Management Board report on agenda item 6

Pursuant to section 71, para. 1, no. 8, sentence 5, section 186, para. 3, sentence 4 and para. 4, sentence 2 of the German Stock Corporation Act, the Management Board wishes to submit the following report on agenda item 6 on the grounds for the proposed authority of the Management Board to exclude the shareholders' subscription right in the sale of the company's own shares.

In line with the usual international practice, the provision of section 71, para. 1, no. 8 of the German Stock Corporation Act is intended to enable the company to use the acquisition of its own shares as an additional financial instrument. By resolution of the Annual General Meeting of June 20, 2008, the company is entitled to acquire its own shares. This authority resolution will only remain in effect until Dec. 19, 2009, however. In order to enable the company to acquire its own shares after this date, the Management Board and the Supervisory Board propose to the Annual General Meeting that the company should be authorized once again to acquire its own shares so that it may use the benefits associated with such an acquisition in the interest of the company and its shareholders.

The proposed authority will enable the company to acquire its own shares that total up to 10% of the current share capital by Nov. 25, 2010. This will ensure observance of the highest admissible limit. Acquisitions may only be done via the stock exchange or on the basis of a public bid to all shareholders. In the latter case, the company itself can issue a formal offer or call for the submission of sale bids. This will ensure compliance with the obligations stipulated by section 71, para. 1, no. 8, sentences 3 and 4 of the German Stock Corporation Act on the equal treatment of all shareholders. In the event of an acquisition by means of a public purchase offer, acceptance will be based on quotas if the offer is over-subscribed or if more shares than anticipated are offered to the company. A preferred acceptance of small lots of shares of up to 100 shares tendered or offered per shareholder and a rounding in accordance with commercial principles may be provided for in order to simplify the technical settlement process.

The authority provides for the fact that the acquired own shares may be sold to third parties with the exclusion of shareholders' subscription rights where this is done for the purpose of acquiring companies, parts of companies and/or stakes in companies or for the purpose of servicing option bonds and/or convertible bonds that were issued on the basis of the resolution under agenda item 9 of the Annual General Meeting of June 20, 2007, or agenda item 10 of the Annual General Meeting of June 20, 2008 or of agenda item 7 of this Annual General Meeting. In these cases, it should be made possible for the Management Board to be able to offer shares in the company consideration for the acquisition of these companies or stakes in companies and/or to grant the holders of option rights and/or conversion rights shares for the fulfillment of their claims without having to perform a capital increase.

As a result of national and international competition, it increasingly has to be possible to be able to offer shares instead of money as consideration in the acquisition of companies or stakes in other companies. The proposed authority provides the company with the necessary flexibility to use its own shares as currency for acquisitions and thereby to be able to react quickly and flexibly to attractive offers to acquire companies or stakes in companies. Account is also taken of this by the proposed authority to exclude shareholders' subscription rights. The Management Board will report to the Annual General Meeting regarding any use of this authority.

The proposed authority also provides for the sale of own shares to third parties in other ways than via the stock exchange or by way of a public offer to all shareholders as long as the company's own shares are sold in return for a cash payment and at a price that is not significantly below the relevant stock-exchange price. This is intended to ensure that the company issues shares to institutional investors, financial investors or other cooperating partners and, by setting prices close to the market rate, achieves as high a sale value as possible and ensures the greatest possible reinforcement of equity. This type of sale involves an exclusion of the subscription right of the shareholders, which is legally admissible as it corresponds to the simplified exclusion of subscription rights of section 186, para. 3, sentence 4 of the German Stock Corporation Act. This authority may only be exercised for up to 10% of share capital, including other authorities excluding the subscription right pursuant to section 186, para. 3, sentence 4 of the German Stock Corporation Act. As a result of this step, it can be assured that the legally admissible maximum limit of 10% of the share capital for such a simplified exclusion of subscription rights (section 186, para. 3, sentence 4 of the German Stock Corporation Act) is not exceeded. The Management Board will report to the Annual General Meeting regarding any exploitation of this authority.

Canceling acquired own shares without a further resolution in the Annual General Meeting ultimately enables the company to use the share capital reduction associated with cancellation in order to quickly and flexibly adjust its equity to the demands of the capital market.

Duisburg, in April 2009

Klöckner & Co SE

The Management Board