.2
Excess of net assets acquired recognized as income			2.1
Purchase prices			**13.4**
thereof paid in cash or cash equivalents			13.4

Multitubes' and Metalsnab's contributions to sales and net income for the first three months of 2008 amount to €12.4 million and €2.3 million, respectively.

In the first three months of 2008, the Group acquired a further 21.1% of the shares in Debrunner Koenig Holding AG, (DKH), Switzerland at a purchase price of approximately €122.1 million. The Group now holds 99.2% in DKH. As a result of this transaction, the minority interests were reduced by €53.2 million. The difference between the acquired net assets in DKH and the purchase price was debited to the controlling equity interest thus not affecting net income. Accordingly, the equity attributable to shareholders of Klöckner & Co AG was reduced by €68.9 million.

(4) Share-based payment

In addition to the existing virtual stock option program of the Management Board, 114,000 virtual stock options were granted to certain members of the senior management throughout the Group. The exercise conditions are largely identical to the Management Board 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 €5.5 million with total expense recognized for the reporting period of €2.7 million.

To limit expenses and cash flows for the granted and approved further grants until and including the business 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 quarter, the fair value of the instruments increased by €7.1 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.

		Q1 2008	Q1 2007
Net income attributable to shareholders of Klöckner & Co AG	(€ thousand)	50,690	40,149
Weighted average number of shares	(thousands of shares)	46,500	46,500
Basic earnings per share	**(€/share)**	**1.09**	**0.86**
Net income attributable to shareholders of Klöckner & Co AG	(€ thousand)	50,690	40,149
Interest expense on convertible bond (net of tax)	(€ thousand)	2,917	0
Net income used to determine diluted earnings per share	(€ thousand)	53,607	40,149
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	(€ thousand)	50,525	46,500
Diluted earnings per share	**(€/share)**	**1.06**	**0.86**

(6) Non-current assets held for sale

Non-current assets held for sale primarily relate to Namasco Ltd., Toronto, Canada. The assets amount to €87.5 million and the associated liabilities amount to €21.1 million.

(7) Financial liabilities

During the first three months of 2008, financial liabilities increased by €119.2 million to €1,004.9 million:

(in € million)	March 31, 2008	December 31, 2007
Non-current financial liabilities		
Bonds	267.2	264.2
Liabilities to financial institutions	335.4	244.1
Liabilities arising from ABS program	300.7	293.6
Finance lease liabilities	10.6	11.2
Total non-current financial liabilities	**913.9**	**813.1**
Current financial liabilities		
Bonds	3.3	2.0
Liabilities to financial institutions	84.5	66.3
Liabilities arising from ABS program	0.4	1.2
Finance lease liabilities	2.8	3.1
Total current financial liabilities	**91.0**	**72.6**
Financial liabilities	**1,004.9**	**885.7**

Net cash indebtedness developed as follows:

(in € million)	March 31, 2008	December 31, 2007
Financial liabilities	**1,004.9**	**885.7**
Transaction costs	8.3	10.4
Gross financial liabilities	**1,013.2**	**896.1**
Cash and cash equivalents	– 107.7	– 153.6
Net cash indebtedness per balance sheet (excluding Namasco Ltd.)	**905.5**	**742.5**
Net cash indebtedness Namasco Ltd.	– 1.5	3.9
Net cash indebtedness Klöckner & Co Group	**904.0**	**746.3**

(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 assumed responsibility for the Europe segment and takes 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	301.3	211.2	1,358.4	1,338.5	0	0	1,659.7	1,549.7
EBITDA	26.4	14.0	83.6	85.3	– 1.0	– 7.2	109.0	92.1
Segment result (EBIT)	22.4	12.1	73.2	76.5	– 2.5	– 10.1	93.1	78.5
Number of employees on March 31, 2008 (Dec. 31, 2007)	1,633	1,628	9,066	8,799	154	154	10,853	10,581

(10) Subsequent events

On April 3, 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. Temtco Steel employs some 180 staff in 5 locations in the US and generated sales of approximately €226 million in 2007.

In April 2008, the Klöckner & Co Group acquired the remaining 0.8% minority interest in Debrunner Koenig Holding AG, Switzerland. The Klöckner & Co Group now holds 100% of the interests. As a result, the Swiss group can concentrate on the core business of the Group. In this context, Klöckner & Co is currently examining the disposal of one of its Swiss subsidiaries, Koenig Verbindungstechnik AG, whose products (fastening technology and Koenig expander sealing plugs) are not part of the Group's core business.

In the beginning of May 2008, an agreement was signed to dispose of the Namasco Ltd., Toronto, Canada.

Duisburg, May 14, 2008

Klöckner & Co AG
Management Board

Financial Calendar 2008

June 20	Annual General Meeting 2008 Düsseldorf
June 23	Dividend payout
August 14	Q2 interim report 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 Aktiengesellschaft 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 Aktiengesellschaft can offer no assurance that its expectations or targets will be achieved.

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In addition to the figures prepared in line with IFRS, Klöckner & Co Aktiengesellschaft 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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