klöckner & co

multi metal distribution

Interim Report as of June 30, 2006

Klöckner & Co Group in key figures

Income Statement		Q2 2006	Q2 2005	HY1 2006	pro forma** Mar. 16 – Jun. 30, 2005*	pro forma** HY1 2005
Sales	€ million	1,418	1,348	2,741	1,560	2,556
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	104	46	183	57	100
Earnings before interest and taxes (EBIT)	€ million	89	31	154	40	67
Earnings before taxes (EBT)	€ million	75	3	126	10	29
Earnings after taxes (EAT)	€ million	54	-5	91	0	6
Earnings per share (undiluted)	€	0.97	–	1.63	–	–

Cash Flow Statement		HY1 2006	Mar. 16 – Jun. 30, 2005	pro forma HY1 2005
Cash Flow from operating activities	€ million	-10	13	-62
Cash Flow from investing activities	€ million	18	-7	-7

Balance Sheet		Jun. 30, 2006	Dec. 31, 2005
Working Capital***	€ million	1,112	957
Net financial debt	€ million	482	719
Equity	€ million	668	323
Balance sheet total	€ million	2,676	2,256

Key figures		HY1 2006	HY1 2005	pro forma HY1 2005
Turnover	to '000	3,206	–	2,949
Employees at year-end		9,328	9,533	–

* before the release of the negative goodwill of € 147 million
** before the release of the pro forma negative goodwill of € 139 million
*** Working Capital = Inventories plus Trade receivables less trade payables

Explanation of pro formas:

The 2005 Financial Information on pro formas aims to provide improved insights into the consolidated result of operations and the financial situation of the Group. It indicates the effects that would have been felt by the change in stockholder as at March 16, 2005 on historical sales if the Group had been organized as early as at January 1, 2005 in the structure created by the corporate transaction concluded with effect from March 16, 2005.

Klöckner & Co continues its successful course

Klöckner & Co continued its successful course of further development during the second quarter of 2006. The most important features were as follows:

- Initial Public Offering (IPO) successfully completed despite difficult capital market environment
- Further marked improvement in results
- Consistent reduction in liabilities
- Further acceleration of expansion through acquisitions
- Positive outlook for whole year

Initial Public Offering (IPO) successfully completed despite difficult capital market environment

Since June 28, 2006 – the day on which the traditional Klöckner & Co corporation became 100 years old – Klöckner & Co stock has been successfully traded in the Prime Standard on the Frankfurt Stock Exchange. Given the difficult stock market environment, Klöckner & Co was able to convince the capital market with its model of business and growth potential. On account of the current inflow of funds and improvements in tapping into the capital market, the Klöckner & Co Group considers itself well prepared to actively accelerate the ongoing consolidation process by way of selective acquisitions.

Further marked improvement in results

In its business on the multi metal markets in Europe and North America, the Klöckner & Co Group exceeded expectations in its exploitation of the very positive developments in most steel and metal products markets in the first 6 months of 2006, returning results which lay significantly above those achieved in 2005.

The 8.7% increase in turnover in tons triggered a 7.2% increase in corporate sales in the first six months of 2006, which consequently reached about €2.7 billion. Increased turnover in tons and improved profit margins brought about a sharp rise in gross profit for the Group.

Supported by the successful launch of the Star performance program, the EBITDA recorded for the Group was €182.9 million and thus up by some €83.3 million over the comparative figure for the first 6 months of 2005, before the release of the negative goodwill. The European segment, like that for North America, returned EBITDA figures of €169.0 million and €38.9 million respectively, a considerable increase over the relative figures for the previous year.

Group EBIT during the first six months of 2006 came to €153.8 million, which is an €87 million increase over the figure for the first 6 months of 2005, before the release of the negative goodwill. EBT from operations was also up significantly, by €96.5 million, reaching the €125.7 million mark.

Consistent reduction in debt

Net liabilities continued to fall in the first half of 2006, reaching €482.2 million by the end of June – considerably lower than the figure of €719.4 million returned for the previous year. The Group balance sheet total as of June 30, 2006, had risen to some €2.7 billion, about €420 million above the value as per December 31, 2005. This increase in total assets and liabilities was driven essentially by increased volumes and prices. The most noticeable effects were among the short-term assets, in "inventories" and "receivables from deliveries and services". In addition, cash assets in hand as at and for the six month period ended June 30, 2006 were exceptionally high on account of the gross capital increase of €104 million. Property, plant and equipment were further reduced during the first half of the year in line with the long-term strategy to reduce commitment of funds; the funds so released were also used to reduce Group liabilities.

Further acceleration of expansion through acquisitions

Besides the acquisition of the distributor company Targe in France, the Group pressed ahead with several attractive acquisition projects in Europe and North America, these being marked by strategic significance. This has already resulted in additional takeovers, some at the beginning of the second half of 2006. Thus in Spain the Aesga Catalunya S.A. and the affiliated Aesgasa Aceros Especiales y Suministros en General S.A., two companies devoting their attention primarily to the distribution of special-alloy steels, were absorbed in July of 2006. Beyond that, an agreement to assume control of the holdings of a competitor located in the Midwest, USA, was signed. The sales volume for this distributor came to €55 million in 2005.

Positive outlook for whole year

The economic outline conditions for metal distribution are stable in the summer of 2006 and continue to be favorable. Positive developments in steel production are also expected for the second half of the year, given a positive order situation among producers and a sharp demand on the part of the consumer industries.

Ongoing implementation of the Star performance program and the expansion strategy, along with current trends and forecasts given by buying industries in the regions that are relevant for Klöckner & Co, are grounds to expect a positive business development for the second half of the year 2006. Against this background, we expect to be able to maintain the successful course of development during the second half of 2006 and to return consolidated results for the whole of 2006 that are substantially higher than comparative figures for the previous year. To match these improvements in results, we also expect to record a positive development in operating cash flow for the whole of 2006 in conjunction with a further reduction in liabilities as at the end of the year.

Contents

Consolidated income statement

for the period January 1 to June 30, 2006

(EUR thousand)	January 1– June 30, 2006	March 16– June 30, 2005	April 1– June 30, 2006	April 1– June 30, 2005
Sales	**2,740,635**	**1,560,309**	**1,417,740**	**1,348,339**
Other operating income	27,054	22,780	13,395	21,742
Change in inventories	-2,262	-3,418	-2,985	-3,538
Capitalized expenses for own work	63	54	34	45
Cost of materials	-2,137,133	-1,271,378	-1,098,730	-1,100,927
Personnel expenses	-233,593	-132,843	-118,694	-115,374
Depreciation	-29,030	-16,757	-14,358	-14,708
Exceptional depreciation of fixed assets because of impairment of value	-82	0	-39	0
Other operating expenses	-211,836	-118,743	-107,164	-104,455
Operating results before special income and expenses	**153,816**	**40,004**	**89,199**	**31,124**
Release of negative goodwill	0	147,094	0	0
Operating results	**153,816**	**187,098**	**89,199**	**31,124**
Income from investments	9	58	0	53
Financial income	2,619	1,561	1,163	1,373
Financial expenses excluding transaction costs	-30,726	-19,502	-15,105	-17,356
Financial results before transaction costs	**-28,107**	**-17,941**	**-13,942**	**-15,983**
Transaction costs	0	-11,911	0	-11,911
Financial results	**-28,107**	**-29,852**	**-13,942**	**-27,894**
Income before taxes	**125,718**	**157,304**	**75,257**	**3,283**
Income taxes	-34,828	-9,730	-21,636	-8,751
Results before minority interests	**90,890**	**147,574**	**53,621**	**-5,468**
Minority interests	15,097	4,721	8,713	4,161
Net income of parent company's shareholder	**75,793**	**142,853**	**44,908**	**-9,629**
Earnings per share	1.63	–	0.97	–

Consolidated balance sheet

as of June 30, 2006

Assets (EUR thousand)	June 30, 2006	December 31, 2005
Long-term assets		
Intangible assets	12,024	14,982
Property, plant and equipment	514,909	548,968
Financial assets	4,149	4,538
Other assets	12,352	11,486
Deferred tax assets	13,890	15,425
Total long-term assets	**557,324**	**595,399**
Short-term assets		
Inventories	788,547	693,469
Trade receivables	1,005,600	799,606
Securities	90	79
Income tax assets	10,187	14,174
Other assets	51,017	51,352
Cash and cash equivalents	223,844	79,472
Subtotal short-term assets	**2,079,285**	**1,638,152**
Long-term assets held for sale	562	22,457
Asset groups held for sale	38,986	0
Total short-term assets	**2,118,833**	**1,660,609**
Total assets	**2,676,157**	**2,256,008**

Equity and liabilities (EUR thousand)	June 30, 2006	December 31, 2005
Equity		
Subscribed capital	116,250	25
Capital reserves	194,446	44,649
Earnings reserves	256,102	185,712
Total majority interests	566,798	230,386
Minority interests	101,325	92,722
Total equity	**668,123**	**323,108**
Liabilities		
Long-term liabilities		
Provisions for pensions and similar obligations	190,858	192,862
Other provisions	55,159	55,325
Financial liabilities	564,804	588,779
Other liabilities	444	1,185
Deferred tax liabilities	75,270	82,897
Total long-term liabilities	**886,535**	**921,048**
Short-term liabilities		
Provisions	187,026	185,185
Income tax liabilities	31,896	19,592
Financial liabilities	122,469	189,823
Trade payables	682,161	536,055
Other liabilities	86,460	81,197
Total short-term liabilities	**1,110,012**	**1,011,852**
Groups of liabilities held for sale	11,487	0
Total liabilities	**2,008,034**	**1,932,900**
Total equity and liabilities	**2,676,157**	**2,256,008**

Development of equity and minority interests of consolidated financial statements from January 1, 2006 to June 30, 2006

(EUR thousand)	Subscribed capital	Capital reserves	Earnings reserves	Currency adjust-ments	Total Majority interests	Minority interests	Total Equity
Initial consolidation as of March 16, 2005	25	67,349	-3,128		64,246	90,720	154,966
Changes not affecting net income							
Dividends/changes						-10,312	-10,312
Contribution to capital reserves		16,000			16,000		16,000
Currency adjustments				2,677	2,677	102	2,779
Net income from March 16 to June 30, 2005			142,853		142,853	4,721	147,574
- of which negative goodwill			(147,094)		(147,094)		(147,094)
Status as of June 30, 2005	**25**	**83,349**	**139,725**	**2,677**	**225,776**	**85,231**	**311,007**
Status as of January 1, 2006	25	44,649	179,106	6,606	230,386	92,722	323,108
Changes not affecting net income							
Transaction costs less deferred tax		-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 effecting net income			-181		-181	181	
Currency adjustments				-5,222	-5,222	-550	-5,772
Net income from January 1 to June 30, 2006			75,793		75,793	15,097	90,890
Status as of June 30, 2006	**116,250**	**194,446**	**254,718**	**1,384**	**566,798**	**101,325**	**668,123**

Cash flow statement

for the period from January 1, 2006 to June 30, 2006

(EUR thousand)	January 1 – June 30, 2006	March 16 – June 30, 2005
Results before taxes and transaction costs	125,718	169,215
Interest	28,107	17,941
Depreciation/write-ups of fixed assets	28,700	16,757
Other non-cash expenses/income	2,080	-147,094
Results from the disposal of fixed assets and long-term assets held for sale	-5,146	-1,040
Changes in provisions	-2,256	-2,303
Changes in current assets and liabilities		
– Inventories	-114,307	99,943
– Trade receivables	-221,864	-59,599
– Other current assets	-3,157	570
– Trade payables	150,031	-24,283
– Other liabilities	28,573	-29,697
Transaction costs	0	-11,911
Income tax payments	-26,017	-15,221
Cash flow from operating activities	**-9,538**	**13,278**
Inflow from the disposal of fixed assets and long-term assets held for sale	34,497	6,068
Outflow for investments in fixed assets	-16,490	-12,716
Cash flow from investing activities	**18,007**	**-6,648**
Capital increase	101,140	16,000
Dividend distributions of Group Companies to shareholder/ to third parties	-6,125	-10,312
Borrowing	190,827	259,896
Redemption of financial liabilities	-130,102	-300,000
Redemption of financial liabilities to shareholder	0	24,000
Interest paid	-20,294	-14,369
Interest received	1,285	1,706
Cash flow from financing activities	**136,731**	**-23,079**
Changes in cash and cash equivalents	**145,200**	**-16,449**
Effect of exchange rate changes and other changes in cash and cash equivalents	-817	2,272
Cash and cash equivalents at the beginning of the period	79,551	146,240
Cash and cash equivalents at the end of the period	**223,934**	**132,063**

Selected explanatory notes on the condensed interim consolidated financial statements of Klöckner & Co AG as at and for the six month period ended 30 June, 2006

(1) Corporate information

The parent corporation of the Group is Klöckner & Co AG, domiciled in Germany and registered under HRB 18561 in the commercial register of the local district court of Duisburg. Lindsay Goldberg & Bessemer L.P., domiciled in the United States, is the ultimate parent corporation which is not included in the Group financial statements.

The Group is one of the largest mill-independent multi metal distributors worldwide and operates in each of the major markets in Europe and North America. Beside the distribution of steel, aluminum and several industrial products, the Group offers customers a broad range of services.

As per December 17/18, 2004, a German corporation of Lindsay Goldberg & Bessemer (LGB), New York acquired from WestLB, Düsseldorf 94.9% and from HSH Nordbank AG, Hamburg 5.1% of the stock of the former Klöckner & Co AG. The passage of title took place as per March 16, 2005 and a new Group was formed as per this date, the parent corporation of which was Multi Metal Holding GmbH. Conversion of Multi Metal Holding GmbH into a stock corporation and the change of name to Klöckner & Co AG took place on June 1, 2006.

As per June 28, 2006, LGB sold 10 million of the 40 million units of stock in its overall possession on the stock exchange. There is a minimum holding period of 12 months for the remaining 30 million units. Parallel to this operation, Klöckner & Co AG issued 6.5 million new units of stock at an offering price of €16.00 per unit which are also being traded on the stock exchange. The proceeds of €104.0 million resulting from this issue were used to increase subscribed capital by €16.25 million; the remaining €87.75 million were transferred to capital reserves. LGB currently has a 64.5% holding in Klöckner & Co AG.

(2) Comparative figures

As the Klöckner & Co Group started to exist on March 16, 2005, comparative figures for the income statement and cash flow statement in the condensed interim consolidated financial statements relate to the time period March 16 to June 30, 2005.

(3) Basis of presentation

The condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006, have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting for interim reporting. The interpretations of International Financial Reporting Interpretation Committee (IFRIC) are taken into account. All figures of the previous periods are established on the same principles.

As a result, the condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006 do not include all the information and disclosures required for full annual consolidated financial statements according to IFRS. Supplementary and additional information relating to these condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006 are stated in the consolidated financial statements for Klöckner & Co AG as at and for the year ended December 31, 2005, which was also prepared in accordance with IFRS and IFRIC interpretations.

In the opinion of Management, the condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006 include all adjustments considered to be necessary for a fair view of results. Results of the period ended June 30, 2006 are not necessarily indicative of future results. The condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006 were authorized for issuance in accordance with a resolution passed by the Management Board on August 28, 2006.

The IFRSs that will be effective or available for voluntary early adoption in the annual consolidated financial statements as at and for the year ended December 31, 2006 are still subject to change or to issuance of additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined finally only in preparation of the IFRS financial statements as at December 31, 2006.

The consolidated financial statements have been prepared on a historical acquisition and manufacturing cost basis, except for certain financial instruments. The consolidated financial statements are presented in Euros since this is the currency in which the majority of the Group's transactions are denominated, with all amounts rounded to million; this may result in differences compared to the unrounded figures.

(4) Significant accounting policies

For the condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006, the Group applied the same accounting policies as those applied by Klöckner & Co AG as at and for the year ended December 31, 2005.

According to IAS 34.30 (c), 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.

(5) Special effects on results

The preparation of the condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006 requires Management of the Klöckner & Co Group to make judgements, 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.

Except as described below, in preparing these condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006, no significant changes concerning the estimates made by Management in applying the Group's accounting policies have been recognized compared to December 31, 2005:

- In the first six months of 2006, Klöckner Distribution Industrielle S.A., France, received bonus earnings totaling between €1 to 9 million for steel products relating to financial year 2005. Recognition is carried out in the first six months of 2006 in accordance with payment of bonuses, due to the fact that no binding bonus agreements exist between Klöckner Distribution Industrielle S.A. and its suppliers and an accurate determination of potential claims by local management was therefore impossible in 2005.

- Every year Klöckner Distribution Industrielle S.A. closes the books in the middle of December; therefore revenues realized during the second half of December are stated in the first quarter of the following year. This approach leads to a gross profit increase in the first quarter of 2006. The corporation estimates gross profit for the second half of December 2005 to be approx. €2.0 million.

- In the Spanish sub-Group, the location San Adrian de Besos – stated as asset held for sale as of December 31, 2005 – was sold at approximately Group carrying amount, which – according to purchase price allocation as at March 16, 2005 – is nearly the fair value. The accounting profit of €20.4 million stated in the local financial statements is subject to a reduced rate of taxation of 15% (instead of a regular rate of taxation of 35%), assuming the related profit will be reinvested in the near future. For this reason, deferred tax income of €4.1 million has been recognized.

- Also in the Spanish sub-Group, the location Castellón was sold at approximately Group carrying amount of €3.0 million.

- The Swiss sub-Group has sold land in St. Gallen, which was stated as asset held for sale as per December 31, 2005. The sale of the relevant land has led to an accounting profit of €1.7 million.

(6) Changes in the organizational structure of the entity

Except as described below, in preparing these condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006 there are no material changes in the ordinary course of business of the Group in comparison to December 31, 2005:

- As per December 28, 2005, effective commercially and in rem January 01, 2006, Klöckner Stahl- und Metallhandel GmbH (KSM) disposed of the business operations Hanseatischer Drahthandel, ZN Hamburg. The asset deal transaction volume amounts to €2.0 million.

- Klöckner Distribution Industrielle S.A. is constructing a new warehouse with a total volume of €1.8 million on the island of La Réunion; €1.1 million of this amount have already been recognized.

- As per March 1, 2006, KSM has sold the stock of the Altwert warehouses in Essen, Hanover and Munich. The selling price, which equals the book value, amounts to €9.2 million.

- As per February 23, 2006, effective March 1, 2006, KDI S.A.S. bought the Targe Group consisting of two corporations. The purchase price amounts to €4.8 million; the goodwill according to IFRS amounts to €0.4 million.

- As per December 23, 2005, effective January 01, 2006, Klöckner & Co GmbH sold 10.02% of the stock held in ThyssenKrupp Ferroglobus Rt., Budapest to ThyssenKrupp Services AG. Accounting profit amounts to €2.8 million.

(7) Development of cost and selling prices

After a decline in prices during the second half of 2005, the overall price for steel products increased during the first half of 2006. The actual price level is still below the average level of prices for the first half of 2005. Due to a considerable increase in quantities, the gross profit of the Klöckner & Co Group is higher in the first half of 2006 compared to the first six months of 2005.

(8) Acquisitions and disposals of property, plant and equipment

During the six month period from January 01, 2006 to June 30, 2006, the Klöckner & Co Group acquired assets totaling €12.9 million, of which €0.5 million are related to intangible assets and €0.4 million to financial assets. The acquisition of the Targe Group, France, is included in the cash flow statement in cash flow from investing activities.

The initial consolidation of the Targe Group leads to the following changes in assets and liabilities:

Long-term assets	€3.0 million
Short-term assets	€10.4 million
Long-term liabilities	€0.8 million
Short-term liabilities	€7.8 million

As of June 30, 2006, assets with a carrying amount of €7.0 million were disposed of by the Klöckner & Co Group, leading to an accounting profit of €5.2 million.

The properties in Switzerland and Spain stated as assets held for sale in the consolidated financial statements as at and for the year ended December 31, 2005 and valued at €22.5 million were already disposed of during the first quarter (see Note 5).

The order commitment for acquisitions amounts to €5.2 million.

(9) Segment reporting

Segment reporting in the condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006 compares the figures from March 16 to June 30 for the financial year 2005 – which takes into account the legal constitution of the Group – as well as for the period January 01 to June 30 for the financial year 2006. The presentation of segment reporting is therefore restricted in terms of comparability.

	North America		Europe		Headquarters/ Consolidation		Total	
(in € million)	2006	2005	2006	2005	2006	2005	2006	2005
Segment sales	448.2	247.4	2,292.4	1,312.9	0	0	2,740.6	1,560.3
EBITDA*	38.9	12.7	169.0	48.8	-25.0	-4.7	182.9	56.8
Segment result (EBIT)*	35.3	10.6	150.1	38.5	-31.6	-9.0	153.8	40.1
Effect on result of separation of pensions	0	0	27.9	0	-27.9	0	0	0
Number of employees a year-end	1,109	1,078	8,156	8,393	63	62	9,328	9,533

*Without release of negative goodwill of €147.1 million for the financial year 2005 and without effect on result of separation of pensions

The separation of provisions for pensions and similar obligations relating to non-active employees with effect from January 1, 2006 at book valuation leads to recognition of revenue in the Europe segment and a corresponding expense in the Headquarters segment totaling €27.9 million on account of the increased commitment valuation in accordance with IFRS.

The sales for the Segment Europe contains €87.6 million from Reynolds European S.A.S/France, €10.9 million from the Targe Group/France and €30.9 million from Alu Menziken Metall Service AG/ Switzerland. In the first 6 months of 2005, these corporations did not form part of the Klöckner & Co Group.

(10) Financial liabilities

During the first half of 2006, gross liabilities were reduced by €92.9 million to €706.1 million. After deduction of liquid funds, the amount of net liabilities was reduced from €719.4 million to €482.2 million.

On May 15, 2006, a stockholder's loan inclusive of interest receivable was granted to Klöckner & Co AG by Multi Metal Investment S.à r.l. in the form of a non-cash capital increase amounting to €100 million and a capital reserve increase of €65.3 million.

(in € million)	June 30, 2006	December 31, 2005
Long-term financial liabilities		
Notes	250.3	249.8
Liabilities to financial institutions	106.5	122.9
Liabilities arising from ABS program	193.2	145.6
Finance lease liabilities	14.9	16.1
Shareholder’s loan		54.4
Total long-term financial liabilities	**564.9**	**588.8**
Short-term financial liabilities		
Notes	3.4	3.4
Liabilities to financial institutions	116.6	76.8
Finance lease liabilities	2.4	2.8
Shareholder's loan		106.8
Total short-term financial liabilities	**122.4**	**189.8**
Financial liabilities acc. to balance sheet	**687.3**	**778.6**
Transaction costs	18.8	20.4
Total financial liabilities	**706.1**	**799.0**

(11) Related parties

Klöckner & Co AG, Duisburg is the parent corporation of the Group publishing financial statements. As per December 31, 2005, shareholder's loans from the majority shareholder, Multi Metal Investment S.à r.l., Luxembourg, were granted amounting to €152.5 million. On May 15, 2006, these loans were converted in full into equity (inclusive of interest receivable). As at this date, the total loan level inclusive of interest amounted to €165.3 million.

As per June 30, 2006, consulting costs amounting to €2.1 million were incurred relating to investment corporations of the US investment corporation Lindsay, Goldberg & Bessemer (LGB). For another €0.5 million, a provision was set up during the financial year 2005 which was already used in the first quarter of 2006.

(12) Changes in Supervisory Board

The Supervisory Board of Klöckner & Co AG was appointed for the first time on May 31, 2006. It was made up of the following members:

Prof. Dr. Dieter Vogel	Managing Partner of LGB & Vogel GmbH, Düsseldorf
Alan E. Goldberg	Co-Managing Partner of Goldberg Lindsay & Co LLC, New York/USA
Michael W. Dees	Principal of Goldberg Lindsay & Co LLC, New York/USA

On June 7, 2006 the Supervisory Board was expanded to include the following members:

Dr. Michael Rogowski	Entrepreneur
Robert D. Lindsay	Co-Managing Partner of Goldberg Lindsay & Co LLC, New York/USA
Frank H. Lakerveld	Member of Board of Management of Sonepar S.A., France

Klöckner & Co AG had no Supervisory Board prior to May 31, 2006.

(13) Risk management

Risk management objectives and guidelines applied by the Klöckner & Co Group remained unchanged for the first half of 2006 in relation to the disclosures on risk management listed in the IFRS financial statements as at and for the year ended December 31, 2005 of Klöckner & Co AG.

(14) Subsequent events

Klöckner Stahl- und Metallhandel GmbH, Duisburg, sold land and buildings held in Hamburg to a Lithuanian based company by way of a sales contract dated March 23, 2006. However, the Hamburg harbour authorities asserted their pre-emption option and assumed rights and obligations under said contract. The legal transfer only became effective on August 14, 2006 on account of various statutory provisions. The accounting profit amounts to approx. €1.5 million.

On July 03, 2006 the Group corporation Klöckner Participaties B.V., Barendrecht/Netherlands sold to CRH Nederland B.V. its 100% holding in the solar protection Group consisting of three consolidated corporations, one corporation so far not consolidated and a joint venture. Consolidated results for the Group will thereby increase by €33.3 million. The inflow of funds from the sale will further reduce the liabilities of the Klöckner & Co Group and open up additional freedom for expansion. The balance sheet items for these corporations were recognized in the condensed interim consolidated financial statements as at and for the six month period ended June 30, 2006 as “assets groups held for sale” and “groups of liabilities held for sale” respectively in accordance with IFRS 5.

The individual items concerned are as follows:

Long-term assets	€12.3 million
Short-term assets	€24.9 million
Long-term liabilities	€2.9 million
Short-term liabilities	€7.8 million

The sales of the sun protection group amounted to €54 million in 2005.

Two special steel distributor corporations were purchased by the Comercial de Laminados Group, Spain by way of a sales contract dated July 5, 2006; the corporations concerned were Aesga Catalunya S.A. and its associate Aesgasa Aceros Especiales y Suministros en General S.A. Sales earned by both corporations in 2005 amounted to €18 million.

On August 16, 2006, our American organization signed an agreement to acquire the holdings of a competitor located in the Midwest and reporting a sales volume of €55 million.

On July 25, 2006, Klöckner Stahl- und Metallhandel GmbH, Duisburg, sold off its holding in Helmut Weisbender GmbH & Co KG, Montabaur. The sales contract was concluded on August 2, 2006. Similar to above, for this transaction all balance sheet items were recognized as "assets groups held for sale" and "groups of liabilities held for sale" respectively in accordance with IFRS 5; the individual items concerned are as follows:

Long-term assets	€0.1 million
Short-term assets	€1.6 million
Long-term liabilities	€0.2 million
Short-term liabilities	€0.5 million

On August 11, 2006, the notes (high yield bond) with an interest rate of 10.5% was reduced by €90 million through funds resulting from the IPO. This reduction is associated with a one-time charge of €13.2 million for additional reduction and deferred transaction costs.

Duisburg, dated August 28, 2006

Klöckner & Co AG

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