klöckner & co

multi metal distribution

Interim Report as of June 30, 2007

Klöckner & Co Group – Key Figures

Income Statement		Q2 2007	Q2 2006	HY1 2007	HY1 2006
Sales	€ million	1,650	1,418	3,199	2,741
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	103	104	195	183
Earnings before interest and taxes (EBIT)	€ million	87	89	166	154
Earnings before taxes (EBT)	€ million	35	75	103	126
Earnings after taxes (EAT)	€ million	23	54	70	91
Earnings per share (undiluted)	€	0.41	0.97	1.28	1.63
Cash Flow Statement				**HY1 2007**	**HY1 2006**
Cash flow from operating activities	€ million			– 140	– 10
Cash flow from investing activities	€ million			– 351	18
Balance Sheet				**June 30, 2007**	**Dec. 31, 2006**
Working capital *)	€ million			1,531	1,135
Net financial debt	€ million			996	365
Equity	€ million			714	799
Balance sheet total	€ million			3,234	2,552
Key Figures				**HY1 2007**	**HY1 2006**
Sales volume	t'000	1,663	1,605	3,292	3,206
				June 30, 2007	**Dec. 31, 2006**
Employees at end of period				10,358	9,688

*) Working capital = Inventories plus trade receivables less trade payables

Interim Management Report

Operating result further improved
Strategic expansion continued in HY1 2007

The Klöckner & Co Group further improved its operating results at a high level in the first half-year of 2007. The expansion based on the acquisition of profitable small and medium-sized multi-metal distribution companies with high synergy and growth potential was continued as scheduled. The key highlights of the first six months in 2007 are:

- Expansion strategy in Europe and the USA continued successfully
- Operating result up further on the previous year
- Group financing further optimized
- Outlook for full-year 2007 remains positive

Strategic expansion rigorously pursued

In the first six months of 2007, the Klöckner & Co Group successfully continued its expansion strategy. Via the Klöckner & Co Group country companies, a total of eight companies with total sales of about €500 million were acquired. Klöckner & Co is thus confident of achieving its goal of finalizing 10 to 12 acquisitions of small to mid-sized enterprises in 2007.

Europe

To kick off the year 2007, Klöckner & Co's French subsidiary acquired Tournier Holding SAS, which owns a steel service center near Paris and a flat steel warehouse location in Nantes. In April, the Group's Dutch subsidiary bought out stainless steel distributor Teuling Staal of Rotterdam, specializing in sales of and consulting on non-corroding, high alloy special steel products for the oil, gas and chemicals industries.

After successful restructuring, Klöckner Stahl- und Metallhandel GmbH, the German Klöckner & Co Group operating country company, again bought three companies with total sales of €40 million per year in Germany in Q2 2007. The acquisition of Edelstahlservice Frankfurt GmbH, which operates in the same line of business as Teuling, was concluded in April 2007. To strengthen our regional presence and market position in southern Germany, the full-range distributors Max Carl, Coburg and the Zweygart steel trade in Stuttgart were acquired. In the second quarter of 2007, the British operating company acquired Westok Ltd., a company specializing in the manufacture and distribution of special steel beams for ceiling and roof construction as well as bridges.

Not included in the catalog of European acquisitions is increasing the majority holding in the profitable Swiss country company Debrunner Koenig Holding AG (DKH) by roughly 18% to approximately 78% which was completed in June.

North America

The expansion strategy in the first half of 2007 was particularly successful in the USA. In Q2 2007, the acquisition of Primary Steel LLC with seven branches in North America was successfully closed. Primary is one of the leading companies in the distribution and processing of heavy plate and is an excellent complement to Klöckner & Co's North American operations. The company sells mainly to heavy equipment manufacturers and to the attractive sectors power generation, metal builders, transport equipment and shipbuilding, in addition to smaller distributors with no direct access to steel producers. The business generated sales of $467 million in 2006 with a staff of 412. In addition, as regional supplement the distribution company Premier Steel Inc. headquartered in Louisiana was acquired in the USA in May. For the Klöckner & Co Group, the two acquisitions mean expanding sales by approximately 70% in the USA and moving up into the Top 10 of the North American steel and metal distributors.

General economic conditions remain excellent in Europe, weaker in North America

The good business environment for materials distribution which has lasted for many years continued in the first half of 2007, particularly in Europe. Favorable conditions, especially in the European construction and machinery and mechanical engineering industries, resulted in a continuing high level of demand in EU countries. In North America, the economic development did accelerate in the Q2 against the weak Q1, but overall the general conditions for multi-metals distribution developed worse than last year. Key factors here were high inventory levels and the concern about the housing crisis spreading to other areas of the economy. Business in Canada declined due to the negative development of the automotive industry.

Current figures from the International Iron and Steel Institute show that – with the exception of North America – steel markets overall remain good. In the first half of 2007, crude steel production increased 8.4% year-on-year. For China the figure was +17.8%, for South Korea +8.1%, for Germany +5.2%, for Japan +4.3%, for the European Union (27) +2.7%, but for the USA – 4.2%. Among the large producer nations, the USA was the only one with shrinking output.

In the reporting period, global consolidation of steel producers continued. Commodity prices continued to rise from a high level, but to a comparatively low extent. Since the beginning of the year, there has been no change to the key general conditions for the steel market – in particular the booming Chinese market. Currently there are no signs to an end of the steel boom.

There was a differentiated price trend for steel and metal, depending on region and product. Prices for flat products receded slightly in Europe in Q1 2007, before moving back to the high level of Fall 2006 in Q2 2007. For long products, the price trend in HY1 was mixed. While prices for beams and merchant bars moved upward from a high level, after a good start at the beginning of Q2 there was a decline for reinforcing products. However, overall, to the middle of 2007, prices for long products are considerably above the level of the middle of 2006 and also above the level of the beginning of 2007. In the first half-year of 2007, prices for high-grade and stainless steel moved up from a high level, particularly due to the strong upturn of the nickel price on the London Metal Exchange. However, to the middle of the year, there was a considerable correction to the nickel price. This will result in a parallel price decline for stainless steel products. In the reporting period, the more volatile aluminum price largely moved back, but to the middle of 2007 is still higher than the middle of 2006.

After relatively strong fluctuation in the reporting period, prices for flat products in North America to the middle of 2007 are approximately at the weak level of the beginning of the year. The downward price movement was even stronger in Canada. After a strong increase towards the end of Q1 2007, North American long products did not recover during Q2 2007.

Volume, sales and all operating earnings figures improved at a high level, one-off impact to Group result from redemption of high yield bond

Not least due to the acquisitions made and various streamlining at various locations, in HY1 2007 the Klöckner & Co Group increased its volume year-on-year by 2.7% to 3.3 million tons. In the same period, sales moved up by 16.7% to €3.2 billion, primarily driven by higher prices. In HY1, gross profit moved up by 5.6% to €634.9 million. In contrast to HY1 2006 with relatively strong price increases for steel products in Q2, in Q2 2007 the price trend evened off after an increase in Q1 2007. This meant that positive inventory effects which made a considerable contribution to the result in the previous year were not repeated in Q2 2007. Even so, in Q2 2007, gross profit at €327.8 million is still up 3.7% year-on-year.

To the beginning of 2007, the phantom stock program introduced in the context of the IPO was extended as scheduled to the management members of the country organization and holding executives. Due to the positive performance of the share price, provisions for the part of the program relating to the Management Board were increased by €7.4 million to €10.7 million in HY1 2007. Despite provisions not being made for the phantom stocks program last year, in HY1 2007, EBITDA improved by 6.4% to €194.6 million and EBIT as well as the operating result by 7.7% to €165.7 million against the respective comparable figures of the previous year. Thus all the operating figures were up on the previous year – in some cases considerably. Here the Star performance program made an important contribution and will be developed further in this respect over the next few years.

In the Europe segment, full advantage was taken of the favorable economic conditions in the reporting period with EBITDA improving from €169.0 million in the previous year to €178.4 million. On the other hand, difficult general conditions in North America led to EBITDA declining from €38.9 million in HY1 2006 to €32.6 million, with the acquisition of Primary Steel with its May closing not yet making any material contribution. Combining the operating management of the business in the USA and Canada secures the realization of the anticipated effects from bringing together the activities of Namasco Corp. and Primary Steel. At the same time, the Canadian activities are more strongly integrated, thus taking better advantage of synergies within the Group.

While all operating earnings figures improved year-on-year, in some cases considerably, income before taxes and the consolidated net profits were negatively impacted by one-off charges of approximately €38 million for the early redemption of the high-yield bond. The financial results moved down to €–62.8 million. As a consequence, income before taxes was 18.2% lower at €102.8 million and consolidated net profits slid 23.4% to €69.7 million.

Total assets and debt high, group financing further optimized

While the HY1 2007 income only reflects the acquisitions concluded to a small extent, the balance sheet shows the full impact of the acquisitions. Approximately half of the increase of total assets to the end of 2006 from €2,551.7 million to €3,233.7 million at the end of HY1 2007 is due to acquisitions, as well as the favorable business trend and the increased price level. On the assets side, especially intangible assets, inventories and trade receivables increased. On the liabilities side this is countered in particular by higher financial liabilities and trade payables. Overall, within the Group net working capital – the difference between inventories plus accounts receivable and accounts payable – increased to 30 June 2007 against the end of 2006 by €396.8 million to €1,531.3 million.

In HY1 2007, the equity ratio declined from 31.3% to 22.1%, largely the result of buying the minorities position in Switzerland, increased total assets and the dividend distribution. The dividend distribution for the 2006 financial year, which was made directly after the Annual General Meeting in June 2007, was made at the planned volume of €37.2 million.

In HY 1 2007, approximately €360 million were invested in acquisitions (before deducting funds acquired) including upgrading the stake in the Swiss Debrunner König Holding AG. These investments and higher net working capital requirements resulted in net liabilities increasing by €631.3 million to €996.1 million in HY1 2007.

To support the acquisition strategy, further important steps were made to optimize Group financing in the period under review. Favorable market conditions and Klöckner & Co's substantially enhanced image on the capital markets allowed the successful placement of a €600 million syndicated holding credit facility in Q2 2007. The utilization of the funds included fully redeeming the high-yield bond with its coupon of 10.5% floated in 2005 in connection with the change of ownership and which was still valued at €170 million. The one-off financing costs resulting from this redemption are fully included in the HY1 2007 result and will largely be compensated for with lower interest expenses in subsequent years. However, the major advantage of the measure was the greater flexibility gained for future financing policy. A further important step to optimize Group financing was the creation of the possibility to issue a warrant or convertible bond by the Annual General Meeting of Klöckner & Co AG on 20 June 2007. This was utilized as early as July 2007.

Key measures and events after June 30, 2007

On the basis of the Annual General Meeting resolution, on July 18, 2007, Klöckner & Co successfully placed a convertible bond of €325 million via a Luxembourg subsidiary. As planned all subscribers were institutional investors. The bond is guaranteed by Klöckner & Co AG, has a duration of 5 years and a nominal annual interest rate (coupon) of 1.5%. The conversion price was set at €80.75. This represents a premium of 35% on the reference price of almost €60 per share on issue and a premium of approximately 405% on the IPO price of €16 per share in the Summer of 2006.

In July 2007, Bitempo GmbH, Düsseldorf, a consulting company operating in the IT area, was gained as a 49% minority partner for Klöckner Information Services GmbH (KIS) in which the general IT activities in the Klöckner & Co Group are concentrated. KIS operates its own computer center in Duisburg and has branches in Great Britain and Spain. For the Klöckner & Co Group, the extended expertise as a result of integrating the consultancy company is of great strategic importance.

Expansion pushes number of employees

On June 30, 2007, the number of employees in the Klöckner & Co Group was 10,358, some 670 up on the end of 2006. The number of employees thus increased significantly for the first time in years. The net increase is largely acquisition driven, and relates largely to the USA. In Germany business-related recruitment and acquisitions resulted in personnel levels increasing.

Opportunities remain good with manageable risks

The system for monitoring opportunities and risks in place at the Klöckner & Co Group since 1998 and the system for controlling interest and currency risks as well as liquidity were further improved in HY1 2007. At Group level, material events with risks were not known in and after the reporting period.

The Supervisory Board of six members continued its monitoring and advisory work in the reporting period, met twice and dealt with numerous transactions and measures which required approval. In particular, there were resolutions in connection with optimizing Group financing. The Annual General Meeting on June 20, 2007 elected Dr. Georg Melchior and Dr. Hans-Georg Vater as successors to the two representatives of the previous large shareholder, the American fund company Lindsay Goldberg Bessemer (LGB), which had resigned its positions to the end of the Annual General Meeting in the wake of LGB's complete discontinuation of its investment.

The Management Board continues to believe that all accounting risks are covered by sufficient provisions at the level of the Group subsidiary and are covered by the holding or third-party guarantees. Anti-trust investigations into a subsidiary in France are ongoing. The same applies to the Balli complex where the material opportunities and risks are no longer at Klöckner & Co as generally known. The legal dispute initiated in July 2006 against Klöckner & Co in connection with the existence of a pre-emptive right of a minority shareholder at DKH in Switzerland was ended in the course of the acquisition of the minority holding by Klöckner & Co.

As previously, the chances of realizing earnings and implementing strategy are regarded as favorable for the rest of 2007. Klöckner & Co is well prepared in terms of finance and human resources to cope with the strategic challenges. With its strong, internationally positioned organization, Klöckner & Co is able to cope with the integration work resulting from its acquisitions and the resulting risks. In addition, the danger of a rapid and strong downturn for stainless steel products which depends on nickel prices which could impact the Group result in a material way via inventory valuations and low unit sales prices, has decreased due to recent declines in the price of nickel. The opportunities and risks resulting from the price trend for steel products is likely to be balanced.

2007 outlook remains positive

The general economic conditions for metal distribution remained good overall in HY1 2007. Utilization levels and order books of major customer industries such as the construction and machinery and mechanical engineering sector remain at a high level, particularly in Europe. For the further trend in 2007, there are currently no signs of an end to this positive development. Ongoing strong demand should result in prices stabilizing in HY2. On the other hand, the forecasts for North America are comparably uncertain and less positive. However, it is not likely that the economy will slump there in 2007.

Klöckner & Co thus expect business to remain robust over the remainder of 2007. A solid basis was established in the first six months of 2007. The financial measures implemented offer scope for further strategic expansion, something which will be rigorously continued. On the basis of current information and expectations in relation to the development of procurement and sales markets, and the current economic conditions, taking into account the performance improvement program, we thus remain confident of generating in 2007 an operating result above the level of the previous year.

Klöckner & Co share

Key data on Klöckner & Co shares

		HY1 2007
Number of shares		46,500,000
Closing price on June 29, 2007	€	53.85
Market capitalization on June 29, 2007	€	2,504,025,000
High (Xetra close)	€	55.45
High (Xetra, close)	€	31.18
Average trading volume (shares)		558,848
WKN identifier		KC0100
ISIN		DE000KC01000

Shares continue outperformance

The very good performance of the Klöckner & Co share in Q1 2007 continued into the second quarter. Thus at the end of the first half-year 2007, the shares were trading at €53.85, up 64% against the closing price to the end of the 2006 of €32.81. Thus Klöckner & Co shares continued to outperform the German stock market, the DAX® and MDAX®, posting gains of approximately 21% and 17% respectively for the same period.

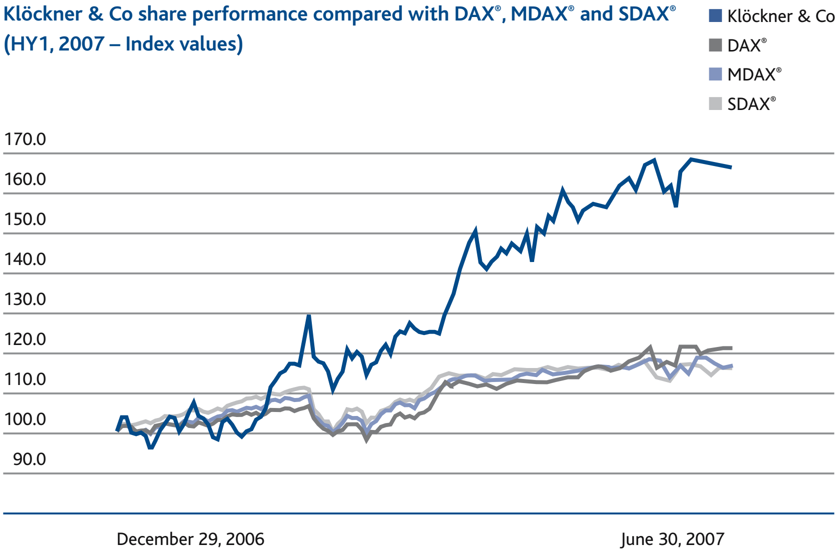
100% of shares now free float

Former Klöckner & Co majority shareholder Multi Metal Investment S.à.r.l. ("MMI"), a fund company run by investment firm Lindsay Goldberg & Bessemer, sold its remaining Klöckner & Co shareholdings in two tranches in the first half of 2007. In January 2007, MMI sold a stake of 30% and in April the remaining 15.5% stake, primarily to national and international institutional investors. Free float is thus now 100%.

In the first six months of 2007, the average daily trading volume for Klöckner & Co increased year-on-year from 326,047 to 558,848 shares.

Klöckner & Co shares were taken up in the Deutsche Börse MDAX® equity index on January 29, 2007. As of June, the Klöckner & Co share was already ranked 18 according to free float market capitalization and 19 by trading volume.

Klöckner & Co share performance compared with DAX®, MDAX® and SDAX® (HY1, 2007 – Index values)



Annual General Meeting and dividend

The attendance level of shareholders at the first Annual General Meeting since the IPO on June in Düsseldorf was 55% of the share capital. At the Annual General Meeting, with a majority of 99.99%, the shareholders resolved the dividend of €0.80 for the 2006 financial year proposed by the Supervisory Board and Management Board.

Complete information on Klöckner & Co shares is available on our website – www.kloeckner.de/ir.

Interim Consolidated Financial Statements

Consolidated income statement

for the period January 1 to June 30, 2007

(€ thousand)	January 1 – June 30, 2007	January 1 – June 30, 2006	April 1 – June 30, 2007	April 1 – June 30, 2006
Sales	**3,199,441**	**2,740,635**	**1,649,731**	**1,417,740**
Other operating income	32,200	27,054	22,658	13,395
Change in inventories	–1,069	–2,262	–4,101	–2,985
Capitalized expenses for own work	2	63	–5	34
Cost of materials	–2,563,511	–2,137,133	–1,317,791	–1,098,730
Personnel expenses	–255,038	–233,593	–135,554	–118,694
Depreciation	–28,896	–29,030	–15,250	–14,358
Exceptional depreciation of fixed assets because of impairment of value	–80	–82	–80	–39
Other operating expenses	–217,397	–211,836	–112,433	–107,164
Operating results	**165,652**	**153,816**	**87,175**	**89,199**
Income from investments	0	9	0	0
Financial income	2,526	2,619	1,721	1,163
Financial expenses	–65,362	–30,726	–54,139	–15,105
Financial results	**–62,836**	**–28,107**	**–52,418**	**–13,942**
Income before taxes	**102,816**	**125,718**	**34,757**	**75,257**
Income taxes	–33,161	–34,828	–11,625	–21,636
Group results	**69,655**	**90,890**	**23,132**	**53,621**
of which related to: Klöckner & Co Aktiengesellschaft shareholders	59,299	75,793	19,150	44,908
Minorities	10,356	15,097	3,982	8,713
Earnings per share	1.28	1.63	0.41	0.97

Consolidated balance sheet

as of June 30, 2007

ASSETS (€ thousand)	June 30, 2007	December 31, 2006
Non-current assets		
Intangible assets	211,090	32,229
Property, plant and equipment	507,834	500,548
Financial assets	4,692	4,578
Other assets	13,079	13,456
Deferred tax assets	31,274	28,670
Total non-current assets	**767,969**	**579,481**
Current assets		
Inventories	1,094,606	841,029
Trade receivables	1,212,194	932,898
Income tax assets	12,854	8,373
Other assets	61,465	49,384
Cash and cash equivalents	73,951	130,156
Non-current assets held for sale	10,663	10,387
Total current assets	**2,465,733**	**1,972,227**
Total assets	**3,233,702**	**2,551,708**

EQUITY AND LIABILITIES (€ thousand)	June 30, 2007	December 31, 2006
Equity		
Subscribed capital	116,250	116,250
Capital reserves	197,699	197,699
Earnings reserves	326,174	372,711
Equity attributed to shareholders of Klöckner & Co AG	640,123	686,660
Minority interests	73,790	112,789
Total equity	**713,913**	**799,449**
Liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	193,617	192,642
Other provisions	55,106	55,256
Income tax liabilities	0	34
Financial liabilities	935,862	416,161
Other liabilities	12,326	8,746
Deferred tax liabilities	80,117	70,746
Total non-current liabilities	**1,277,028**	**743,585**
Current liabilities		
Provisions	190,192	186,272
Income tax liabilities	38,953	28,754
Financial liabilities	124,931	64,707
Trade payables	775,518	639,444
Other liabilities	113,167	89,497
Total current liabilities	**1,242,761**	**1,008,674**
Total liabilities	**2,519,789**	**1,752,259**
Total equity and liabilities	**3,233,702**	**2,551,708**

Development of equity

(€ thousand)	Subscribed capital of Klöckner & Co AG	Capital reserves of Klöckner & Co AG	Earnings reserves	Thereof currency adjust-ments	Equity attri-buted to Klöckner & Co AG share-holders interests	Minority interests	Total equity
Status as of Jan. 1, 2006	25	44,649	185,712	(6,606)	230,386	92,722	323,108
Changes not affecting net income							
Issue costs minus deferred taxes		– 3,253			– 3,253		– 3,253
Dividends					0	– 6,125	– 6,125
Capital increase	116,225	153,050			269,275		269,275
Other changes not affecting net income			–181		–181	181	
Currency adjustments			– 5,222	(– 5,222)	– 5,222	– 550	– 5,772
Net income from Jan. 1 to June 30, 2006			75,793	0	75,793	15,097	90,890
Status as of June 30, 2006	**116,250**	**194,446**	**256,102**	**(1,384)**	**566,798**	**101,325**	**668,123**
Status as of Jan. 1, 2007	116,250	197,699	372,711	(– 9,204)	686,660	112,789	799,449
Changes not affecting net income							
Dividends			– 37,200		– 37,200	– 7,753	– 44,953
Acquisition of minorities interests			– 66,491		– 66,491	– 39,725	– 106,216
Other changes not affecting net income			1,110		1,110		1,110
Currency adjustments			– 3,255	(– 3,255)	– 3,255	– 1,877	– 5,132
Net income from Jan. 1 to June 30, 2007			59,299		59,299	10,356	69,655
Status as of June 30, 2007	**116,250**	**197,699**	**326,174**	**(– 12,459)**	**640,123**	**73,790**	**713,913**

Cash flow statement

for the period from January 1, 2007 to June 30, 2007

(€ thousand)	January 1 – June 30, 2007	January 1 – June 30, 2006
Income before taxes	102,816	125,718
Financial results	62,836	28,107
Depreciation/impairment on non-current assets	28,976	28,700
Other non-cash expenses/income	– 191	2,080
Results from the disposal of non-current assets and non-current assets held for sale	– 6,393	– 5,146
Operating cash flow	**188,044**	**179,459**
Changes in provisions	– 573	– 2,256
Changes in current assets and liabilities		
– Inventories	– 154,513	– 114,307
– Trade receivables	– 221,748	– 221,864
– Other current assets	–10,945	– 3,157
– Trade payables	73,540	150,031
– Other liabilities	4,800	28,573
Income tax payments	– 18,953	– 26,017
Cash flow from operating activities	**– 140,348**	**– 9,538**
Inflows from the disposals of non-current assets and non-current asssts held for sale	15,320	34,497
Outflows for investments in non-current assets	– 21,006	– 12,955
Outflows for investments in consolidated subsidiaries	– 345,055	– 3,535
Cash flow from investing activities	**– 350,741**	**18,007**
Capital increase	0	101,140
Dividend distributions to Klöckner & Co AG shareholders	–37,200	0
Dividend distributions to minorities	– 7,753	– 6,125
Borrowing	852,151	190,827
Redemption of financial liabilities	– 320,911	– 130,102
Interest paid	– 53,009	– 20,294
Interest received	1,880	1,285
Cash flow from financing activities	**435,158**	**136,731**
Changes in cash and cash equivalents	**– 55,931**	**145,200**
Effect of exchange rate changes and other changes in cash and cash equivalents	– 274	– 817
Cash and cash equivalents at the beginning of the period	130,156	79,551
Cash and cash equivalents at the end of the period	**73,951**	**223,934**

Selected explanatory notes on the interim consolidated financial statements of Klöckner & Co Aktiengesellschaft as of and for the six-month period ended June 30, 2007

(1) Corporate information

The parent corporation of the Group is Klöckner & Co AG, Duisburg in Germany. It is registered under HRB 18561 in the commercial register of Duisburg Local Court and domiciled in Duisburg, Am Silberpalais 1.

The Group is one of the largest mill-independent multi metal distribution companies worldwide and engages in key markets in Europe and North America. Alongside the trade with steel, aluminum and various industrial products, it offers a range of associated services as well.

Of its 21 million shares (45.2%) in Klöckner & Co AG held as of December 31, 2006, Multi Metal Investment S.à r.l. sold 13.8 million shares off the stock exchange on January 26, 2007, thus reducing its holding to 15.5%. On April 20, 2007, this stake was sold to large institutional investors. The notification according to § 21 subsection 1 WpHG indicating that Multi Metal Investment S.à r.l. no longer has a voting interest in Klöckner & Co AG was made on April 23, 2007. The free float at Klöckner & Co AG is thus 100%.

(2) Basis of presentation

The unaudited interim consolidated financial statements as of and for the six-month period ended June 30, 2007, were prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting and was subject to an audit review. The interpretations of the International Financial Reporting Interpretation Committee (IFRIC) are taken into account. All figures of the previous periods were established on the same principles.

The combined interim consolidated financial statements as of and for the six-month period ended June 30, 2007 do not include all the information and disclosures required for full annual consolidated financial statements according to IFRS. The interim financial statements are to be read in connection with the consolidated financial statements as of December 31, 2006, which is presented in line with the IFRS, as they are to be applied in the EU.

In the opinion of the Management Board, the interim consolidated financial statements as of and for the six-month period ended June 30, 2007 includes all adjustments considered to be necessary for a fair view of results. Results for the period ended June 30, 2007 are not necessarily indicative of future results. The interim consolidated financial statements as of and for the six-month period ended June 30, 2007 were authorized for issuance in accordance with a resolution passed by the Management Board on August 13, 2007.

The consolidated financial statements were prepared on a historical acquisition and manufacturing cost basis, except for certain financial instruments. The consolidated financial statements are presented in euro since this is the currency in which the majority of the Group's transactions are denominated. All amounts are stated in million euros (€ million). There can be deviations to the unrounded figures.

(3) Significant accounting policies

For the interim consolidated financial statements as of and for the six-month period ended June 30, 2007, the Group applies in principle the same accounting policies as those applied by Klöckner & Co AG as of and for the year ended December 31, 2006.

The preparation of the interim consolidated financial statements as of and for the period ended June 30, 2007 required the Board of Management of the Klöckner & Co Group to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period. An adjustment is recognized in the period of the revision and future periods if the change affects both current and future periods.

In preparing these interim consolidated financial statements as of and for the six-month period ended June 30, 2007, no significant changes concerning the estimates made by Management in applying the Group's accounting policies were recognized compared to December 31, 2006.

Income tax expense is calculated based on the best estimate of the weighted average annual income tax rate applicable for tax calculation for the full financial year.

(4) Special effects on results

The key factor impacting the six-month result was the repayment of the high yield bond, including writing back transaction costs of €38.5 million, posted to net interest income. Other operating income includes provisions written back of €7.1 million, book profits on the disposal of assets of €6.5 million and currency gains of €8.1 million, against which there are currency losses of €9.0 million included in other operating expenses.

The interim consolidated financial statements for the period ended June 30, 2007 contains bonus income not relating to the period at approximately the same level as the previous year. This is because it was not possible to make any reliable estimates in the 2006 consolidated financial statements.

(5) Changes in the organizational structure of the entity

In the first six months of 2007, the Group structure changed as follows:

- On January 25, 2007, Klöckner Distribution Industrielle S.A., France (KDI), fully acquired the French Tournier Group. Among the operations acquired were a mill-independent steel service center in the vicinity of Paris and a further storage location in Nantes. Since January 1, 2007, the companies have been included in the consolidated financial statements. Since the initial consolidation, sales of €20.8 million were generated, with a result of €0.4 million being posted.

- By way of contract dated April 2, 2007, the Dutch ODS B.V. purchased 100% in the distribution corporation Teuling Staal B.V. with head offices in Barendrecht near Rotterdam, Netherlands. Since the initial consolidation on April 1, 2007, with 16 employees Teuling gained sales of €4.8 million and generated a result of €0.5 million. If Teuling had been included in the Group financial statements from January 1, 2007, the company would have posted sales of €7.9 million and a result of €1.4 million in the consolidated interim financial statements.

- On April 13, 2007, Namasco Corporation, USA signed an agreement to purchase a 100% stake in the distribution corporation Primary Steel LLC, with head offices in Middletown, Connecticut, USA, and two subsidiaries. The provisional acquisition costs were €183.2 million. On the basis of a mechanism specified in the purchase agreement the final purchase price will be defined in September 2007. Primary Steel LLC has seven branches in North America and employs some 412 staff. This company has been consolidated since May 11, 2007 (closing). The contribution to group sales is €54.2 million. The contribution to the consolidated result is €–0.4 million. Initial consolidation on January 1, 2007 would have impacted sales by €195.0 million and the result by €7.1 million. The provisional goodwill is €73.7 million. It represents future earnings expectations and access to regions in which the Klöckner Group had not previously been represented. In addition to the goodwill, customer lists and a trade name were carried at €57.8 million. Due to the provisional nature of the purchase price and the complexity of the data material, the allocation of the purchase price may still change.

- As of May 1, 2007, the 100% stake in Edelstahlservice Verkaufsgesellschaft mbH, Frankfurt, acquired by Klöckner Stahl- und Metallhandel GmbH, Duisburg, Germany (KSM) and the Hungarian subsidiary Edelstahlservice Mágocs Nemesacélfedolgózó Kft. are included in the consolidated financial statements. Together the companies have 49 employees. Since this point in time, the two companies have generated sales of €3.3 million and a result of €0.1 million. If the companies had been consolidated on January 1, 2007 they would have contributed sales of €10.4 million and a result of €0.7 million to the consolidated figures.

- KSM also purchased the steel distribution of Max Carl GmbH & Co KG, Coburg, with 19 employees and the steel trade of Zweygart Fachhandelsgruppe GmbH & Co KG, Stuttgart with 22 employees. Both companies were included in the consolidated financial statements as of June 1, 2007. Since this time, sales of the companies total €1.5 million and the results contribution was marginally positive. If consolidation had taken place from January 1, 2007, the sales contribution would have been €9.1 million. The earnings contribution would have been marginally positive.

- With an agreement dated May 24, 2007, Namasco Corporation, USA purchased a 100% stake of the distribution company Premier Steel Inc. with 34 employees. The company has been included in the consolidated financial statements since May 24, 2007. Since then it has contributed €2.5 million to Group sales, but has not yet made a contribution to the Group result. Since January 1, 2007, the company has generated sales of €12.6 million and a result of €0.7 million.

- On June 15, 2007, Klöckner UK Holdings Ltd. signed an agreement to purchase a 100% stake in Westok Ltd., Horbury, Great Britain. The company has 90 employees and specializes in the manufacturing and distribution of special steel beams. As special regulations on the control of the company had already been in place before the final closing, the company is included in the consolidated financial statements from April 1, 2007. The company contributed €8.1 million to consolidated sales and €0.1 million to results. If the company had been included in the consolidated financial statements from January 1, 2007, it would have contributed sales of €15.3 million and results of €1.0 million.

The acquired assets and liabilities break down as follows:

(in € million)	Non-current assets		Current assets		Non-current liabilities		Current liabilities	
	Carrying amount before/after initial consolidation							
	before	after	before	after	before	after	before	after
Tournier Group	0.9	4.0	17.0	17.0	0.0	0.1	9.8	9.8
Teuling Staal B.V.	0.5	7.1	10.7	10.9	0.0	2.0	2.6	2.6
Primary Steel LLC	10.1	145.1	128.0	131.8	0.0	0.0	93.6	93.6
Company acquisitions in Germany	7.1	13.1	8.5	8.8	0.4	2.8	4.9	4.9
Premier Steel Inc.	0.6	8.0	4.1	4.2	0.0	0.0	1.5	1.5
Westok	4.2	29.6	8.2	8.2	0.0	7.7	8.5	8.5
Total	**23.4**	**206.9**	**176.5**	**180.9**	**0.4**	**12.6**	**120.9**	**120.9**

Company acquisitions without taking into account the purchase of further stakes in Debrunner König Holding AG, St. Gallen, Switzerland result in acquisition costs of €253.5 million, €5.8 million of which does not yet impact cash. In the process, a total of €8.9 million cash and cash equivalents were acquired.

Noncurrent assets acquired include intangible assets such as customer lists, brands, patents etc., totaling €103.5 million.

After implementing the distribution of the purchase price, goodwill of €78.9 million results, some of it provisional. This represents future earnings expectations and access to regions in which the Klöckner Group had not previously been represented. In addition, there was negative goodwill of €1.3 million which was posted under other operating income.

Subsequently paid taxes relating to the period before the acquisition of the AESGA Group in 2006 increased goodwill by €0.6 million to €4.7 million.

(6) Acquisitions and disposals of non-current assets

During the six-month period from January 1, 2007 to June 30, 2007, in addition to acquiring companies, the Klöckner & Co Group acquired non-current assets totaling €21.0 million, of which €1.8 million related to intangible assets and €0.4 million to financial assets.

With an agreement dated May 31, 2007, Klöckner & Co Beteiligungs GmbH acquired a further stake of 18% in Debrunner König Holding AG, St. Gallen, Switzerland (DKH) and now holds a 78% stake. As a result of this transaction, the minorities share in equity was reduced by €39.7 million. The difference between the acquired equity share in DKH and the purchase price posted in majority share of equity not affecting net income. Accordingly the equity allocated to Klöckner & Co AG shareholders declined by €66.5 million.

By way of the consolidation of locations in North America and the corresponding extension of the warehouse in Dubuque, orders were placed in the amount of €4.8 million. In this regard €4.3 million were capitalized in the balance sheet to the end of June 2007. New building and reconstruction orders amounting to €3.6 million were placed for the New Orleans branch which was heavily damaged in August 2005 and for which the company received insurance payments in 2005 and 2006. €2.0 million thereof was capitalized as fixed assets.

The French organization invested a further €0.6 million in the construction project on La Réunion, which has been ongoing since 2005. In addition, the warehouse in Porte Les Valences was extended with capital expenditure of €1.5 million.

As of June 30, 2007, non-current assets with a carrying amount of €8.9 million were disposed of by the Klöckner & Co Group. This includes property sales and the disposal of a production facility in Switzerland which resulted in gains of €4.3 million and €0.8 million respectively. In addition, the Pella and Des Moines locations in the USA were sold with a gain of €0.5 million. The disposal of the French location Dijon on January 3, 2007 resulted in a gain of €0.6 million.

The order commitment for investments amounts to €2.1 million.

(7) Non-current assets held for sale

Non-current assets held for sale changed in 2007 as follows:

- As a result of the acquisition of Primary Steel LLC, technical machinery and equipment with a total value of €0.2 million were posted as held for sale.

- In the first six months of 2007, no non-current assets held for sale were disposed.

(8) Segment reporting

(in € million)	North America 2007	North America 2006	Europe 2007	Europe 2006	Headquarters/ Consolidation 2007	Headquarters/ Consolidation 2006	Total 2007	Total 2006
Segment sales	486.0	448.2	2,713.4	2,292.4	0	0	3,199.4	2,740.6
EBITDA*	32.5	38.9	178.4	169.0	– 16.3	– 25.0	194.6	182.9
Segment result (EBIT)*	26.9	35.3	159.4	150.1	– 20.6	– 31.6	165.7	153.8
Impact on earnings from spinning off pensions	0	0	0	27.9	0	– 27.9	0	0
Number of employees on June 30 (Dec. 31, 2006)	1,627	1,204	8,606	8,368	125	116	10,358	9,688

*Without the earnings impact of internally spinning off pensions in 2006.

Acquisitions in the first six months of 2007 contain the following values: North America segment: Sales €56.7 million, EBIT €1.6 million, EBITDA €3.2 million. Europe segment: Sales €38.5 million, EBIT €1.0 million, EBITDA €2.5 million.

(9) Financial liabilities

During the first six months of 2007, gross liabilities increased by €575.1 million to €1,070.1 million. After deduction of liquid funds, the amount of net liabilities increased from €364.8 million to €996.1 million.

(in € million)	June 30, 2007	December 31, 2006
Non-current financial liabilities		
Notes	0.0	164.0
Liabilities to financial institutions	585.7	88.6
Liabilities arising from ABS program	338.5	150.2
Finance lease liabilities	11.7	13.4
Total non-current financial liabilities	**935.9**	**416.2**
Current financial liabilities		
Notes	0.0	2.2

Liabilities to financial institutions	120.9	58.2
Liabilities arising from ABS program	0.3	0.0
Finance lease liabilities	3.7	4.3
Total current financial liabilities	**124.9**	**64.7**
Financial liabilities acc. to balance sheet	**1,060.8**	**480.9**
Transaction costs	9.3	14.1
Total financial liabilities	**1,070.1**	**495.0**

The Dutch ODS B.V. was included in the European ABS program by contract dated April 16, 2007. The program was extended from €380 million to €420 million.

On May 2, 2007 Klöckner & Co AG, Duisburg, signed an agreement on a multi-currency revolving credit facility. The facilities with the key banks of the Klöckner & Co Group were substantially oversubscribed. This was the context for the facility being increased from €450 million to €600 million, with all banks scaling back substantially. The credit facility has a duration of 3 years, with two options allowing an extension to 5 years. This transaction generated transaction costs of €2.5 million which are amortized over 3 years.

In view of the further optimization of the Klöckner & Co Group's financing structure, the outstanding high yield bond of €170 million plus outstanding interest of €1.5 million was paid back on June 15, 2007. This resulted in early repayment charges and redemption costs of €38.5 million which are posted in the financial results.

(10) Phantom Stock Program

A commitment of a phantom stock program in five tranches was made to the Klöckner & Co AG Management Board on December 31, 2006. In HY1 2006, no such commitments had been made. In the first half of 2007, the program was extended to members of the executive management and senior management of the subsidiary as well as senior management of the holding company. The commitment related to the first tranch and contained 112,000 shares.

(11) Related parties

The provision for Management Board member phantom stock options was increased from €3.3 million to €10.7 million.

With effect from the end of the Annual General Meeting on June 20, 2007, the following persons left the Klöckner & Co AG Supervisory Board:

Alan E. Goldberg,	Managing Partner, Lindsay Goldberg & Bessemer, New York/USA
Robert D. Lindsay,	Managing Partner, Lindsay Goldberg & Bessemer, New York/USA

To the end of the Annual General Meeting, the following persons joined the Supervisory Board:

Dr. Jochen Melchior, Essen,	former CEO at the former STEAG AG, Essen
Dr. Hans-Georg Vater, Ratingen,	former member of the Management Board of HOCHTIEF Aktiengesellschaft, Essen

(12) Subsequent events

On July 4, 2007, Bitempo AG, Düsseldorf, a management consultancy company operating in the IT area took a 49% share in Klöckner Information Services GmbH (KIS), the service provider for the Klöckner & Co Group.

On July 18, 2007, Klöckner & Co AG placed a convertible bond of €325 million. The bond was issued by Klöckner & Co Finance International S.A. (the issuer), a 100% Luxembourg subsidiary of Klöckner & Co, guaranteed by Klöckner & Co and is convertible into existing or new Klöckner & Co shares.

The bond has a duration of five years. The bond has a coupon of 1.50% p.a. The conversion price was set at €80.75. This represents a premium of 35% over the €59.8146 reference price and a premium of approximately 405% on the IPO price. On the basis of the conversion price, the bond can be based on up to approximately 4.3 million Klöckner & Co shares. The proceeds from the sale of the convertible bond are to be used partly to further the successful acquisition strategy.

(13) 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, 2007

Klöckner & Co AG
Board of Management

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 impacts 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.

Without prejudice to existing obligations under capital market law, Klöckner & Co Aktiengesellschaft 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 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.

Financial Calender 2007

September 18/19	Analysts' and Investors' Meeting
November 14	Q3 interim report 2007

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