

klöckner & co

multi metal distribution

KLÖCKNER & CO AKTIENGESELLSCHAFT
FINANCIAL REPORT 2007

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MANAGEMENT REPORT 2007 of Klöckner & Co Aktiengesellschaft, Duisburg

1 Business and economic conditions

1.1 Basic information on and activities of the Company

Klöckner & Co AG (the "Company") is the parent company of the Klöckner & Co Group. With more than 260 locations in Europe and North America, the Klöckner & Co Group is the largest mill-independent distributor of steel products and other materials for the combined European and North American market.

Klöckner & Co AG holds all shares in the intermediate holding company Multi Metal Beteiligungs GmbH, Duisburg, and in a Klöckner & Co financing entity in Luxemburg. In turn, Multi Metal Beteiligungs GmbH wholly owns Klöckner & Co International GmbH, Duisburg, which holds Klöckner & Co Verwaltung GmbH, Duisburg, and several Luxemburg companies through which a significant portion of the Group's financing is also settled. Klöckner & Co Verwaltung GmbH directly or indirectly holds all interests in the Group's operating subsidiaries. The multi-level Group structure largely arose as a result of the change in ownership of the Klöckner & Co Group in Spring 2005. The Group is working to simplify its legal structure.

The main activity of Klöckner & Co AG is the management of operations of the Klöckner & Co Group. The company directly or indirectly controls all intermediate holding companies and – through Klöckner & Co Verwaltung GmbH – the Europe and North America segments with the management companies of the Group's operating sub-

siidiaries in Germany and Austria, the Netherlands, France and Belgium, the United Kingdom, Spain, Switzerland and in Eastern Europe, the United States and Canada.

Through Klöckner & Co Verwaltung GmbH, the Company also holds 100% of the non-operating subsidiary Klöckner & Co Beteiligungs GmbH, Duisburg, through which the interests in the Swiss organization are held and which were increased to around 98% in 2007 and early 2008. In addition, Klöckner & Co Beteiligungs GmbH in particular handles the litigation in connection with the so-called Balli case.

The interlocking directorate of Klöckner & Co AG, Klöckner & Co Beteiligungs GmbH, Klöckner & Co Verwaltung GmbH, Klöckner & Co International GmbH and Multi Metal Beteiligungs GmbH guarantees the common management of these entities. Furthermore, the top four levels of the holding cascade are closely connected via multi-step profit transfer agreements. Own staff is only employed at Klöckner & Co AG. If services are required by other companies without staff such services are rendered by Klöckner & Co AG or third parties.

The subscribed capital of Klöckner & Co AG totals €116.25 million divided in 46.5 million no-par-value registered shares with full voting rights. The rights and duties are governed by the German Joint Stock Corporation Act. Klöckner & Co AG shares have been listed on the Official Market of the Frankfurt Stock Exchange since the end of June 2006 and the shares were, unscheduled, added to Deutsche Börse's MDAX index on January 29,

2007. The shareholding in Klöckner & Co AG by former sole shareholder Multi Metal Investment S.à r.l., Luxemburg was completely disposed of in two further stages in January and April 2007. Since April 2007, all shares have been held in free float. The largest single shareholding of around 11% as notified is held by the US based Franklin Mutual Advisors, LLC. Other direct or indirect holdings in excess of 10% have not been indicated. Three further shareholders have issued notifications at or slightly above 5%.

On September 20, 2007 the Supervisory Board and the Board of Management of Klöckner & Co AG resolved to propose a transformation from an Aktiengesellschaft (AG – German Stock Corporation) into a European public limited-liability company (SE – Societas Europaea) at the Company's Annual General Meeting in June 2008. The intended legal form reflects the international position and orientation of the Klöckner & Co Group. The first steps have already been initiated in the Fall of 2007. The two-tier corporate governance of Supervisory Board and Management Board will be maintained.

1.2 Corporate strategy

The corporate strategy of Klöckner & Co based on the two key concepts of expansion through external and organic growth and the optimization of business processes was also advanced systematically and implemented successfully in 2007.

As part of the expansion strategy, a total of twelve small and medium-sized multi metal distributors with total annual sales of around €570 million were acquired in 2007. As a result the target of ten to twelve acquisitions was achieved. Target companies are selected on the basis of three key objectives – expansion of the geographical presence, the customer base and the product range. Key requirements of M&A projects are realizing purchasing synergies and processes supporting the business. The integration of the companies acquired is proceeding as planned.

In Europe a total of nine mostly small to medium-sized competitors were acquired. With the acquisition of Tournier Holding SAS, the French Klöckner & Co organization strengthened its position in the area of flat steel. The Dutch subsidiary acquired Teuling Staal B.V., a distributor of stainless steel. In Germany, Edelstahlservice Frankfurt GmbH and the activities of the full-line distributors Max Carl and Stahlhandel Zweggart were acquired. The UK subsidiary acquired Westok Ltd. and Interpipe (UK) Ltd. The Swiss subsidiary took over Lehner et Tonossi SA, a company which operates primarily in the areas of steel, fastening technology, tools and heating and air conditioning. Furthermore, an agreement to increase the existing 7% interest in the Bulgarian Metalsnab Holding AD headquartered in Sofia to a majority interest of 77.3% resulted in a larger controlling stake in Eastern Europe.

In North America a total of three companies were acquired in 2007. Primary Steel LLC, a company specializing in the distribution and processing of heavy plate, represented the largest acquisition in recent years. For the Klöckner & Co Group this acquisition means a sales increase in the US of more than 60%. Rounding off business activities on a regional basis, the Klöckner & Co Group subsidiary also acquired the business activities of full-line distributors Premier Steel and ScanSteel Service Center. In addition to external growth, organic growth of 6.9% was achieved in 2007, despite the closure or consolidation of ten unprofitable locations.

Optimizing the business processes, the second key area of Klöckner & Co's strategy continued as scheduled in the past financial year. The focus was on the company-wide activities bundled in the value-enhancing STAR program for purchasing, sales and optimization of the distribution network and net working capital, defined as the difference between inventories and customer receivables on the one hand and supplier liabilities on the other. As all national subsidiaries now operate under a central procurement at country level, the establishment of bundled purchasing has now been initiated at European level. For purchasing, further master agreements were concluded with key suppliers, and the share of third-party countries in purchasing volume was further increased.

As part of further concentrating the core business on distribution of steel and non-ferrous metals to small and medium-sized customers, the disposal of the Canadian organization within the Klöckner & Co Group was initiated in the Fall of 2007. The profitable Namasco Ltd. generated sales of roughly €255.2 million in 2007, operating primarily in processing flat steel for North American automotive manufacturers. Due to structural changes within the industry and the development of the market over the last few years, a positive business trend here was to be expected only when the relevant activities were developed in the US. However, activities of this nature with major customers in the automotive industry do not form part of the core business of the Klöckner & Co Group.

The company-wide introduction of an automatic, IT-operated process based cost analysis was continued in 2007. The transparency gained in respect of the profitability of processes, products and customers resulted in further measures affecting pricing and net working capital management. To date a total of 27 locations have already been examined in detail. Due to its great success the tool was further integrated into the SAP corporate software. Group implementation of SAP commenced in 2007.

1.3 General conditions

As a holding company, the Klöckner & Co AG's economic condition largely depends on the business development of its subsidiaries and their ability to distribute dividends. Their situation and the situation of the Group as a whole developed positively in 2007, supported by the favorable overall general conditions for materials distribution, especially in the first half of the year. However, the recent turbulence, triggered primarily by the sub-prime crisis in the US, led to a considerable slowdown in global economic growth, particularly in the fourth quarter of 2007. Overall, general conditions for material distribution developed less well in North America than in Europe. The structural crisis at traditional US automotive manufacturers continued in 2007, affecting primarily the north of the US and Canada.

The development, especially in the European construction industry and machinery and mechanical engineering, was based on positive high demand in the EU countries, particularly in the first half of 2007. Ongoing and growing demand for steel products and the other materials required for steel production in emerging markets kept prices on the world market at a high level, even though there was a downward trend in the second half of the year. Overall economic growth in 2007 in the most important countries for the Klöckner & Co Group was largely below the good level of the previous year, but did not lead to a dramatic slump.

Overall, 2007 was another good year for steel producers and multi metal distribution. As in previous years, worldwide consumption of steel and production recorded strong growth. Consolidation among steel producers continued in 2007. Against the previous year there has been no change to the key growth drivers and regions for the steel market – in particular the booming market of the People's Republic of China. The current production figures from the International Iron and Steel Institute (IISI) also indicate that steel markets are generally in good condition. The only exception is North America.

2 Results of operations, financial position and net assets

2.1 Business performance of the Group companies as a basis

The total sales volume of the Klöckner & Co Group in 2007 was around 6.5 million t and thus 5.7% above the volume of 2006 as a whole of around 6.1 million t in total. The Europe segment accounted for 71.2% of the sales volume in 2007 as compared to North America's 28.8%. Group sales increased in the reporting year by 13.4% year-on-year to €6.3 billion based on quantity, price and acquisitions. The Europe segment accounted for €5.2 billion of sales, the North American for €1.1 billion.

Even though the results of most of the foreign and domestic subsidiaries in 2007 were below the excellent figures of the previous year, they were still highly satisfactory in a longer-term comparison. Group EBITDA declined by 6.1% year-on-year to €370.7 million. This was due to the development of gross profit, which did not follow the higher sales volume and sales. The gross profit margin declined from 21.8% in 2006 to 19.5% in 2007. While the steadily rising prices for steel products in the first three quarters of the previous year positively influenced the gross profit margin on the back of the effect of earnings from inventories, some trends ran counter to this, due primarily to the rapid slump in nickel prices in the Summer of 2007. Write-downs on inventories and discounts on sales prices were made for the changing market conditions and led to unavoidably lower margins in the third quarter of 2007. Nonetheless, gross profit of €1,220.7 million in 2007 was up 1.1% on the previous year's excellent figure.

As with EBITDA, EBIT in 2007 declined by 9.0% year-on-year to €306.8 million. The year-on-year downturn in earnings before taxes of 23.2% to €209.6 million and in consolidated results before minority interests of 33.5% to €156.1 million is also due to non-recurring charges for the redemption of the high-yield bond, which totaled €38.5 million in the second quarter of 2007, and with regard to net income also due to higher taxes.

2.2 Financing and the financial situation of the Group and the Company

The financing of the Group, including working capital financing for the current business activities of the individual foreign and domestic subsidiaries, was again in 2007 secured at all times. Group financing is still centralized at Klöckner & Co Verwaltung GmbH and contractually regulated with the parent company Klöckner & Co AG.

Funds are allocated in the Group within the framework of internal Group financing transactions and bilateral credit facilities. Within the Group, working capital is financed largely on the basis of a centrally controlled, cross-border European Asset-backed-Securitization-Programm (ABS) with a total volume of €420 million and a term until mid-2010 as well as an American ABS program of USD 125 million and a term until mid-2012. The central financing program is supplemented by bilateral credit facilities, the Group's internal financial compensation and liquidity management in the Group is processed by a cross-border cash pooling system.

In order to support the acquisition strategy, further key steps were taken in 2007 to optimize Group financing. In the second quarter of 2007, a syndicated holding loan of €600 million was successfully placed with a syndicate of German and international banks. The proceeds were partly used to fully redeem the remainder of the 10.5% interest bearing high-yield bond of €170 million which was issued as part of the change of owners in 2005.

Furthermore, on the basis of a resolution of the Annual General Meeting on June 20, 2007, Klöckner & Co issued a convertible bond of €325 million via a Luxemburg subsidiary on July 18, 2007. As intended, the sole subscribers were institutional investors. The bond was guaranteed by Klöckner & Co AG, has a term of five years and a coupon of 1.5% p.a. The conversion price was set at €80.75. This corresponds to a premium of 35% on the reference price of €59.81 per share on issuance.

The agreements relating to financial liabilities include covenants which obligate the borrower to take or desist from specific actions and to maintain financial ratios. They also contain rights of termination in line with customary market practice for similar agreements. The respective covenants have been globally complied with by the Klöckner & Co Group.

Utilization of the working capital facilities in the form of cash credit lines and ABS programs amounted to €619 million or around 42% at the end of the reporting year as compared to €304 million or about 35% in the previous year. Taking into account available cash and cash equivalents, the net cash liabilities resulting from the business activities of the Klöckner & Co Group amounted to €746 million at the end of 2007 and were thus €382 million more than the comparable previous year figure. The increase of net cash liabilities is due primarily to business combinations and the purchase of further shares in Debrunner Koenig Holding AG.

The Group's key performance indicators are net cash indebtedness, EBITDA and cash flow. Securing liquidity in 2007 was controlled by means of internally defined key figures geared, among other things, to a minimum equity ratio, maximum debt retirement period and a minimum degree of interest coverage. Handling of risks in financial activities is regulated by a Group-wide financial directive. Derivative financial instruments are used to hedge against interest and currency risks. These instruments are exclusively used to hedge against risks in connection with underlyings and not for speculation purposes. Subsidiaries identify their foreign currency exposure and hedge against them regularly on a central basis, or, if applicable, via individual foreign currency lines with banks. Interest risks are also monitored centrally and hedged against or limited.

2.3 Net assets and results of operations of the company

The balance sheet structure of Klöckner & Co AG clearly reflects the holding nature of the company and has changed significantly year-on-year as a result of the revised financing. As in the previous year, non-current assets of €258.8 million almost exclusively related to investments (shares in affiliated companies) and amounted to around 30.6% of total assets (2006: 63.7%) in 2007. The financial assets mainly include the 100% interest in the intermediate holding entity Multi Metal Beteiligungs GmbH.

Current assets are dominated by receivables from affiliated companies, which rose significantly from €138.9 million in 2006 to €526.5 million and account for around 62.2% of total assets. As a result of the changes in Group financing, receivables from affiliated companies rose almost four-fold as against the previous year. This mainly relates to the funds from the convertible bond forwarded to Klöckner & Co Verwaltung GmbH to finance the Group companies and receivables from the profit transfer agreement with Multi Metal Beteiligungs GmbH. In total, shares in and receivables from affiliated companies account for around 93% of all assets on the balance sheet. Total assets more than doubled from €393.3 million to €846.9 million. The significant rise in prepaid expenses from €0.1 million in 2006 to €57.7 million in 2007 is due to the capitalization of the discount on the convertible bonds and therefore represents future financing expenses and is therefore also due to the revised financing.

The changes as against the previous year for equity and liabilities are dominated by the convertible bond in the amount of €325.0 million and a rise in capital reserves of around €63 million from €197.7 million to €260.5 million. The proceeds from the bond were extended by the issuing subsidiary in Luxemburg to the guarantor Klöckner & Co AG as a loan. The equity component is reflected in the capital reserves. The rise in liabilities to affiliated companies of €5.0 million to €56.0 million relates mostly to Klöckner & Co Verwaltung GmbH as the creditor and is, if combined for the analysis with a similar increase in the off-setting item with the same company, of little economic significance. Equity as of December 31, 2007 was €440.5 million (2006: €366.4 million). As a result of the rise in the Group's financing requirements, which was due in particular to acquisitions, the equity ratio dropped from 93.2% to a still satisfactory level of 52.0% of total assets.

As in the previous year, the 2007 income statement consisted mainly of income from investments. As the parent holding company, the income of Klöckner & Co AG consists predominantly of the transferred earnings of the German subsidiary Klöckner Stahl- und Metallhandel GmbH and dividends from the holding companies in other countries. Net investment income in 2007 amounted to €76.0 million (2006: €74.2 million). The dividends of the subsidiaries were reduced by forwarding them to Klöckner & Co AG through the expenses of the intermediate companies. The rise in personnel expenses from €7.1 million to €18.0 million was largely due to the cost of the virtual stock option program. After covering the

expenses of Klöckner & Co AG and appropriating €11.3 million of the net income of €48.5 million (2006: €52.5 million) to other revenue reserves, retained profits of €37.2 million remain. No material income tax expense was incurred due to the use of the Company's tax loss carryforwards.

2.4 Overall statement on the current business situation of the Company

Based on available information when preparing the management report at the end of February 2008, the business situation of the Company remains continuously good compared to 2007. Further statements on the expected development are contained in the risk report and the forecast report at the end of this management report (sections 4 and 5).

3 Key events after the end of the financial year and further information

3.1 Key events after the reporting date

- In the middle of January 2008, Klöckner & Co AG acquired a further 20.1% of shares in the Swiss Group company Debrunner Koenig Holding AG, St. Gallen, (DKH). With these additional shares, Klöckner & Co now holds 98.1% of all shares in the Swiss subsidiary of the Klöckner & Co Group. In May 2007, Klöckner & Co had already increased its interest by 18.1% to 78.0%. DKH has been part of the Klöckner & Co Group since 1992 and has always operated highly profitably. The increased stake not only allows to participate even more strongly in the Swiss organization, but also opens up other options for optimizing Group financing.
- The disposal of the Canadian organization was initiated in 2007 and it is expected that the process will be concluded in the first half of 2008. In 2007, it generated 11.4% of global sales volume, but only 4.1% in sales due to the high level of purely reworking transactions.
- On January 25, 2008, with the appointment of a further member, the Supervisory Board of the company extended the Management Board from two to three members. The new member of the Management Board will assume regional operating responsibility for Europe and functional responsibility for purchasing. With extended management capacity at Management Board level, the appointment ensures the strategic expansion and optimization of the Group.

3.2 Employees

The human resources work of Klöckner & Co AG primarily related to the holding company itself and the first level of Group companies. There is close cooperation with the German subsidiary on account of the location proximity. In addition to strategic human resources work, the human resources function within the holding company includes Group-wide coordination and ensuring compliance with uniform Group guidelines. On account of the additional activities related to the more extensive reporting requirements and public relations work of a listed company and the expansion of the service and management functions, there was a minor year-on-year increase in the headcount at Klöckner & Co AG to 68 as of the end of 2007. In line with the resolution of the Supervisory Board, the senior management of the holding company and selected executives at the subsidiaries were included in the virtual stock option program at the start of 2007.

3.3 Remuneration report, remuneration system

Management Board

Remuneration for the Management Board comprises three components: fixed basic remuneration per year, a variable annual bonus depending on the achievement of goals set jointly with the Supervisory Board at the beginning of the financial year and a medium- to long-term virtual stock option program. In addition, the members of the Management Board are entitled to pension benefits according to the regulations of the Essener Verband as well as further benefits, such as a company car, accident insurance, etc. to the customary extent.

The virtual stock option program for the two Management Board members in 2007 consists of five annual tranches, each of 186,000 phantom stock options. The strike price of the first allotment in 2006 was the price at the initial public offering of €16 per share. This price increases for each subsequent tranche by 5% of the previous year's strike price, i.e. it will rise to €19.45 per share by the fifth tranche. The virtual stock options of each tranche can be exercised annually, though not before a period of 30 stock trading days after the Annual General Meeting following the allotment of the tranche. Subsequently, the options of the relevant tranches may be exercised in full or in part at any time. For the first tranche Klöckner & Co AG's payment obligations corresponded to the difference between the average trading price of the last 30 trading days (XETRA trading, Deutsche Börse AG, Frankfurt a. M.) prior to exercising the option and the value at grant.

The total income of the Management Board of Klöckner & Co AG in accordance with section 285 (1) no. 9 of the German Commercial Code ("HGB") amounts to €4,585 thousand for 2007, with €2,800 thousand relating to the fair value of the second tranche of the virtual stock option program which has been allocated but not exercised. In addition, the Management Board exercised virtual stock options with a value of €7,591 thousand from the first tranche of the virtual stock option program. There was no remuneration for former members of the Management Board or any surviving dependants.

To supplement the existing phantom stock option program with a cap option in line with Article 4.2.3 of the German Corporate Governance Code, the Supervisory Board and Management Board agreed in Fall 2007 to an adjustment of the method for Management Board remuneration. As this adjustment affects the contracts of the two Management Board members with a term until May 31, 2011, the Supervisory Board resolved to increase the comparatively low fixed remuneration and pension commitments of the two members of the Management Board and to add a change-of-control clause to the contracts of the Management Board members, allowing the two Management Board members to resign from office in the event of a change of control. Should this right be exercised, they will be entitled to payment of the target annual salary (including target bonuses) to the end of the term of the agreement, but not exceeding three times the annual figure. In addition, all virtual stock options which have not been allocated up to this point in time shall be deemed allocated. At this point in time, the two Management Board members receive the right to exercise these virtual stock options in full.

The remuneration agreement with the new Management Board member fully complies with the German Corporate Governance Code. The virtual stock option program has five tranches and a cap. The respective issue price was modified such that this is calculated on the basis of the average share price to the end of the year before allocation.

Supervisory Board

According to Article 13 of the Articles of Association published on the Company's website, the remuneration of the Supervisory Board consists of a fixed and a variable component which are paid pro rata temporis in the event of changes in the financial year. Furthermore, reasonable expenses and value added tax are reimbursed. The base meeting fee is €2,000 per meeting. All amounts are due after the end of the Annual General Meeting in the following year.

The fixed annual remuneration for a financial year is €17,000. A variable remuneration component of €150 is paid for each full €1 million by which the consolidated net profit exceeds the amount of €50 million. The Supervisory Board Chairman receives three times and his or her deputy twice the remuneration described above. The variable remuneration paid to each member of the Supervisory Board may not exceed the amount of the fixed remuneration by more than 100%. Committee work including holding the position of Chairman or Deputy Chairman only affects remuneration in terms of meeting fees. There are no virtual stock options for the Supervisory Board. The total income of the Supervisory Board in accordance with section 285 (1) no. 9 of the German Commercial Code amounts to €401 thousand for 2007.

3.4 Legal information relating to takeovers

The information in accordance with section 289 para. 4 of the German Commercial Code, structured according to the numbers of the provision, is as follows:

- (1) The subscribed capital of Klöckner & Co AG totals €116.25 million, divided into 46.5 million no-par-value registered shares with full voting rights. The rights and duties are based on the German Joint Stock Corporation Act.
- (2) The Management Board knows of no restrictions relating to the voting rights or transfer of shares – including agreements between shareholders.
- (3) The interest of the US based Franklin Mutual Advisors, LLC in Klöckner & Co AG has been approximately 10.81% per notification of March 2007. Other direct or indirect participations in the capital of Klöckner & Co AG exceeding 10% of the voting rights have not been reported to the company.
- (4) There are no special rights as defined by this provision.
- (5) There are no voting right control regulations as defined by this provision.
- (6) The Management Board of Klöckner & Co AG consists of one or more members, who are appointed and discharged by the Supervisory Board in accordance with the provisions of the German Joint Stock Corporation Act. Amendments to the Articles of Association are exclusively subject to the German Joint Stock Corporation Act and require – except for changes in the business subject – a simple majority of the share capital represented during voting in accordance with section 18 para. 2 and section 179 AktG. Article 20 of the company's Articles of Association authorizes the Supervisory Board to make certain formal changes to the Articles of Association itself if necessary.
- (7) The Management Board of Klöckner & Co AG is authorized by the Articles of Association to increase the share capital by up to €50 million until June 20, 2011 by issuing new no-par-value registered shares on one or several occasions against cash or non-cash contributions with the approval of the Supervisory Board. Further details are regulated by Article 4 (2) of the Articles of Association. In addition, in line with section 71 para. 1 no. 8 AktG and in accordance with the resolution of the Annual General Meeting on June 20, 2007, the company is authorized to acquire treasury stock up to a level of 10% of the relevant share capital of €116.25 million until December 19, 2008.
- (8) The other regulations of the convertible bond issued in July 2007 of €325 million allow for an early redemption by the holder in the event of a change of control. The redemption amount is based on the nominal value plus accrued interest. A change of control is deemed to have occurred if, among other things, a person or jointly acting persons obtain directly or indirectly economic title to more than 50% of the voting interest of the company. Under the same conditions the individual lenders under the €600 million multi currency revolving credit facility, modified in May 2007, may request payment of the respective outstanding amount.

(9) The members of the Board of Management in 2007 are entitled to resign from the Board with a notice period of 6 months if a threshold of 30% of the voting stock is exceeded. In this case the board members are entitled to receive their individual target salary (including target bonuses) until the expiration of their term (May 31, 2011), capped at three times of the annual salary. Virtual stock options granted but not issued to that date vest immediately and may be exercised in full.

3.5 Dividend planning

The proposed dividend payout for 2007 is based on the target distribution of 30% of the consolidated net profit after deduction of special items, particularly from divestments such as disposals of subsidiaries or real estate as announced at the IPO and implemented for the 2006 financial year. A rounded figure for the 2007 dividend of €0.80 per share has been calculated on the basis of this reference amount in accordance with the consolidated financial statements.

After covering the expenses of Klöckner & Co AG and appropriating €11.3 million of net income of €48.5 million to other revenue reserves, retained profits of €37.2 million remains. The latter is sufficient to distribute a dividend of €0.80 per share.

The Management Board and Supervisory Board propose to the Annual General Meeting that the unappropriated surplus of €37.2 million be used for dividend distributions of €0.80 per share.

3.6 Shares

Klöckner & Co AG shares have been listed in the Prime Standard of the Official Market of the Frankfurt Stock Exchange since June 28, 2006. As early as September 2006, Klöckner & Co shares were added to Deutsche Börse's SDAX® index. Several re-placements and high turnover paved the way for the shares to be added to Deutsche Börse's MDAX index from January 2007. Since April 2007, all shares have been held in free float.

Until July 2007, the shares enjoyed excellent price performance in line with the continued good business situation, reaching their highest point to date at €63.20 per share on July 12, 2007. Over the rest of the year, the shares performed significantly less well than the business situation and dropped to €27.50 per share on December 31, 2007. However, compared to the time of the IPO, the share price was still up by 71.9% as of the end of 2007, and thereby significantly outperformed the MDAX.

3.7 Related parties report

The final declaration by the Management Board on related parties in the financial year 2007 to be added to the management report in line with section 312 AktG reads:

"Klößner & Co Aktiengesellschaft has received adequate consideration for all legal transactions and measures on the basis of the circumstances known to the Management Board at the time that the transactions or measures were or were not performed, and has not been placed at a disadvantage by measures being taken or not taken."

4 Risks and opportunities

The comprehensive management of the operating and strategic risks and opportunities of the Company and the Group companies is a central holding function and is therefore the responsibility of Klößner & Co AG, which processes these issues and makes the appropriate decisions in various central areas and its executive bodies.

4.1 Risk and opportunity management

The current risk monitoring system at Klößner & Co requires cross-border information updated on a daily basis on the development of purchase and sales prices of the product groups. The available quantities of the individual product groups, driven primarily by demand, including the related inventory risks, are observed and controlled on the basis of IT-based key figures until final completion of an order. After delivery of the products the receivables are subject to strict customer credit management. In most countries, risks of default are cushioned primarily by means of commercial credit insurance.

The systematic recording, identification and monitoring of opportunities and risks is constantly adapted to changing requirements and were also applied and further improved Group-wide during the period under review. The core tool of risk reporting and risk monitoring is the updating of identified opportunities and risks on a quarterly basis by means of an opportunities/risks report. Communication and explanation of the formalized documents are carried out quarterly and on a case-by-case basis. The Management Board reports to the Supervisory Board (as the superordinate controlling and advisory body) through meetings of the Supervisory Board and committees, monthly management reports and monthly meetings with the Chairman of the Supervisory Board.

Within the framework of its operating activities, the Klöckner & Co Group is exposed to interest and currency risks that are hedged by derivative financial instruments. Only standard instruments with adequate market liquidity are used. Furthermore, central foreign currency management is performed exclusively to hedge against transaction risks. Interest rate risks are also monitored centrally and interest-hedging instruments are utilized to reduce or limit the impact of interest changes on financing costs for long-term loans with variable interest rates.

Due to the price slump for stainless steel products in the third quarter of 2007, a detailed examination of the options for hedging the change in nickel prices was examined with the support of a consultancy company but was rejected by Klöckner & Co. Ultimately, all practical models for hedging the nickel price were too expensive and too complex in relation to their potential benefit for Klöckner & Co. The optimized inventory management which is already in place will limit risks more strongly in future. In contrast to hedging the price of nickel, hedging risks from future tranches of the virtual stock option program for Management Board members and selected employees proved to be beneficial and was thus introduced in January 2008.

4.2 Short-term and medium-term opportunities and risks

The decline in the momentum of US growth in the last quarter of 2007 continued at the beginning of 2008. In the euro zone, after generally positive development in the second half of 2007, growth slowed overall at the beginning of this year. For 2008 as a whole, reduced, but still satisfactory growth is anticipated, despite a possible recessionary trend in the US.

Steel markets have not been as badly affected by the difficult overall economic situation and remain in good condition as excellent utilization levels are being posted for the industrial segments that are important for steel products – i.e. machinery and mechanical engineering – in 2008. Low inventory levels, particularly in the US, declining imports and stable demand have already resulted in some massive price increases at the beginning of 2008. Due to considerably higher raw material costs, steel producers have already announced further price increases at the start of the second quarter 2008. Steel distributors will benefit strongly from this development as rising prices mean additional inventory gains and not just passing higher raw material prices on to the market, as in the case for manufacturers.

The Management Board assumes that all identifiable risks are secured against by way of adequate provisions at the level of the respective Group company and the holding company and/or through guarantees of third parties. Known matters of importance in the Group remain the Balli case and antitrust investigations against an associated company in France. The legal dispute in connection with a pre-emption option of a minority shareholder at DKH in Switzerland is no longer relevant following the acquisition of these shares by Klöckner & Co in May 2007.

From today's perspective, there is a good chance that global economic growth momentum will pick up again after 2008. For most countries the 2009 growth forecasts are indicating a slightly higher figure than for 2008. In addition, good opportunities for steady growth are forecast for the world steel markets, with cyclical fluctuations which should by no means be as strong as in the past. In this context, as of the present moment no business slump is evident in respect of the business outlook in the developed industrial countries in 2009.

4.3 Strategic opportunities and risks

The basic Klöckner & Co Group corporate strategy with its two directions of expansion and optimization was described in section 1.2 of this management report. The expansion strategy with its targeted acquisition of suitable competitors makes it possible to participate successfully in the current consolidation of the industry in the traditional industrial countries with mature market structures. The expansion into the adjoining markets of Eastern and South Eastern Europe offers additional attractive growth potential. The main risk of expansion through acquisitions is prompt integration for realizing synergy effects.

In addition to the risk of declining economic growth, the overall market risk is made up primarily of an imbalance between supply and demand, due largely to overcapacity and a lack of production adjustment. The resulting decline in prices could result in lower margins and also to inventory write-downs. The key countermeasure here is inventory management in line with demand trends. The IISI anticipates that growing demand for infrastructure investments and rising purchasing power not only in China and India, but also in Central and Eastern Europe and South America as well as in the oil producing countries, will favor the development of the steel industry in the longer term.

4.4 Overall statement on risks and opportunities

The Management Board is of the opinion that Klöckner & Co has a well-functioning system for managing opportunities and risks, a system whose improvement is being advanced on an ongoing basis. All known accounting risks have been recorded sufficiently. The short to medium-term market risks are manageable. No risks have been identified which could jeopardize the company as a going concern.

5 Forecast Report: Outlook

For 2008, the Management Board expects that the global growth trend will be weaker than in the previous year, with the risk of a stronger downturn due to the sub-prime crisis in the US. In this context, a recession in the US cannot be ruled out in the first half of the year. However, an economic recovery is expected for the second half of the year. At the same time, a positive economic performance is expected in the euro zone, even if momentum is set to slow.

Despite forecasts of weaker economic development in 2008, the outlook for steel distribution is still considered very positive, at least in the first half of 2008. This is due to a favorable development of supply and demand. In view of the price increases for steel products realized in the first quarter of 2008 and those forecast for the second quarter, Klöckner & Co is expecting good business development in the first half of 2008. Even if the development in the second half of the year cannot be foreseen due to global economic risks, the current trend indicates a favorable result for 2008 which allows Klöckner & Co AG to maintain continuity in its dividend policy.

For 2009 the forecast expects an upward movement which, however, will not match the old momentum especially for the US. If under this scenario the steel markets develop as currently expected, management expects a positive business development also for 2009.

Duisburg, February 29, 2008

The Management Board

KLÖCKNER & CO AKTIENGESELLSCHAFT
Balance sheet as of December 31, 2007

Assets

(in €)	Dec. 31, 2007	Dec. 31, 2006
Intangible assets	167,751.00	149,347.00
Property, plant and equipment	316,965.86	197,736.00
Financial assets	258,302,651.75	250,671,651.75
Fixed assets	258,787,368.61	251,018,734.75
Trade receivables	2,895.95	1,139.57
Receivables from affiliated companies	526,493,551.04	138,931,297.77
Other assets	3,894,136.63	3,263,441.99
Cash and cash equivalents	26,434.26	10,020.76
Current assets	530,417,017.88	142,205,900.09
Prepaid expenses	57,702,628.75	109,035.22
Total assets	846,907,015.24	393,333,670.06

Equity and liabilities

(in €)	Dec. 31, 2007	Dec. 31, 2006
Subscribed capital	116,250,000.00	116,250,000.00
Capital reserves	260,496,163.41	197,699,067.41
Other revenue reserves	26,592,215.44	15,288,038.20
Retained profits	37,200,000.00	37,200,000.00
Equity	440,538,378.85	366,437,105.61
Provision for pensions and similar obligations	4,961,298.26	4,139,659.35
Tax provisions	1,284,520.32	606,250.00
Other provisions	8,316,356.69	8,993,901.04
Bonds	325,000,000.00	0.00
Liabilities to banks	30.87	76.58
Trade payables	622,726.76	875,445.08
Liabilities to affiliated companies	56,037,173.26	4,959,457.34
Other liabilities	10,146,530.23	7,321,775.06
Total equity and liabilities	846,907,015.24	393,333,670.06

KLÖCKNER & CO AKTIENGESELLSCHAFT
 Income statement
 for the period from January 1 to December 31, 2007

(in €)	Jan. 01,- Dec. 31, 2007	Jan. 01,- Dec. 31, 2006
Other operating expenses	5,560,014.98	1,997,899.78
Personnel expenses	-18,047,181.96	-7,098,307.90
Depreciation of intangible fixed assets and property, plant and equipment	-273,891.98	-105,044.19
Other operating expenses	-18,741,507.48	-12,991,011.06
Income from investments	75,987,570.86	74,183,087.98
Other interest and similar income	14,175,989.05	2,297,360.80
Interest and similar expenses	-8,669,271.04	-5,183,008.00
Result from ordinary activities	49,991,722.43	53,100,977.41
Income taxes	-1,461,482.35	-606,250.00
Other taxes	-26,062.84	-6,689.21
Net income	48,504,177.24	52,488,038.20
Allocation to other earnings reserves	-11,304,177.24	-15,288,038.20
Retained profits	37,200,000.00	37,200,000.00

KLÖCKNER & CO AKTIENGESELLSCHAFT

Notes to the financial statements

for the 12 months period ending December 31, 2007

1. General information

Klöckner & Co AG (the "Company") is the parent company of the Klöckner & Co Group. With more than 250 locations in Europe and North America, the Klöckner & Co Group is the largest mill-independent distributor of steel products and other materials for the combined European and North American market.

The main activity of Klöckner & Co AG is the management of operations of the Klöckner & Co Group. The company directly or indirectly controls the management companies of the Group's operating subsidiaries in Germany and Austria, the Netherlands, France and Belgium, the UK, Spain, Switzerland and in Eastern Europe and the US and Canada.

Klöckner & Co AG shares have been listed on the Official Market of the Frankfurt Stock Exchange since the IPO on June 28, 2006 and the shares were added to Deutsche Börse's MDAX index on January 29, 2007.

2. Accounting policies

The financial statements for the financial year from January 1 to December 31, 2007 were compiled in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act) as required for large corporations. Klöckner & Co AG compiles consolidated financial statements under International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements will be published in the electronic Federal Gazette.

The presentation of the financial statements adheres to sections 266 to 278 HGB.

Assets

Acquired intangible assets as well as property, plant and equipment are generally carried at cost less accumulated amortization and depreciation in accordance with the German Commercial Code. Moveable property, plant and equipment subject to depreciation are amortized on a straight-line basis. Low-value assets are expensed on acquisition. Impairment losses are recog-

nized if the carrying amount exceeds fair value. Other property and equipment is amortized over useful lives between three and 13 years.

Non-current financial assets are stated at acquisition cost; impairment losses are recognized for other than temporary declines in value.

Receivables and other assets are generally stated at cost. Specific valuation allowances are established to account for identifiable risks. Receivables denominated in foreign currencies are translated at the exchange rate at the date of the transaction date or if lower at the exchange rate at the reporting date.

Liabilities

Provisions for pensions and similar obligations are calculated in accordance with the tax based going concern value ("Teilwertverfahren") using a discount rate of 6%.

Provisions for anniversary payments are also calculated under actuarial methods. The discount rate for such provisions amounts to 5.5%.

Other accrued expenses account for all identifiable and pending risks. Liabilities are generally stated at their pay-off amount.

Income statement

The income statement is prepared according to the nature of expense method per section 275 para. 2 HGB.

3. Property, plant and equipment and non-current investments

The development of property, plant and equipment and non-current investments is presented in Appendix 1.

Klöckner & Co AG holds via its shares in the intermediate holding company Multi Metal Beteiligungs GmbH ("MMB"), Duisburg, an investment in Klöckner & Co International GmbH, Duisburg ("Klöckner & Co International GmbH"), which has a 100% stake in Klöckner & Co Verwaltung GmbH, Duisburg. Klöckner & Co Verwaltung GmbH directly or indirectly holds the operat-

ing companies of the Klöckner & Co Group. In addition, the Company holds 100% of the shares of Klöckner Finance International GmbH, Luxemburg, which has issued a convertible bond in the reporting year.

In the year under review, the Company made a contribution to the capital reserve of MMB of €7,600 thousand.

A listing of all subsidiaries is presented in Appendix 2.

4. Accounts receivables and other assets

(€ thousand)	2007	2006
Trade receivables	3	1
Accounts receivables due from affiliated companies	526,494	138,931
Other assets	3,894	3,263
	530,391	142,195

Accounts receivable from affiliated companies of €185,444 thousand (2006: €131,144 thousand) are attributable to MMB and relate to loans, contribution to capital reserves and to the 2007 profit transfer. Furthermore, loan receivables of €330,510 thousand (2006: €0 thousand) due from Klöckner & Co Verwaltung GmbH relate to the issuance of the convertible bond by Klöckner & Co Finance S.A., Luxemburg. Accounts receivable from Klöckner Stahl- und Metallhandel GmbH, Duisburg of €10,254 thousand (2006: €7,263 thousand) primarily originate from the fiscal unity for VAT-purposes.

Other assets comprise with €1,684 thousand (2006: €1,695 thousand) SAP licenses and with €1,391 thousand (2006: €905 thousand) reinsurance claims from pension funds.

5. Cash and cash equivalents

Cash and cash equivalents consist of bank balances.

6. Prepaid expenses

The discount on issuance of the convertible bond of €62,797 thousand has been capitalized as prepaid expenses and will be amortized over the duration of the bond. In 2007, amortization expenses of €5,233 thousand were recorded. The remaining discount was stated at €57,564 thousand as of the end of the financial year 2007. In addition, prepaid expenses include prepaid software maintenance costs.

7. Equity

The subscribed capital of Klöckner & Co AG remains unchanged at €116,250 thousand divided into 46,500,000 registered shares. In line with the resolution by the Annual General Meeting on June 21, 2006, the Management Board is authorized to raise share capital by up to €50,000 thousand.

By resolution of the Annual General Meeting on June 20, 2007 the share capital of the company has been conditionally increased up to €11,625 thousand to grant subscription and/or conversion rights to the holders of the convertible bond. The option premium of €62,797 thousand (2006: 0 thousand) received on issuance of a convertible bond has been credited to capital reserves.

The capital reserve amounts to €260,496 thousand (2006: €197,699 thousand) as of December 31, 2007.

8. Other provisions

(€ thousand)	2007	2006
Other provisions for		
– personnel expenses	6,665	7,425
– outstanding invoices	898	641
– miscellaneous	753	928
	8,316	8,994

9. Liabilities

(€ thousand)	2007	2006
Convertible bond	325,000	0
Trade payables	623	875
Liabilities due from affiliated companies	56,037	4,959
Other liabilities	10,146	7,322
	391,806	13,156

On July 18, 2007, Klöckner & Co AG issued via its wholly owned subsidiary Klöckner & Co Finance International S.A. a convertible bond with an aggregated nominal value of €325 million. Payments under the bond are guaranteed by Klöckner & Co AG. The bonds which are convertible into shares of Klöckner & Co AG have a maturity of five years and a coupon of 1.50% per annum. The conversion price has been set at €80.75. The proceeds from the sale of the convertible bond will, among other things, be used for further acquisitions of businesses.

Klöckner & Co Finance International S.A. is contractually required to grant a loan to Klöckner & Co AG in the amount of the issue proceeds of €325 million. The proceeds were directly paid to Klöckner & Co AG.

The economic substance of the loan is a transfer of the obligations under the convertible bond from Klöckner & Co Finance International S.A. to Klöckner & Co AG. As such Klöckner & Co AG assumes the legal position of the Klöckner & Co Finance International S.A.

As a result the convertible bond is deemed to be issued by Klöckner & Co AG.

Other liabilities include:

(€ thousand)	2007	2006
Tax payables	10,087	7,215
Social securities	0	71

Tax payables relate with €9,938 thousand (2006: €7,036 thousand) to VAT in connection with a VAT tax unity.

Except for the convertible bond all liabilities have a remaining maturity of less than one year.

10. Commitments

Future minimum lease payments for long-term operating leases relate with €3,069 thousand (2006: €2,848 thousand) to 2008 and with €12,813 thousand (2006: €11,784 thousand) to financial years 2009 until 2012. In periods subsequent to 2012 the obligations amount to €13,740 thousand (2006: €15,918 thousand).

11. Other income

Other income contains income attributable to prior periods from the reversal of provisions of €1,098 thousand (2006: €400 thousand).

12. Personnel expenses

(€ thousand)	2007	2006
Wages and salaries	16,787	6,255
Social securities	630	243
Post-retirement benefits and welfare	630	600
	18,047	7,098

Average number of employees:

	2007	2006
Salaried employees	60	48
Wage earners	2	1
	62	49

The corresponding amounts for 2006 relate to the period September 1 to December 31, 2006.

In the reporting year, the members of the Management Board of Klöckner & Co AG received the following compensation from Group companies:

(€ thousand)	2007	2006
Short-term benefits		
– fixed components	871	855
– variable components	914	1,294
Share-based compensation	2,800	3,276

The amount for share-based payments represents the fair value of the virtual stock options at the grant date. During financial year 2007, payouts for share-based compensation amount to €7,591 thousand (2006: €0 thousand).

Business with members of the Management Board is restricted to their above function as members of the Management Board.

The Annual General Meeting on June 7, 2006 unanimously voted in accordance with section 286 para. 5 HGB not to disclose the compensation and other benefits of the members of the Management Board on an individual basis for the financial years from 2006 up to and including 2011 as required by section 285 (1) No. 9 HGB.

13. Other expenses

In the 2007 financial year, remuneration paid to the Supervisory Board of the group amounted to €401 thousand (2006: €306 thousand).

The following fees included in other expenses were incurred for services performed by the auditor KPMG Hartkopf + Rentrop Treuhand KG, Cologne and KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin:

(€ thousand)	2007	2006
Audit of financial statements	669	495
Other assurance services	232	1,415
Tax advisory services	432	36
Other services	403	0
	1,736	1,946

Other expense relate with €403 thousand (2006: €0 thousand) to prior periods.

14. Income from investments

Income from investments comprises income from the profit and loss transfer agreement with MMB.

15. Interest expense, net

(€ thousand)	2007	2006
Other interest and similar income		
– affiliated companies	14,176	2,297
Interest and similar expenses		
– affiliated companies	–3,436	–5,181
– other interest and similar expenses	–5,233	–2
	5,507	–2,886

Interest income relates with €8,992 thousand to a loan to Klöckner & Co Verwaltung GmbH.

Interest income is with €5,233 thousand attributable to the amortization of the discount on the convertible bond.

16. Taxes

(€ thousand)	2007	2006
Taxes on income	1,461	606
Other taxes	26	7
	1,487	613

17. Contingent liabilities

The contingent liabilities of €203,628 thousand result from a guarantee for drawings of Klöckner & Co Verwaltung GmbH under the holding credit arrangement ("Holding Facility") in the amount of €200,594 thousand and a further guarantee for obligations of Klöckner & Co Verwaltung GmbH of €3,034 thousand incurred in connection with forward contracts under a master agreement with a bank.

18. Other information

Information pursuant to section 160 para. 1

No. 8 AktG

In accordance with section 21, para. 1 and section 22, para. 2 Wertpapierhandelsgesetz (WpHG – Securities Trading Act) the Company was notified as follows:

Notifying institutions	Domicile	Voting interests in %	Date on which threshold was met
Increase over threshold			
Franklin Mutual Series Fund	Short Hills, USA	5.00	February 19, 2007
TIAA Board of Overseers	New York, USA	5.18	February 20, 2007
Franklin Mutual Advisors, LLC	Short Hills, USA	10.81	March 1, 2007
Fidelity International Limited	Hamilton, Bahamas	5.03	October 25, 2007
Alken Asset Management, LLP	London, Great Britain	5.07	November 13, 2007
TPG-Axon Partners, L.P.	New York, USA	5.38	December 19, 2007
Decrease under threshold			
Multi Metal Investment S.à r.l	Luxemburg	0.00	April 20, 2007
TIAA Board of Overseers	New York, USA	4.75	August 1, 2007
Alken Asset Management, LLP	London, Great Britain	4.95	January 29, 2008

Corporate bodies

A listing of the members of the corporate bodies is attached as Appendix 3.

Declaration of compliance

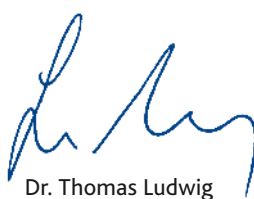
On December 12, 2007, the Management Board and Supervisory Board issued the declaration of compliance in accordance with section 161 AktG and made it permanently available to the shareholders on the Klöckner & Co AG website.

Profit distribution proposal

We propose to the Annual General Meeting that the retained profits of Klöckner & Co AG, in the amount of €37,200,000.00 (2006: €37,200,000.00), be distributed entirely. This corresponds to a dividend of €0.80 (2006: €0.80) per share on the dividend-carrying share capital of €116,250,000.00.

Duisburg, February 29, 2008

Klöckner & Co Aktiengesellschaft
The Management Board



Dr. Thomas Ludwig



Gisbert Rühl

KLÖCKNER & CO AKTIENGESELLSCHAFT
Appendix 1 to the notes to the financial statements
Movements in intangible assets, property, plant and equipment
and financial assets

(in €)	Cost			Balance Dec. 31, 2007
	Balance Dec. 31, 2006	Additions	Disposals	
I. Intangible assets				
Concessions, industrial and similar rights	173,391.39	143,818.78	0.00	317,210.17
II. Property, plant and equipment				
1. Buildings	19,154.34	0.00	0.00	19,154.34
2. Other equipment, operating and office equipment	211,135.80	267,707.06	70,694.44	408,148.42
III. Financial assets				
Investments in affiliated companies	250,671,651.75	7,631,000.00	0.00	258,302,651.75
	251,075,333.28	8,042,525.84	70,694.44	259,047,164.68

Accumulated amortization and depreciation					
Balance Dec. 31, 2006	Current year amortization and depreciation	Disposals	Balance Dec. 31, 2007	Book value Dec. 31, 2006	Book value Dec. 31, 2007
24,044.39	125,414.78	0.00	149,459.17	149,347.00	167,751.00
2,642.34	7,925.00	0.00	10,567.34	16,512.00	8,587.00
29,911.80	140,552.20	70,694.44	99,769.56	181,224.00	308,378.86
0.00	0.00	0.00	0.00	250,671,651.75	258,302,651.75
56,598.53	273,891.98	70,694.44	259,796.07	251,018,734.75	258,787,368.61

KLÖCKNER & CO AKTIENGESELLSCHAFT
Appendix 2 to the notes to the financial statements
Subsidiary listing according to sections 285 No. 11/Section 313 para. 2
German Commercial Code as of December 31, 2007

Curr. no.	Partici- pation in %	Held by curr. no.	Cur- rency	Equity in local currency	Net income in local currency
1					
1 Klöckner & Co Aktiengesellschaft, Duisburg, Germany					
I. Consolidated Group companies					
2	100.00	1	EUR	33,347.54	2,347.54
3	100.00	1	EUR	257,932,945.30	0.00 ¹⁾
4	100.00	3	EUR	357,899,443.92	0.00 ¹⁾
5	100.00	4	EUR	257,862,067.19	0.00 ¹⁾
6	100.00	5	EUR	192,777,657.79	25,215,218.04
7	78.06	6	CHF	118,793,455.04	63,826,064.93
8	100.00	7	CHF	4,773,739.33	1,499,846.49
9	100.00	7	CHF	49,829,483.42	12,133,670.02
10	100.00	7	CHF	801,075.56	140,065.38
11	100.00	7	CHF	8,653,581.81	2,977,104.46
12	100.00	7	CHF	12,973,330.95	4,409,543.55
13	100.00	7	CHF	4,374,025.37	1,202,801.43
14	100.00	7	CHF	5,294,747.99	1,701,932.98
15	100.00	7	CHF	8,856,905.71	860,016.07
16	100.00	7	CHF	16,236,617.99	4,300,029.33
17	100.00	7	CHF	8,660,814.81	1,856,937.73
18	100.00	7	CHF	7,373,688.95	2,475,923.12
19	100.00	7	CHF	5,585,473.68	1,615,524.53
20	100.00	7	CHF	14,043,391.00	4,000,809.86
21	100.00	7	CHF	100,000.00	0.00
22	100.00	7	CHF	2,048,624.91	192,903.30
23	100.00	7	CHF	4,325,083.62	2,733,373.46
24	100.00	7	CHF	106,120.56	442.46
25	100.00	7	CHF	28,091,735.15	8,167,364.74
26	100.00	7	CHF	41,977,181.28	30,007,842.58
27	100.00	26	EUR	1,749,284.89	260,087.74
28	100.00	26	USD	2,677,125.20	-68,345.29
29	100.00	28	USD	10,519,889.14	82,937.76
30	100.00	26	EUR	16,986,286.85	9,029,252.39
31	100.00	26	CZK	-4,575,612.76	-1,923,748.19
32	100.00	26	PLN	3,155,267.87	1,022,170.28
33	100.00	7	CHF	1,798,396.45	332,219.55
34	100.00	33	CHF	373,388.66	88,245.89
35	60.00 40.00	33 36	CHF	1,312,410.33	357,458.97

¹⁾ Profit and loss transfer agreement

Curr. no.		Participation in %	Held by curr. no.	Currency	Equity in local currency	Net income in local currency
36	Prostahl Service AG, Brig-Glis, Switzerland	100.00	33	CHF	905,545.26	99,641.19
37	Metall Service Menziken AG, Menziken, Switzerland	100.00	7	CHF	8,949,523.58	441,060.72
38	Klockner Limited, Douglas/Isle of Man	99.95 0.05	6 64	GBP	-63,936,869.70	-7,323.49
39	Kloekner & Co USA Beteiligungs GmbH, Duisburg, Germany	100.00	5	EUR	160,025,000.00	0.00 ¹⁾
40	Klöckner & Co USA Holding GmbH, Duisburg, Germany	100.00	5	EUR	67,929,681.74	-18,540.16
41	Klöckner USA Holding Inc., Wilmington/Delaware, USA	100.00	40	USD	143,804,263.93	23,513,402.40
42	Klöckner Namasco Holding Corporation, Wilmington/Delaware, USA	100.00	41	USD	384,711,719.24	29,757,302.62
43	Namasco Corporation, Wilmington/Delaware, USA	100.00	42	USD	383,391,807.31	5,279,362.80
44	Namasco Holding Corporation, Wilmington/Delaware, USA	100.00	43	USD	83,362,862.79	0.00
45	Namasco Metals L.P., Dallas/Texas, USA	99.00 1.00	44 43	USD	84,127,835.77	23,894,425.63
46	Klöckner Namasco Receivables Corporation, Roswell, USA	100.00	45	USD	0.00	264,900.77
47	Namasco Receivables Corporation, City of Dover/Delaware, USA	100.00	45	USD	0.00	0.00
48	NC Receivables Corporation, Wilmington/Delaware, USA	100.00	45	USD	18,161.93	18,161.93
49	Primary Steel LLC, Middletown/Connecticut, USA	100.00	43	USD	-3,791,182.39	-3,791,182.39
50	Primary Steel Tulare Division LLC, Wilmington/Delaware, USA	100.00	49	USD	0.00	0.00
51	Primary Tulare Property LLC, Wilmington/Delaware, USA	100.00	49	USD	0.00	0.00
52	Klöckner Distribution Industrielle S.A., Aubervilliers, France	90.00	5	EUR	88,354,556.00	20,511,978.00
53	Buysmetal N.V., Harelbeke, Belgium	99.99 0.01	52 54	EUR	13,939,035.21	3,278,633.85
54	KDI SAS, Aubervilliers, France	100.00	52	EUR	108,770,239.00	15,868,762.00
55	Adrien Targe S.A., La Grand Croix, France	100.00	54	EUR	4,398,346.00	553,703.00
56	Davum Ocean Indien SAS, Le Port/La Réunion, France	100.00	54	EUR	3,736,001.00	990,151.00
57	KDI Export SAS, Cergy-Pontoise, France	100.00	54	EUR	1,633,916.00	83,978.00
58	KDI Immobilier SAS, Aubervilliers, France	100.00	54	EUR	70,143,880.00	4,999,743.00
59	Prafer SNC, Woippy, France	100.00	54	EUR	1,094,409.00	505,337.00
60	Tournier Holding SAS, Lagny sur Marne, France	100.00	54	EUR	7,534,300.00	1,869,312.00
61	Tournier SAS, Croissy Beaubourg, France	100.00	60	EUR	4,073,175.00	682,914.00
62	SNPI SAS Croissy Beaubourg, France	100.00	60	EUR	1,217,947.00	322,599.00
63	Reynolds European S.A.S., Rueil Malmaison, France	100.00	52	EUR	15,975,171.00	1,075,923.00
64	Klöckner Global Sourcing GmbH, Duisburg, Germany	100.00	5	EUR	30,032.06	0.00 ¹⁾
65	Klöckner Information Services GmbH, Duisburg, Germany	51.00	5	EUR	1,211,713.35	644,938.22
66	Klöckner Netherlands Holding B.V., Barendrecht, The Netherlands	100.00	5	EUR	52,853,641.34	54,292,515.22

¹⁾ Profit and loss transfer agreement

Curr. no.		Participation in %	Held by curr. no.	Currency	Equity in local currency	Net income in local currency
67	Klöckner & Co Financial Services B.V., Rotterdam, The Netherlands	100.00	66	EUR	18,456,185.09	983,865.11
68	NAMASCO LIMITED, Toronto-Ontario, Canada	100.00	66	CAD	94,837,367.87	31,572,145.26
69	ODS B.V., Rotterdam, The Netherlands	100.00	66	EUR	70,208,034.00	24,889,527.00
70	B.V. Industriële Vertegenwoordiging Metaalbedrijven 'Invem', Rotterdam, The Netherlands	100.00	69	EUR	22,689.00	0.00
71	B.V. Staalveredelingsbedrijf S.V.B., Helmond, The Netherlands	100.00	69	EUR	92,571.00	0.00
72	B.V. Tistim, Rotterdam, The Netherlands	100.00	69	EUR	226,890.00	0.00
73	Hollandia Non-Ferro B.V., Hendrik Ido Ambacht, The Netherlands	100.00	69	EUR	453,780.00	0.00
74	Metaalmaatschappij Van Houten B.V., Rotterdam, The Netherlands	100.00	69	EUR	807,593.00	0.00
75	ODS Metals N.V., Antwerp, Belgium	100.00	69	EUR	3,033,394.37	429,451.08
76	O-D-S N.V., Antwerp, Belgium	100.00	69	EUR	1,002,284.52	381,625.52
77	O-D-S Transport B.V., Barendrecht, The Netherlands	100.00	69	EUR	18,000.00	0.00
78	Sidalmetaal Non-Ferro Verkoop B.V., Capelle aan den IJssel, The Netherlands	100.00	69	EUR	18,151.00	0.00
79	Struycken & Co. B.V., Rotterdam, The Netherlands	100.00	69	EUR	638,015.00	0.00
80	Teuling Staal B.V., Barendrecht, The Netherlands	100.00	69	EUR	10,314,157.60	1,730,536.99
81	Verenigde Staalhandel Struycken-Mullerstaal B.V., Rotterdam, The Netherlands	100.00	69	EUR	272,268.00	0.00
82	Vuij B.V., Utrecht, The Netherlands	100.00	69	EUR	1,179,829.00	0.00
83	W.B. Diepeveen & Co B.V., Rotterdam, The Netherlands	100.00	69	EUR	968,367.00	0.00
84	Klöckner Participaciones SA, Madrid, Spain	100.00	5	EUR	5,399,993.30	-3,143,441.21
85	Comercial de Laminados S.A., Barcelona, Spain	100.00	84	EUR	51,771,038.54	5,178,331.28
86	Aesga Aceros Especiales S.A., Madrid, Spain	100.00	85	EUR	2,200,690.26	-296,084.62
87	Cortichapa S.A., Valencia, Spain	85.00 15.00	85 90	EUR	6,353,953.06	729,274.29
88	Hierros del Cantabrico S.A., Asturias, Spain	100.00	85	EUR	6,907,827.35	470,268.23
89	Hierros del Ebro S.A., Zaragoza, Spain	100.00	85	EUR	10,603,378.70	1,034,370.20
90	Hierros del Turia S.A., Valencia, Spain	80.00	85	EUR	45,895,828.92	29,589,143.76
91	Hierros Guadalquivir S.A., Sevilla, Spain	100.00	85	EUR	16,960,945.17	335,432.83
92	Klöckner Aluminio Iberica S.A., Madrid, Spain	100.00	85	EUR	1,974,912.92	19,550.83
93	Materiales Siderurgicos S.A., Madrid, Spain	100.00	85	EUR	6,489,926.29	187,648.54
94	Perfiles Aragon S.A., Zaragoza, Spain	100.00	85	EUR	10,505,734.34	-93,818.72
95	Suministros Loinaz S.A., Guipuzcoa, Spain	100.00	85	EUR	7,006,919.88	361,300.60
96	Klöckner Stahl- und Metallhandel GmbH, Duisburg, Germany	100.00	5	EUR	81,934,377.62	0.00 ¹⁾
97	Edelstahlservice Mágocs Nemesacélfeldolgozó Kft, Mágocs, Hungary	100.00	96	HUF	25,270,792.00	8,508,774.00

¹⁾ Profit and loss transfer agreement

Curr. no.		Participation in %	Held by curr. no.	Currency	Equity in local currency	Net income in local currency
98	Dobbertin Drahthandel GmbH, Hamburg, Germany	100.00	96	EUR	126,074.56	1,437.49
99	Klößner Romania SRL, Bucharest, Romania	95.00 5.00	96 98	RON	-416,571.44	-1,213,343.73
100	Klößner Stahl und Metall Ges.m.b.H, Vienna, Austria	100.00	96	EUR	3,036,869.02	1,837,767.27
101	Metall- und Service-Center GmbH Nfg. KG, Vienna, Austria	51.00	100	EUR	6,994,789.17	3,030,035.34
102	Klößner Stahlhandel CZ, s.r.o., Prague, Czech Republic	100.00	96	CZK	46,925,192.88	2,746,183.35
103	Klößner Stal i Metal Polska Sp. z o.o., Poznan, Poland	99.99 0.01	96 98	PLN	9,428,415.81	546,397.80
104	Klößner UK France Holding Ltd., London, Great Britain	100.00	5	GBP	25,962,130.00	7,087,026.00
105	ASD Limited, Leeds, Great Britain	100.00	104	GBP	43,656,455.00	5,549,715.00
106	ASD Anderson Brown Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
107	ASD Batchelors Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
108	ASD Bodmin Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
109	ASD Bramall & Wax Limited i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
110	ASD Coil Processing Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
111	ASD Constructional Steels Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
112	ASD Court Steel Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	1.00	0.00
113	ASD Edgars Limited i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
114	ASD Glen Metals Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
115	ASD Ireland Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
116	ASD John Williams Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
117	ASD John Williams Profiles Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
118	ASD Johnson Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	1.00	0.00
119	ASD metal services Ltd. Leeds, Great Britain	100.00	105	GBP	2.00	0.00
120	ASD Norfolk Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
121	ASD Randle Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
122	ASD Reusable Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
123	ASD Selveys Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
124	ASD Stalbridge Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
125	ASD Yeovil Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
126	D & F Steels Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
127	Klößner Aluminium Services Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
128	RP Profiles Limited i.L., Leeds, Great Britain	100.00	105	GBP	2.00	0.00
129	Welbeck Trading Ltd. i.L., Leeds, Great Britain	100.00	105	GBP	1.00	0.00
130	Interpipe (UK) Ltd., Dudley, Great Britain	100.00	104	GBP	952,864.00	-24,685.00
131	Klößner Metal Services Ltd., Leeds, Great Britain	100.00	104	GBP	7,915,135.00	2,194,859.00

Curr. no.		Participation in %	Held by curr. no.	Currency	Equity in local currency	Net income in local currency
132	Klöckner UK Holdings Ltd., Leeds, Great Britain	100.00	104	GBP	16,663,291.00	-4,008,922.00
133	Richardsons Westgarth Ltd., Leeds, Great Britain	100.00	104	GBP	17,379,253.00	-240,000.00
134	Armstrong Plate Ltd., Leeds, Great Britain	100.00	133	GBP	-584,019.00	0.00
135	Berry Hill Group Ltd., Leeds, Great Britain	100.00	133	GBP	1,872,067.00	0.00
136	James & Tatton Ltd., Leeds, Great Britain	100.00	135	GBP	2,096,520.00	0.00
137	Gardiner, Barugh & Jones Ltd., Leeds, Great Britain	100.00	133	GBP	1,561,971.00	0.00
138	Grange Steels Ltd., Leeds, Great Britain	100.00	133	GBP	558,489.00	0.00
139	Hilton Steels Ltd., Leeds, Great Britain	100.00	133	GBP	-83,890.00	0.00
140	Humber Steel Stockholders Ltd., Leeds, Great Britain	100.00	133	GBP	2,371,118.00	0.00
141	John O. Holt & Sons Ltd., Leeds, Great Britain	100.00	133	GBP	249,843.00	0.00
142	Armstrong Steel Ltd., Leeds, Great Britain	100.00	141	GBP	12,876,566.00	361,065.00
143	JRS Steel Stockholders Ltd., Leeds, Great Britain	100.00	133	GBP	-762,236.00	0.00
144	Organically Coated Steels Ltd., Leeds, Great Britain	100.00	133	GBP	2,803,828.00	0.00
145	Parkin Steel Stockholders Ltd., Leeds, Great Britain	100.00	133	GBP	343,591.00	0.00
146	Peterborough Steels Ltd., Leeds, Great Britain	100.00	133	GBP	-370,622.00	0.00
147	RW Doncaster Ltd., Leeds, Great Britain	100.00	133	GBP	-319,199.00	0.00
148	RW Project Metals Ltd., Leeds, Great Britain	100.00	133	GBP	46,299.00	0.00
149	Westgarth Aberdeen Ltd., Bathgate, Great Britain	100.00	133	GBP	-116,022.00	0.00
150	Westok Limited, Horbury, Great Britain	100.00	104	GBP	4,105,219.00	1,405,818.00
151	Klöckner Verwaltungsgesellschaft für Beteiligungen GmbH & Co KG, Duisburg, Germany	100.00	5	EUR		²⁾
152	Klöckner S.à r.l., Luxemburg	100.00	4	EUR	12,500.00	0.00
153	Klöckner Investment SCA, Luxemburg	96.77 3.23	4 152	EUR	-16,660,448.54	-16,774,098.91
154	Klöckner Finance S.à r.l., Luxemburg	100.00	153	EUR	22,911.38	916.72

II. Subsidiaries excluded from the scope of consolidation

155	KDI Courtages SARL, Paris, France	99.80	52	EUR	25,213.00	239.00
156	Klockner Polska Sp. z o.o. i.L., Katowice, Poland	100.00	5	PLN	1,037,676.36	-47,348.63
157	Klöckner Steel Company Ltd., Leeds, Great Britain	100.00	6	GBP	61,266.00	-2,199,000.00 ³⁾
158	ODS Instrumentation India Private Limited, Mumbai/India	90.00	69	INR	-853,745.00	-461,944.00
159	Richardson Westgarth Employees Trustees Ltd., Leeds, Great Britain	100.00	133	GBP	1.00	0.00
160	Sammi Klöckner International GmbH, Duisburg, Germany	100.00	6	EUR	-14,050,597.13	-6,841.19
161	UAB Klöckner Baltija, Klaipeda/Lithuania	100.00	5	LTL	97,093.00	-2,907.00 ³⁾

²⁾ Permanent establishment for tax purposes (via indenture), incorporated in the accounts of Klöckner & Co Verwaltung GmbH, Duisburg, Germany

³⁾ Financial statements as of December 31, 2006

Curr. no.		Partici- pation in %	Held by curr. no.	Cur- rency	Equity in local currency	Net income in local currency
III. Associated companies						
162	Birs-Stahl AG, Birsfelden, Switzerland	50.00	9	CHF	575,064.33	17,480.56 ³⁾
IV. Investments in excess of 20%						
163	Basys AG, Burgdorf, Switzerland	44.00	22	CHF	889,675.87	443,821.46 ³⁾
164	GIE Mer, La Réunion, France	20.00	56	EUR	8,000.00	-6,657.00 ³⁾

Exchange rates December 31, 2007

		Year-end rate	Average rate
1 BGN (Lev, Bulgaria)	= EUR	0.51130	0.51130
1 CAD (Dollar, Canada)	= EUR	0.69210	0.68130
1 CHF (Franken, Switzerland)	= EUR	0.60434	0.60875
1 CZK (Kronen, Czech Republic)	= EUR	0.03756	0.03602
1 GBP (Pound Sterling, Great Britain)	= EUR	1.36361	1.46126
1 PLN (Zloty, Poland)	= EUR	0.27828	0.26429
100 RON (Lei, Romania)	= EUR	28.71850	29.98230
1 USD (Dollar, USA)	= EUR	0.67930	0.72970

³⁾ Financial statements as of December 31, 2006

KLÖCKNER & CO AKTIENGESELLSCHAFT
Appendix 3 to the notes to the financial statements
List of members of the Management Board and Supervisory Board

Management Board

[Dr. Thomas Ludwig](#)

Chairman of the Management Board

Born in 1948, Management Board member since November 2003 and appointed until May 31, 2011. He is responsible for Country Operations and for Procurement, Human Resources/Communications, Legal and Process Management/Internal Auditing.

[Gisbert Rühl](#)

Chief Financial Officer

Born in 1959, Management Board member since July 2005 and appointed until May 31, 2011. He is responsible for the other Participations and for Accounts/Finance, Controlling/M&A/Corporate Development, Taxes, Corporate IT and Investor Relations.

[Ulrich Becker](#)

Member of the Management Board

Born in 1961, Management Board member since April 2008 and appointed until March 31, 2013. Starting April 1, 2008, he will be responsible for the Europe segment and Purchasing.

Supervisory Board

Prof. Dr. Dieter H. Vogel
Chairman, Lindsay Goldberg Vogel GmbH,
Düsseldorf, Chairman

Dr. Michael Rogowski
Chairman of the Supervisory Board,
Voith AG, Heidenheim,
Deputy Chairman

Michael W. Dees
Principal, Lindsay Goldberg, New York,
until November 15, 2007

Alan E. Goldberg
Managing Partner, Lindsay Goldberg, New York,
until June 20, 2007

Robert J. Koehler
Chairman of the Management Board
of SGL CARBON AG, Wiesbaden,
since December 11, 2007

Frank H. Lakerveld
Member of the Management Board,
Sonepar S.A., Paris

Robert D. Lindsay
Managing Partner, Lindsay Goldberg, New York,
until June 20, 2007

Dr. Jochen Melchior
Former Chairman of the Management Board of
the former STEAG AG, Essen, since June 20, 2007

Dr. Hans-Georg Vater
Former member of the Board of Management
at HOCHTIEF Aktiengesellschaft, Essen,
since June 20, 2007

Executive Committee

(also the Personnel Committee, as well as the
Committee for Urgent Matters and Nomination
Committee)

Prof. Dr. Dieter H. Vogel
Chairman

Dr. Michael Rogowski

Alan E. Goldberg
until June 20, 2007

Dr. Hans-Georg Vater
since June 20, 2007

Audit Committee

Dr. Hans-Georg Vater
Chairman
since December 12, 2007

Michael W. Dees
Chairman
until November 15, 2007

Dr. Michael Rogowski

Prof. Dr. Dieter H. Vogel

**Additional Mandates of the Members
of Management Board of Klöckner & Co AG
Section 285(1) no. 10 HGB**

Dr. Thomas Ludwig,

Chairman of the Management Board, CEO

Group Mandates

- Klöckner Stahl- und Metallhandel GmbH, Duisburg, Chairman of the Supervisory Board
- Comercial de Laminados, Madrid/Spain, Chairman
- Debrunner Koenig Holding AG, St. Gallen/Switzerland, Chairman
- Klöckner Distribution Industrielle S.A., Aubervilliers/France, Chairman
- Klöckner Investment S.C.A., Luxemburg/Luxemburg
- Klöckner Metalsnab AD, Sofia/Bulgaria, Chairman, since December 17, 2007
- Klöckner UK Holdings Ltd, Leeds/UK, Chairman
- Klöckner Namasco Holding Corporation, Atlanta/USA, Chairman
- Klöckner Polska Sp.z.o.o., in liquidation, Katowice/Poland, Chairman until October 16, 2007
- Namasco Limited, Toronto/Canada, Chairman
- ODS B.V., Rotterdam/Netherlands, Chairman

Other Mandates

- Trimet Aluminium AG, Essen, Chairman of the Supervisory Board
- Bandstahl Schulte & Co. GmbH, Hagen, Chairman of the Advisory Board since November 2007
- 3A Aluminium AG, Düsseldorf, Member of the Supervisory Board
- Rölfes W. P. Partner AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, Chairman of the Supervisory Board
- (7S) Personal GmbH, Hamburg, Chairman of the Advisory Board

Gisbert Rühl,

Member of the Management Board, CFO

Group Mandates

- Klöckner Stahl- und Metallhandel GmbH, Duisburg, Member of the Supervisory Board
- Comercial de Laminados, Madrid/Spain, Deputy Chairman
- Klöckner & Co Financial Services B.V., Rotterdam/Netherlands, Chairman
- Klöckner Distribution Industrielle S.A., Aubervilliers/France, Deputy Chairman
- Klöckner Ibérica S.L., Madrid/Spain, Deputy Chairman
- Klöckner Investment S.C.A., Luxemburg/Luxemburg
- Klöckner Metalsnab AD, Sofia/Bulgaria, since December 17, 2007
- Klöckner Namasco Holding Corporation, Atlanta/USA
- Namasco Limited, Toronto/Canada
- ODS B.V., Rotterdam/Netherlands

Other Mandates

- Deutsche Bank Aktiengesellschaft, Essen branch, Member of the Regional Advisory Board
- DAL Deutsche Afrika Linien GmbH & Co KG, Hamburg, Member of the Advisory Board
- Walter Services Holding GmbH, Ettlingen, Chairman of the Shareholders' Committee and, since November 29, 2007, Chairman of the Supervisory Board

**Additional Mandates of the Members
of the Supervisory Board of Klöckner & Co AG
Section 285(1) no. 10 HGB**

Prof. Dr. Dieter H. Vogel, Chairman

- Bertelsmann AG, Chairman of the Supervisory Board, until December 31, 2007¹⁾
- mobilcom AG, Chairman of the Supervisory Board, until February 21, 2007¹⁾
- telunico holding AG, Chairman of the Supervisory Board, until February 21, 2007¹⁾
- HSBC Trinkaus & Burkhardt AG, Member of the Advisory Board²⁾
- Ernst & Young AG, Member of the Advisory Board²⁾
- Debrunner Koenig Holding AG, Member of the Board of Directors²⁾
- Gerling-Konzern Versicherungs-Beteiligungs-AG, Member of the Board of Directors, January 1, 2004 to September 30, 2007²⁾
- HDI-Gerling-Industrie Versicherung AG, Member of the Advisory Board, from October 1, 2007²⁾
- Board of Trustees of the Bertelsmann Foundation, Chairman from August 1, 2007²⁾

Dr. Michael Rogowski, Deputy Chairman

- Voith AG, Chairman of the Supervisory Board and of the Shareholders' Committee¹⁾
- Talanx AG, Member of the Supervisory Board¹⁾
- IKB Deutsche Industriebank AG, Member of the Supervisory Board¹⁾
- Carl Zeiss AG, Member of the Supervisory Board¹⁾
- Freudenberg & Co., Deputy Chairman of the Shareholders' Committee²⁾
- Deutsche Bank AG, Member of the Central Advisory Board²⁾
- EADS N.V., Member of the Supervisory Board until September 30, 2007²⁾

Michael Dees (until November 15, 2007)

- Bell Nursery Holdings LLC, Member of the Board²⁾

Alan E. Goldberg (until June 20, 2007)

- FAPS Holdings, Inc., Member of the Board²⁾
- Keystone Foods Holdings, LLC, Member of the Board²⁾
- Maine Beverage Company, LLC, Member of the Board²⁾
- PetroLogistics, LLC, Member of the Board²⁾
- EnergySolutions, LLC, Member of the Board²⁾
- Alliant Insurance Services, Inc., Member of the Board²⁾
- Cap Rock Holding Corporation, Member of the Board²⁾
- Smurfit Stone Corporation, Member of the Board²⁾
- FSB Global Holdings, Inc., Member of the Board²⁾
- Intermax Holdings, Inc., Member of the Board²⁾
- Brock Holdings, Inc., Member of the Board²⁾

¹⁾ Membership in legally required Supervisory Boards as defined by section 125 AktG (German Stock Corporation Act)

²⁾ Membership of similar corporate Supervisory Bodies in Germany and abroad as defined by section 125 AktG (German Stock Corporation Act)

Robert J. Koehler (since December 11, 2007)

- Benteler AG, Chairman of the Supervisory Board¹⁾
- Pfeleiderer AG, Member of the Supervisory Board¹⁾
- AXA Versicherung AG, Member of the Supervisory Board, until June 30, 2007¹⁾
- Heidelberger Druckmaschinen AG, Member of the Supervisory Board¹⁾
- Demag Cranes AG, Member of the Supervisory Board¹⁾
- Lanxess AG, Member of the Supervisory Board¹⁾

Frank H. Lakerveld

- Sonepar Nederland B.V., Deputy Chairman of the Supervisory Board²⁾
- Sonepar Holding S.A., Chairman of the Supervisory Board²⁾
- Sonepar Canada Inc., Chairman of the Board²⁾
- Osso Electric Suppliers, Inc., Member of the Board, from March 6, 2007²⁾
- Otra N.V., Member of the Supervisory Board²⁾
- Tatje GmbH & Co KG, Member of the Advisory Board²⁾
- Sonepar Nordic A/S, Member of the Supervisory Board²⁾
- Sonepar Ibérica S.A., Member of the Supervisory Board²⁾
- Sonepar US Holdings, Inc., Member of the Board, from February 26, 2003²⁾
- Sonepar E.C.O., Member of the Supervisory Board²⁾
- Sonepar France S.A., Member of the Supervisory Board, from June 2, 2004²⁾
- Sonepar France, Comptoir d'Electricité Franco-Belge, Member of the Supervisory Board, from March 9, 2007²⁾

- Sonepar Italia SpA, Member of the Supervisory Board²⁾
- Sonepar Mexico S.A. de C.V., Member of the Supervisory Board²⁾
- Sonepar Belgium CECEO S.A., Member of the Supervisory Board²⁾

Robert D. Lindsay (until June 20 2007)

- Pike Electric Corporation, Member of the Board²⁾
- FAPS Holdings, Inc., Member of the Board²⁾
- Keystone Foods Holdings, LLC, Member of the Board²⁾
- Maine Beverage Company, LLC, Member of the Board²⁾
- PetroLogistics, LLC, Member of the Board²⁾
- EnergySolutions, LLC, Member of the Board²⁾
- Alliant Insurance Services, Inc., Member of the Board²⁾
- Cap Rock Holding Corporation, Member of the Board²⁾
- Darlene Investments LLC, Member of the Board²⁾
- Identity Group, L.L.C., Member of the Board²⁾
- Bessemer Holdings Asia, L.L.C., Member of the Board²⁾
- The Bessemer Group, Inc., Member of the Board²⁾
- Bessemer Trust Company, NA, Member of the Board²⁾
- Bessemer Trust Company of Florida, Member of the Board²⁾
- FSB Global Holdings, Inc., Member of the Board²⁾
- Intermax Holdings, Inc., Member of the Board²⁾
- Brock Holdings, Inc., Member of the Board²⁾
- Bell Nursery Holdings LLC, Member of the Board²⁾

¹⁾ Membership in legally required Supervisory Boards as defined by section 125 AktG (German Stock Corporation Act)

²⁾ Membership of similar corporate Supervisory Bodies in Germany and abroad as defined by section 125 AktG (German Stock Corporation Act)

Dr. Jochen Melchior (since June 20, 2007)

- AXA Service AG,
Member of the Supervisory Board¹⁾
- Nationalbank AG,
Member of the Supervisory Board¹⁾
- Klöckner-Werke AG, Member of the Supervisory Board, until July 31, 2007¹⁾
- KHS AG, Member of the Supervisory Board, until June 30, 2007¹⁾
- Logika AG, Chairman of the Supervisory Board, until July 31, 2007¹⁾
- Tecon Technologies AG, Chairman of the Supervisory Board, from August 1, 2007¹⁾
- Mattson Technology Inc, Chairman²⁾
- Ernst & Young AG,
Member of the Advisory Board²⁾
- Universitätsklinikum Essen AöR,
Member of the Supervisory Board²⁾

Dr. Hans-Georg Vater (since June 20, 2007)

- SAB Spar- und Anlagenberatung AG,
Member of the Supervisory Board¹⁾
until August 21, 2007
- ENRO Geothermie AG,
Deputy Chairman of the Supervisory Board¹⁾
- MEDION AG,
Deputy Chairman of the Supervisory Board¹⁾
- Athens International Airport S.A.,
Member of the Board of Directors²⁾
- HAPIMAG AG,
Member of the Board of Directors²⁾
- DEMATIC GmbH & Co. KG,
Member of the Advisory Board²⁾,
since August 1, 2007
- OWA Odenwald Faserplattenwerk GmbH,
Member of the Advisory Board²⁾
- Illbruck GmbH,
Member of the Supervisory Board,
until April 16, 2007²⁾

¹⁾ Membership in legally required Supervisory Boards as defined by section 125 AktG (German Stock Corporation Act)

²⁾ Membership of similar corporate Supervisory Bodies in Germany and abroad as defined by section 125 AktG (German Stock Corporation Act)

DECLARATION OF THE MANAGEMENT BOARD ON THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Klöckner & Co AG, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Duisburg, February 29, 2008

The Management Board



Dr. Thomas Ludwig
Chairman of the Management Board



Gisbert Rühl
Chief Financial Officer

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Klöckner & Co AG, Duisburg, for the business year from January 1 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB (Handelsgesetzbuch "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence

supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Cologne
March 7, 2008

KPMG Hartkopf + Rentrop Treuhand KG
Wirtschaftsprüfungsgesellschaft

Philippi
Wirtschaftsprüfer

Michels-Scholz
Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

In financial year 2007, the Supervisory Board performed the duties for which it is responsible according to law, the Articles of Association and the Rules of Procedure. It was involved in all key matters of the company and its investment companies. The meetings of the Supervisory Board regularly discussed the general economic situation, the industry situation, the business performance of the Klöckner & Co Group and the performance of Klöckner & Co shares. The Management Board also provided us with detailed monthly written reports on the sales, earnings and financial situation of the Group and its major operating companies and the development of the capital market, peer group companies and the share price in the form of Board reporting. The Management Board maintained regular contact with the Chairman of the Supervisory Board. There was a routine monthly discussion of the Group's situation and strategic issues between the Management Board and the Chairman of the Supervisory Board.

Corporate governance, organization of the work of the Supervisory Board

With a few justified exceptions, the work of the Supervisory Board is regulated by the provisions of the German Corporate Governance Code (GCGC). On March 5, 2007 the Management Board and Supervisory Board issued the declaration of compliance in accordance with section 161 AktG (German Stock Corporation Act). In line with the announced schedule, this declaration was updated on December 12, 2007. In the meeting of the Supervisory Board on September 20, 2007, the Rules of Procedure for the Management Board and the Supervisory Board were adapted in line with the new developments of the provisions of the GCGC and, in particular, passed a compliance guideline for the Klöckner & Co Group to support and control the integrity of the actions of all its

employees. Caps were introduced for tranches two to five of the Management Board's virtual stock option program in line with the recommendation of the GCGC and the service agreements of the members of the Management Board were adjusted accordingly (see also the Remuneration report).

The Supervisory Board has an Executive Committee and an Audit Committee. In line with the Rules of Procedure, the Executive Committee also performs the function of a Personnel Committee, a Committee for Urgent Matters and – according to the latest amendment to the GCGC – a Nomination Committee to prepare proposals for appointments for Supervisory Board mandates. All the committees consist of three members and – with the exception of the Audit Committee – are headed by the Chairman of the Supervisory Board. The Management Board was regularly and closely involved in the work of the Supervisory Board. The members of the Management Board took part in the meetings and conference calls of the Supervisory Board and its committees unless they themselves were the subject of discussion.

In 2007, the Supervisory Board met for four face-to-face meetings. The Audit Committee met twice, the Executive Committee three times. The Executive Committee also passed several urgent resolutions outside meetings as the Committee for Urgent Matters. The Supervisory Board as a whole passed other urgent resolutions at short notice outside meetings by written procedure or in conference calls. Furthermore, in anticipation of its function as the Nomination Committee, the Executive Committee met on September 20, 2007 and proposed a new member of the Supervisory Board for court appointment.

The Rules of Procedure resolved by the Supervisory Board for the Management Board contain detailed regulations for the cooperation between the Management Board and the Supervisory Board including an extensive list of key or extraordinary transactions and measures in the Group requiring the approval of the Supervisory Board and the plan devised by the Supervisory Board for the division of the Management Board's duties. In Fall 2007, in order to limit the number of procedures requiring joint participation to the essentials, the Supervisory Board raised the approval limits in the Rules of Procedure as part of the adjustment in line with the amendments to the GCGC and revised the list of transactions requiring approval on the basis of past experience.

In its meeting on December 12, 2007, the Supervisory Board extensively discussed the examination of the efficiency of its work. These discussions focused on issues of the composition of the Supervisory Board and the division of its responsibilities and the content and organization of its work. The conclusion was reached that no acute need for action to improve the efficiency of the work of the Supervisory Board is currently discernible. This issue is scheduled to be covered again in a more structured form in Fall 2008 on the basis of the experience available at that time.

Work focusing on acquisitions and Group financing

In addition to corporate governance issues, work in 2007 focused mainly on the implementation of the acquisition program and measures to optimize Group financing. The Management Board provided informative documentation in all cases. Where necessary, the committees of the Supervisory Board prepared decisions in plenary sessions and in individual cases made a decision in place of the

Supervisory Board session. The committee chairpersons regularly and comprehensively reported on the content and outcome of committee meetings in plenary sessions. In the appropriate cases, the Supervisory Board voted after thoroughly examining and discussing the issues at hand.

In a conference call on March 15, 2007, the Supervisory Board decided on the acquisition of Primary Steel LLC on the basis of an extensive written proposal. As one of the largest acquisitions in the history of Klöckner & Co, the acquisition of the US distribution company allowed the Group to increase its market share in the US significantly. In the meeting of the Supervisory Board on March 28, 2007, options for optimizing Group financing were discussed and a decision was made on the holding facility of up to €600 million. This was placed in Spring 2007 in the form of a syndicated loan, significantly expanding the Group's financial scope. At its meeting on April 25, 2007, the Supervisory Board approved the repayment of the high yield bond originating from the 2005 acquisition financing by written procedure. It also approved an acquisition focused on stainless steel distribution area in Germany.

On May 25, 2007, the Supervisory Board also approved by written procedure the two-stage expansion of the investment in Switzerland by increasing the company's equity interest in its Swiss subsidiary Debrunner Koenig Holding AG and a further acquisition in the US and an acquisition in the UK. The full acquisition of the Swiss subsidiary also opens up other options for optimizing Group financing in future.

The main topic of discussion at the Supervisory Board meeting on June 20, 2007 was the preparation for the subsequent Annual General Meeting.

In addition, there was an involved discussion regarding the planned issuance of a convertible bond. On July 10, 2007, on the basis of the resolution by the Annual General Meeting to create conditional capital for this purpose, the Supervisory Board approved the indicative conditions for the issuance of the convertible bonds and delegated final approval to the Executive Committee. In turn, it approved the final conditions and the issuance in two conference calls on July 17 and 18, 2007. On July 25, 2007, the Supervisory Board resolved in written procedure the acquisition of a majority investment in the Bulgarian market leader for metal distribution.

The meeting on September 20, 2007 focused on corporate governance issues including the compliance guideline. In addition, it approved a further acquisition in the UK and commissioned the auditor to audit the 2007 annual and consolidated financial statements on the basis of a proposal by the Audit Committee and to review compliance with the Group's internal guidelines and compliance with the recommendations of the GCGC. Furthermore, the Supervisory Board followed the proposal of the Management Board to recommend to the Annual General Meeting in 2008 the change in the legal form of the company from a German stock corporation to a European company (*Societas Europaea*, SE). The Management Board was instructed to take all necessary preparatory measures in this regard.

In its meeting on December 12, 2007, the Supervisory Board and the Management Board discussed its extensive program of measures for the future strategic direction of the Klöckner & Co Group including several major structural measures and acquisition goals. The budget for 2008 was discussed and passed in the same meeting.

Annual financial statements

These annual financial statements of Klöckner & Co AG for the 2007 financial year, the consolidated financial statements and the group management report have been audited by the auditor appointed by the Annual General Meeting and commissioned by the Supervisory Board, KPMG Hartkopf + Rentrop Treuhand KG Wirtschaftsprüfungsgesellschaft, and have each received an unqualified audit opinion. The audit reports and the financial statement documents were made available to all members of the Supervisory Board. They were discussed by both the Audit Committee and the plenary session.

The auditor took part in the discussions of the Audit Committee and the Supervisory Board on March 31, 2008, reported on the key findings of the audit and answered questions. The Supervisory Board acknowledged the findings of the audit. The review of compliance with the Group's internal guidelines and compliance with the recommendations of the GCGC did not give rise to any material objections.

Following its final review of the annual financial statements and the management report of the company and the consolidated financial statements and the Group management report and in line with the recommendation of the Audit Committee, the Supervisory Board raises no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board in its meeting on March 31, 2008. The annual financial statements are thereby adopted. The Supervisory Board agrees with the proposal of the Management Board for the appropriation of the net retained profits.

With respect to the risk detection system, the auditor stated that the Management Board had

taken the measures required in accordance with section 91 para 2 of the Aktiengesetz (AktG – German Stock Corporation Act), including in particular those for establishing a monitoring system, in an appropriate manner and that the monitoring system is capable of detecting of developments that could jeopardize the company's continued existence at an early stage. Furthermore, the Management Board submitted to the Supervisory Board the related parties report in accordance with section 312 AktG that was required on account of the company's major shareholder at the start of the reporting period and the audit report prepared on this subject by the auditor. The wording of the unqualified audit opinion in the audit report concerning the dependent company report is as follows:

"According to our dutiful audit and evaluation, we confirm that

1. the factual information and statements made in the report are correct,
2. the compensation issued by the Company in exchange for the acts in law listed in the report was not inappropriately high."

The Supervisory Board also examined the related parties report by the Management Board and following our final review have no objections to the declaration made by the Management Board at the end of the report. The Supervisory Board approves the auditor's report on the Management Board's report.

Personnel changes

Robert D. Lindsay and Alan E. Goldberg resigned their offices as members of the Supervisory Board on June 20, 2007. Michael W. Dees left the Supervisory Board in mid-November 2007. On June 20, 2007, the Annual General Meeting elected Dr. Jochen Melchior and Dr. Hans-Georg Vater as the

successors to Alan E. Goldberg and Robert D. Lindsay. Effective December 11, 2007, Robert J. Koehler was court appointed succeeding Michael W. Dees. This appointment is limited until the next Annual General Meeting. Dr. Jochen Melchior was the former Chairman of the Management Board of the former STEAG AG, Essen, Dr. Hans-Georg Vater was the CFO of Hochtief AG, Essen. Robert J. Koehler is the Chairman of the Management Board of SGL CARBON AG, Wiesbaden.

On June 20, 2007, Dr. Hans-Georg Vater was appointed as the successor to Alan E. Goldberg as a member of the Executive Committee and on December 12, 2007 as the successor to Michael W. Dees as the Chairman of the Audit Committee. The Supervisory Board thanks the three gentlemen who have left its ranks for their dedication and successful work for the company as well as their outstanding cooperation on the body.

On January 25, 2008, the Supervisory Board resolved to appoint Ulrich Becker as a further member of the Management Board for a further period of five years. Ulrich Becker will essentially be responsible for the operating management of the Europe segment and purchasing for the Klöckner & Co Group.

The Supervisory Board wishes to thank and acknowledge the Management Board and all the employees for their highly successful work in financial year 2007.

Duisburg, March 31, 2008

Prof. Dr. Dieter H. Vogel
Chairman of the Supervisory Board

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